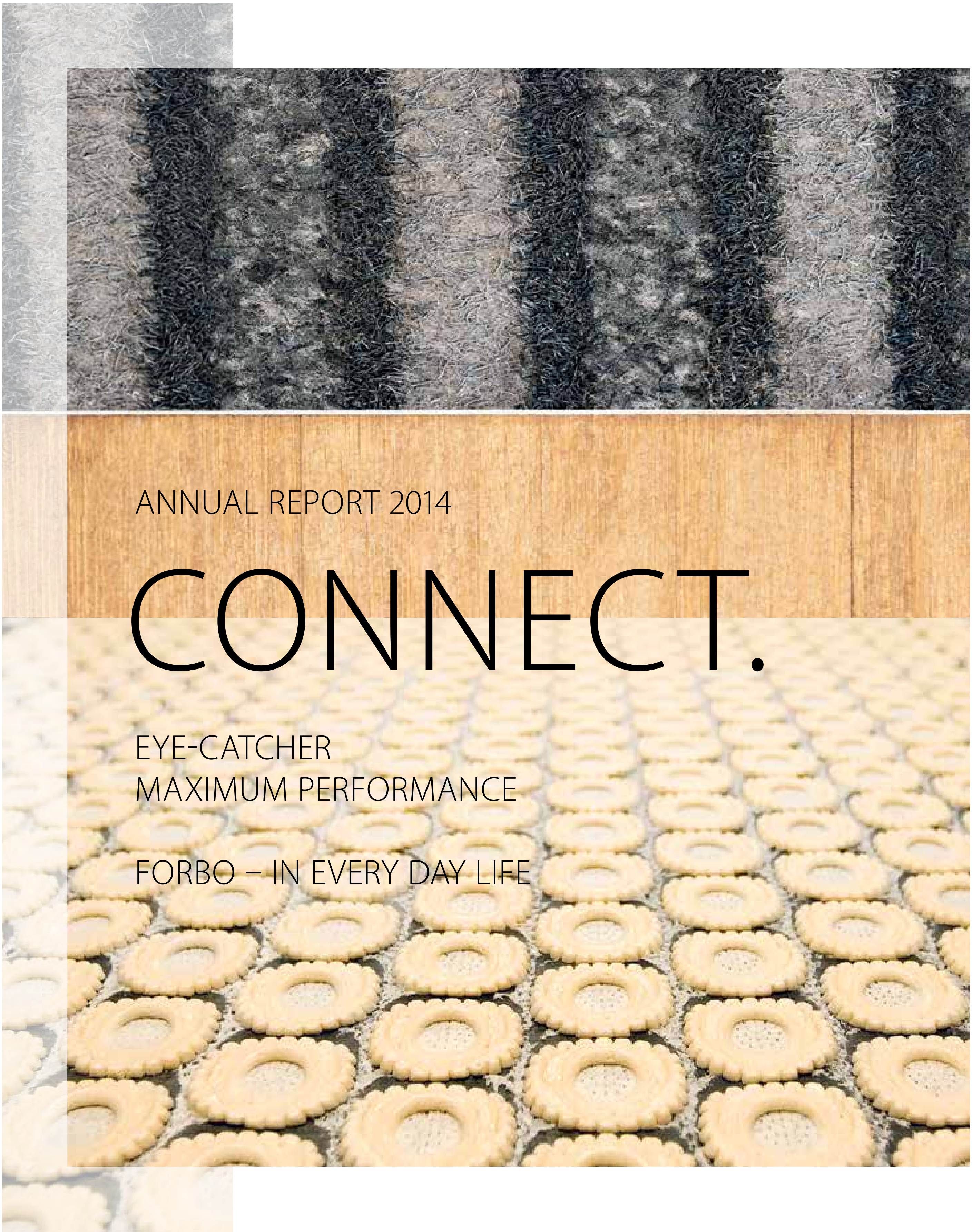


ANNUAL REPORT 2014

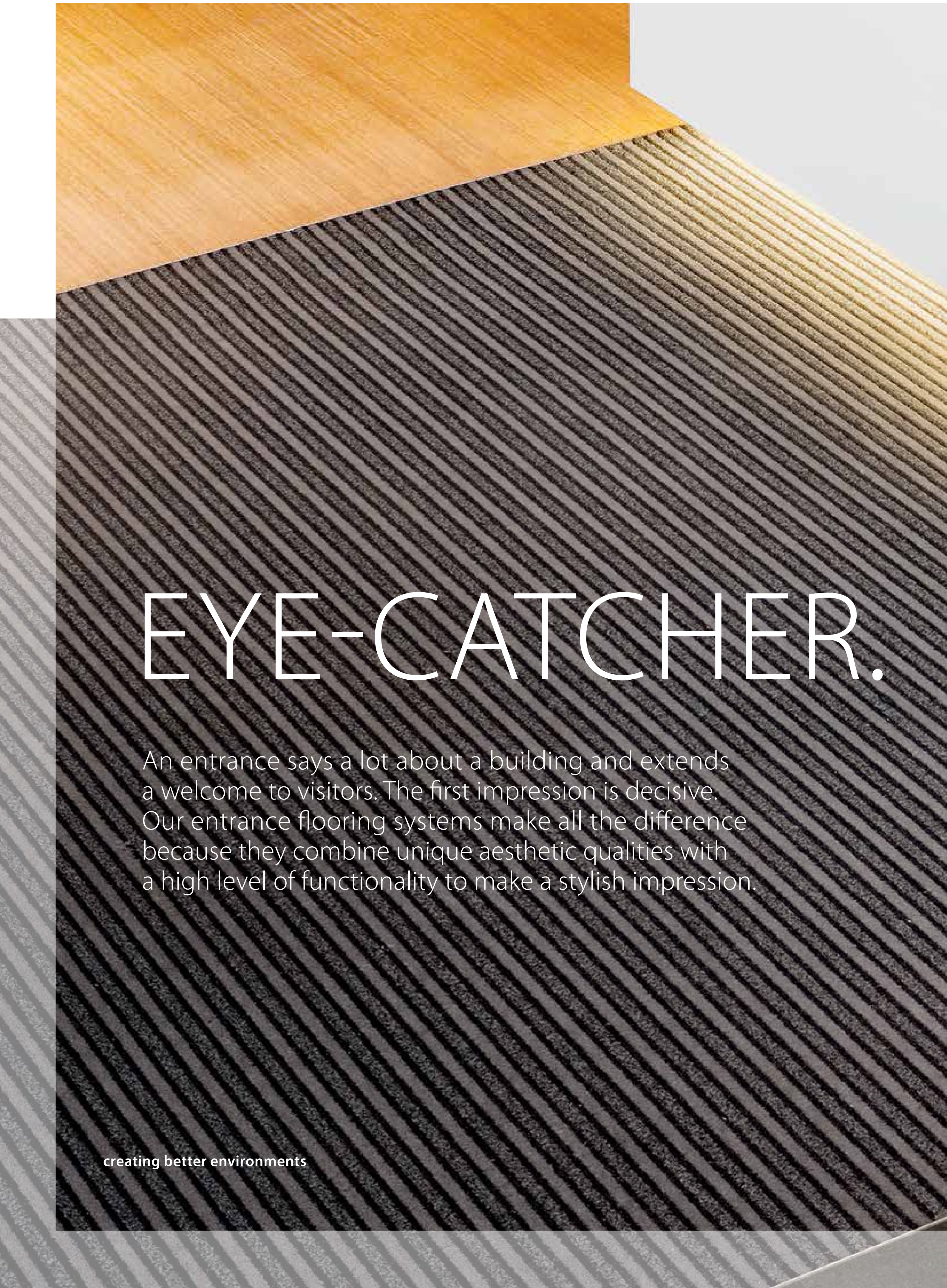
CONNECT.

EYE-CATCHER
MAXIMUM PERFORMANCE

FORBO – IN EVERY DAY LIFE

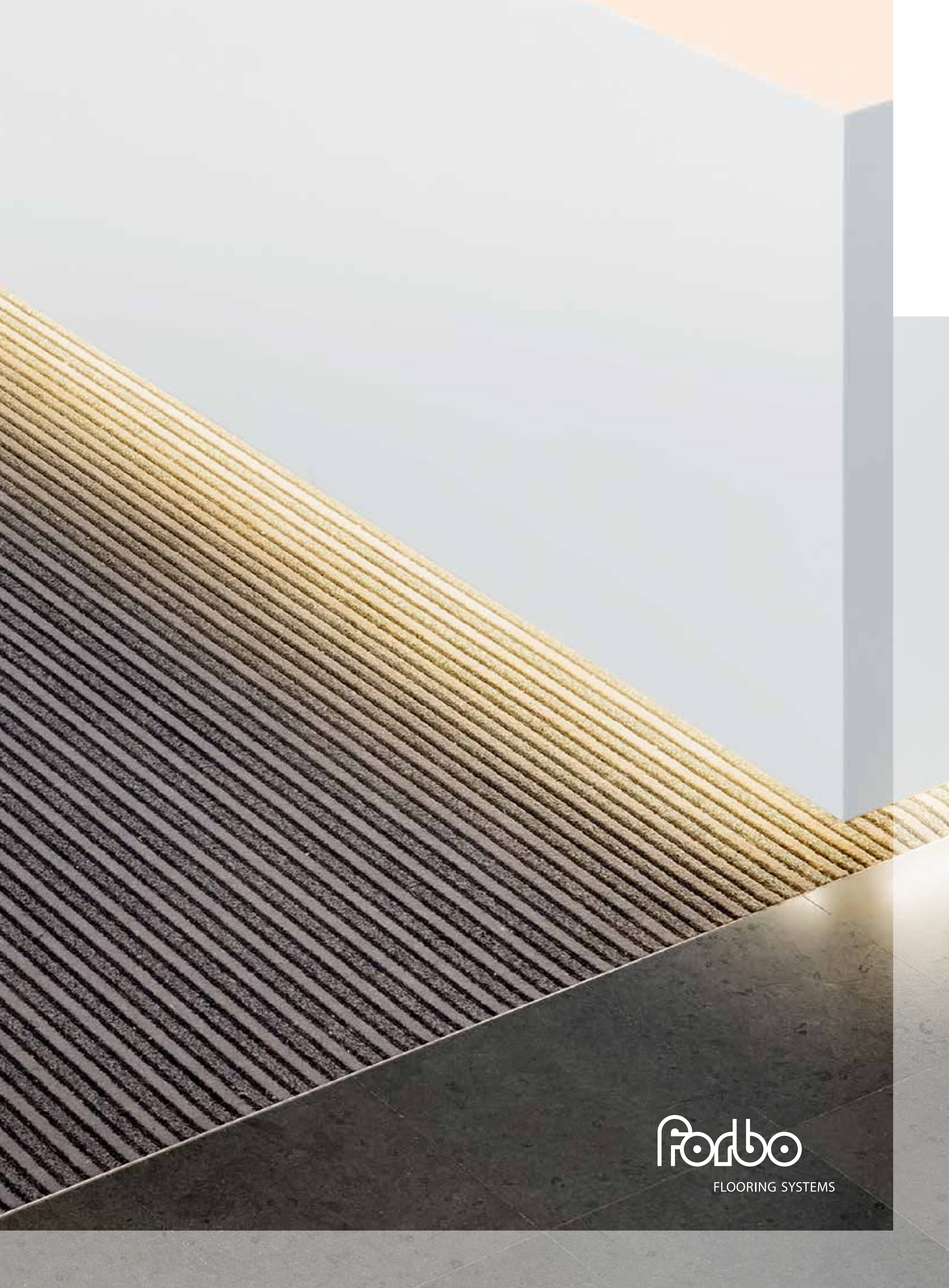
flooring. movement.

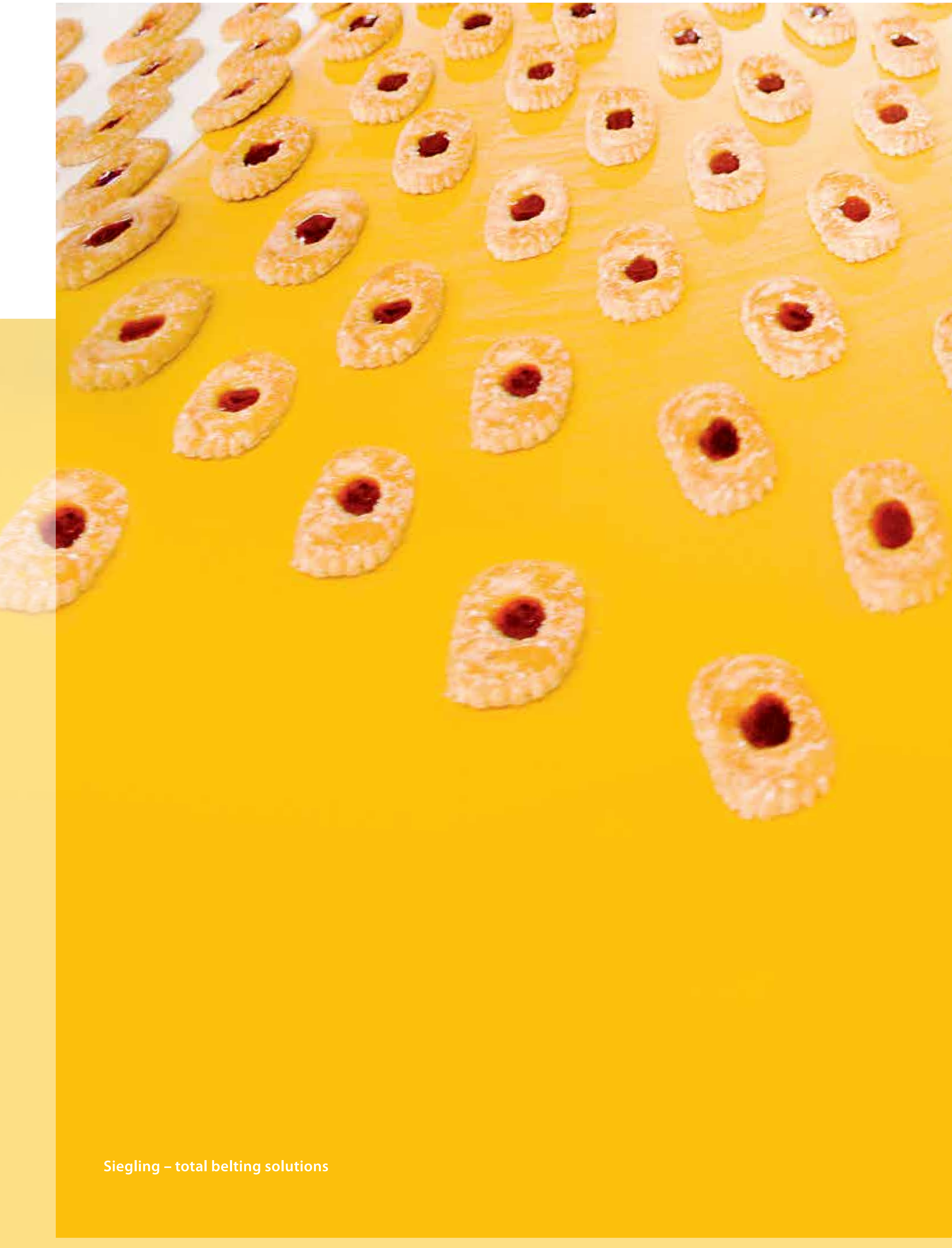
forbo



EYE-CATCHER.

An entrance says a lot about a building and extends a welcome to visitors. The first impression is decisive. Our entrance flooring systems make all the difference because they combine unique aesthetic qualities with a high level of functionality to make a stylish impression.


forbo
FLOORING SYSTEMS



Siegling – total belting solutions

MAXIMUM PERFOR-MANCE.

Hygiene is an essential factor in the production of foods of all kinds. Our conveyor belts with individual surface textures pass through icy cooling rooms and glowing ovens – challenges that they easily master thanks to their excellent quality.

MOVEMENT SYSTEMS

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

'Forbo remained on course for success in 2014. Its strategic focus on high-end products, coupled with ongoing expansion in growth markets and new market segments, drove strong growth and raised profit significantly in both divisions. Profitability, already at a high level, was further increased by targeted investments along the value chain.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo remains on course for success. Our three-pronged strategy – creating added value for our customers with high-end products and services, strengthening our distribution channels in growth markets, and systematically opening up new market segments outside the public sector – paid off again in 2014. We achieved gratifying, double-digit sales growth, especially in the expanding Asian markets, whereas expansion was more moderate in Russia and the South American markets.

In both divisions we positioned our attractive and innovation-enriched product portfolio in such a way that we were able to post above-average growth and gain market share even in the developed markets. In the consolidated income statement, though, the appreciation of the Swiss franc once again eroded the strong sales performance in local currencies.

In the Flooring Systems division, we successfully launched versatile new collections of our broad product portfolio, in particular modular designer floors, while selectively optimizing the value chain in order to further increase profitability.

In the Movement Systems division, we not only stepped up market activities but also had great success in launching a number of technologically sophisticated new developments that generated added value for our customers. At the same time, we streamlined manufacturing processes and optimized our services, and these efficiency gains contributed to a further significant increase in profitability.

In order to continue growing sales and profitability, we significantly increased investments in expanding capacity and raising efficiency.

Sales well above previous year

Sales trend remains firm
In 2014, Forbo generated gratifying growth in sales, which came to CHF 1,226.8 million (previous year: CHF 1,199.7 million). This is equivalent to an increase of 4.6% in local currencies, but only 2.3% when calculated in the corporate currency, owing to the negative impact of currency fluctuations. Sales in Swiss francs were eroded by about CHF 28 million in particular because of the weakening of the Russian ruble and the Japanese yen.

The sales of Flooring Systems rose by about CHF 11 million to CHF 884.6 million (previous year: CHF 873.5 million). This is equivalent to an increase of 3.4% in local currencies, but only 1.3% when calculated in the corporate currency, owing to negative currency effects. The success of our determined efforts to expand market segments in the private sector more than offset public sector sales, which are flat or even declining.

Movement Systems reported sales of CHF 342.2 million (previous year: CHF 326.2 million), a significant increase of 7.8% in local currencies. In the corporate currency, however, adverse currency effects reduced this increase to 4.9%. The investments in growth markets, particularly in recent years, are now having a positive impact.

Strong operating profit

Profitability further strengthened
Despite the ongoing expansion of our activities in growth markets, investments in production plants, and substantial expenditures for the development of high-end products plus various global market launches, we again succeeded in significantly increasing profitability in both divisions. The contributing factors were higher sales and further productivity gains all along the value chain.

Significantly higher operating profit margins
Both divisions reported a significant improvement in operating profit before depreciation and amortization (EBITDA), which rose by 7.6% to CHF 185.1 million (previous year: CHF 172.1 million). Forbo reported operating profit (EBIT) of CHF 149.4 million (previous year: CHF 135.7 million), which was again a double-digit gain of 10.1%.

Both divisions also considerably improved their operating profit margins. The EBITDA margin rose by 0.8 percentage points to 15.1% (previous year: 14.3%). The EBIT margin was up by 0.9 percentage points to 12.2% (previous year: 11.3%).

Again double-digit growth in Group profit

Another year of above-average profitability
Driven by the marked improvement in operating profit and bolstered by financial income of CHF 4.9 million (previous year: CHF 5.2 million), growth in Group profit from continuing operations was again in the double-digit range, up 12.0% to CHF 123.4 million (previous year: CHF 110.2 million).

Balance sheet remains in great shape

High net cash
In the year under review, net cash decreased by CHF 54.3 million to CHF 252.6 million (previous year: CHF 306.9 million).

The decline is due on the one hand to higher investments designed to secure our future operational activities and on the other hand to the share buyback program in the reporting year. In addition, as at December 31, 2014, Forbo held 261,150 of its own shares valued at year-end at CHF 259.7 million (previous year: CHF 165.6 million). Of this total, 158,467 shares are earmarked for the capital reduction in accordance with the decision of the 2015 Ordinary General Meeting.

The equity ratio still remains at a high level of 67.4% (previous year: 69.8%).

The program to repurchase the company's own shares in the reporting year has resulted in earnings accretion. Earnings per share from continuing operations (undiluted) therefore rose disproportionately by 16.4% to CHF 61.92 (previous year: CHF 53.21).

Forbo is in pole position for further growth opportunities
With our focused market leadership, our sound balance sheet and our systematically implemented strategy, we are well placed to force the pace of expansion in growth markets while also taking advantage of external growth opportunities in order to enhance Forbo's strategic positioning. However, we will make acquisitions only if we can thereby create added value for our shareholders. For the time being, we are holding the liquidity as a strategic reserve. The high level of liquidity, plus future operating cash flows, enable the Board of Directors to make further share buybacks without restricting the Group's scope for future acquisitions.

Proposals to the Ordinary General Meeting

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. The Ordinance allows for a transition period until the end of 2015. The Board of Directors promptly submitted a comprehensive amendment of the Articles of Association to the Ordinary General Meeting of April 25, 2014, which was passed by a large majority.

Elections to the Board of Directors
As of the 2014 Ordinary General Meeting and in accordance with the OaER and the amended Articles of Association, all members of the Board of Directors are now elected in individual ballots for a term of one year.

All the current members of the Board of Directors will stand for re-election for a further one-year term of office.

Increase in the dividend from CHF 14 to CHF 16
Despite the volatile environment and in the interests of a consistent dividend policy, the Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend of CHF 16 per share for the 2014 business year (previous year: CHF 14), which equates to an increase of CHF 2 per share. This dividend will be paid out to shareholders as a tax-exempt distribution from capital contribution reserves.

Share buyback program
The Board of Directors will propose to the Ordinary General Meeting the cancelation of the company's own shares repurchased to date as part of the share buyback program. At the same time, the Board of Directors proposes, over a period of three years, the repurchase of further own shares up to a maximum of 10 percent of the share capital via a second trading line on the SIX Swiss Exchange or by other means in order to reduce capital.

Well positioned for 2015

Outlook for 2015
The current global political and economic situation is difficult to assess.

Since the Swiss National Bank decided to no longer peg the Swiss franc to the Euro exchange rate on January 15, 2015, the foreign exchange markets have also been in turmoil and this has had a knock-on effect on economic developments.

In recent years, Forbo has strongly increased its global presence and now operates in various economic zones with different currencies, which on the whole has had a stabilizing effect on the Forbo Group. Thanks to our strong strategic positioning, we again anticipate an increase in sales and profitability in local currencies in 2015.

However, sales and profit in the corporate currency will be eroded once the local results are translated into Swiss francs. We have therefore taken a number of additional measures to offset these currency effects by even stronger operational performance.

Barring any change in the foreign exchange situation, we anticipate to generate a Group profit from continuing operations in 2015 that is at the same level as in the previous year.

Thank you

Thanks to employees, business partners, and shareholders
The impressive performance in the past year is due to the cooperation of all our employees who have made a valuable contribution through their commitment and professionalism. The key factors for success in the future, as in the past, are quality, reliability, innovation, efficiency and prudence in turbulent times.

We also wish to thank our customers, business partners, and suppliers for their professionalism and the confidence they have placed in our company.

On behalf of the Board of Directors and the Executive Board, we thank you too, in particular, dear shareholders, for the deep trust and loyalty you show to Forbo.

Baar, March 2015

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting:	**April 24, 2015**
Publication of Half-Year Report 2015:	**August 18, 2015**
Publication of Annual Report 2015:	**March 15, 2016**

CONTENTS

AT A GLANCE

2014 AT A GLANCE

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

The company employs more than 5,100 people and has an international network of 24 production and distribution companies, 6 assembly operations and 42 pure sales organizations in a total of 36 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

FORBO IN FIGURES

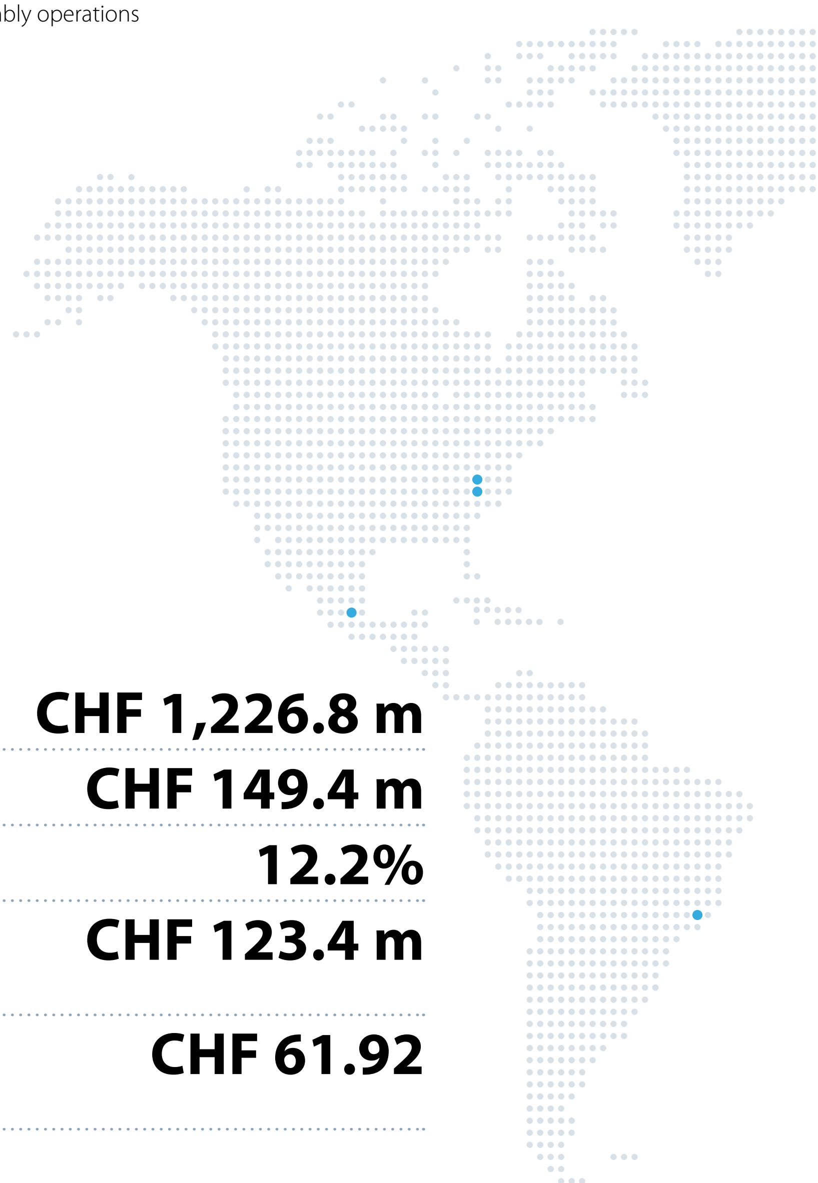
Forbo is a global player, and its two divisions supply a wide range of industries. The Group's global reach means that it is close to dynamic markets, making Forbo the first choice as a local partner for customers that have similar global requirements. The quality, longevity, and performance of our products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

Flooring Systems
15 production facilities in 6 countries and distribution companies in 24 countries. Sales offices in Europe, North, Central and South America as well as Asia/Pacific.

- Floor coverings
- Building and construction adhesives

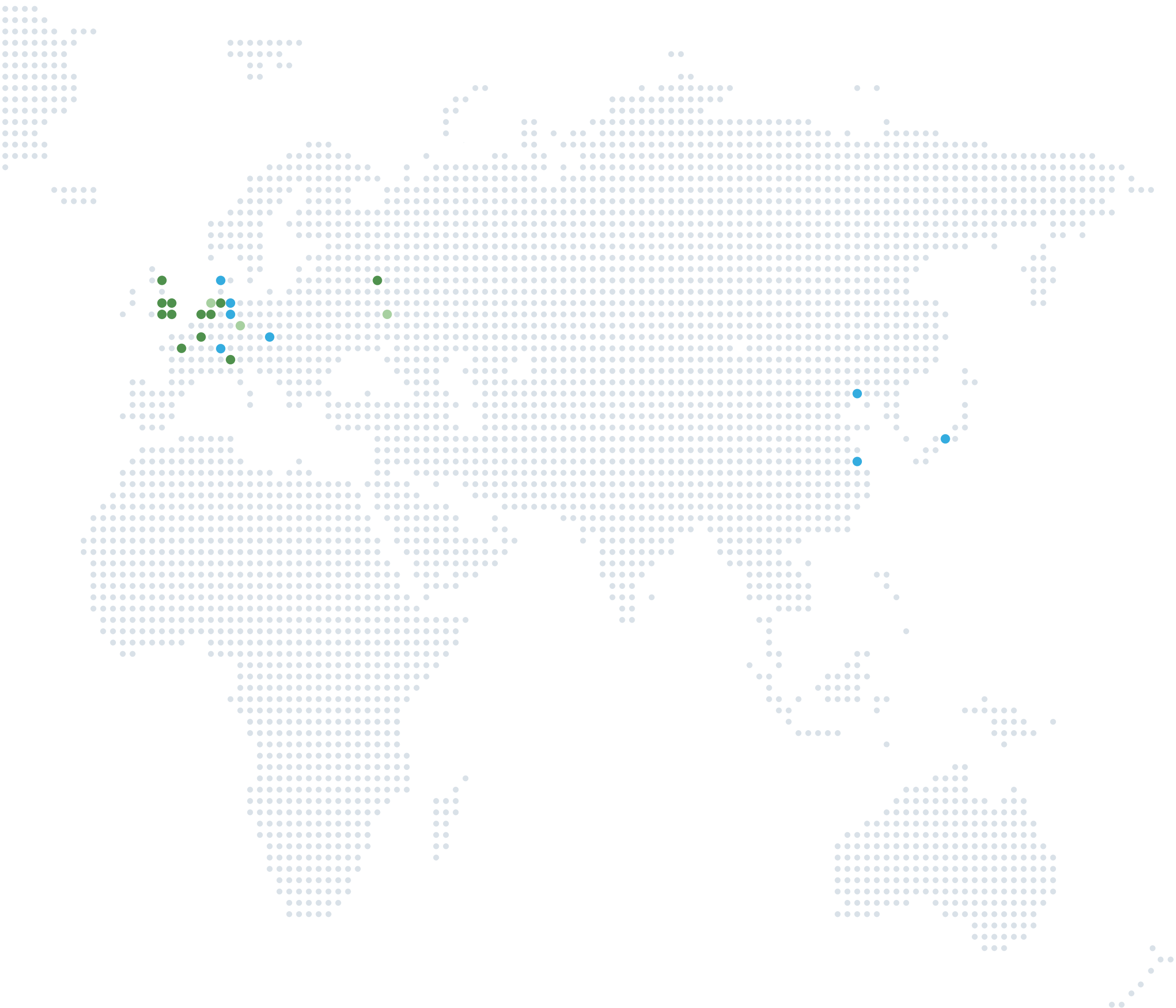
Movement Systems
9 production sites and 6 assembly operations in 9 countries and distribution companies in 29 countries. 300 sales and service offices worldwide.

- Production facilities and assembly operations



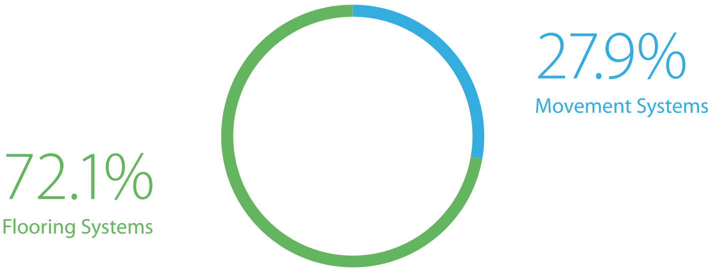
Net sales	**CHF 1,226.8 m**
EBIT	**CHF 149.4 m**
EBIT margin	**12.2%**
Group profit from continuing operations	**CHF 123.4 m**
Earnings per share undiluted	**CHF 61.92**

Net sales in local currencies	**+4.6%**
EBIT	**+10.1%**
Group profit from continuing operations	**+12.0%**
Earnings per share undiluted	**+16.4%**



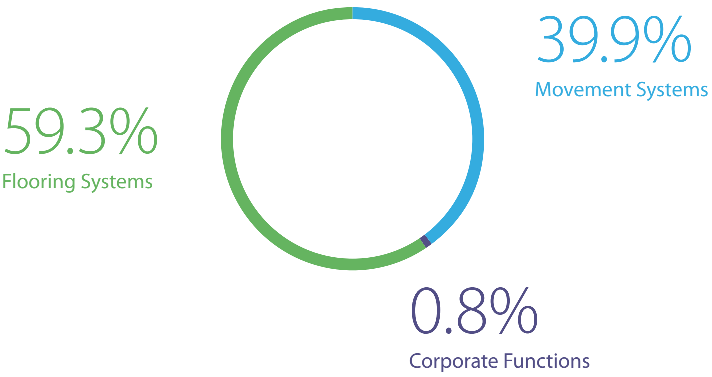
Net sales by division

	CHF m 2014	Change on previous year in %	Change on previous year in local currencies in %	In % of total
Flooring Systems	884.6	+ 1.3	+ 3.4	72.1
Movement Systems	342.2	+ 4.9	+ 7.8	27.9
Total	**1,226.8**	**+ 2.3**	**+ 4.6**	**100.0**



Employees by division

	Number 2014	Change on previous year in %	In % of total
Flooring Systems	3,059	+ 1.0	59.3
Movement Systems	2,060	+ 4.3	39.9
Corporate Functions	42	+ 2.4	0.8
Total	**5,161**	**+ 2.3**	**100.0**



Financial overview Forbo Group

	2014	2013	Change on previous year
Income statement	CHF m	CHF m	in %
Net sales	1,226.8	1,199.7	+ 2.3
Flooring Systems	884.6	873.5	+ 1.3
Movement Systems	342.2	326.2	+ 4.9
EBITDA	185.1	172.1	+ 7.6
EBIT	149.4	135.7	+ 10.1
Group profit from continuing operations	123.4	110.2	+ 12.0
Group profit	123.6	117.6	+ 5.1
Balance sheet	CHF m	CHF m	in %
Total assets	1,095.6	1,127.0	– 2.8
Operating assets	803.5	788.4	+ 1.9
Shareholders' equity	738.8	786.8	– 6.1
Net cash	252.6	306.9	– 17.7
Cash flow statement	CHF m	CHF m	in %
Cash flow from operating activities	147.3	128.1	+ 15.0
Cash flow from investing activities	– 13.0	52.9	n/a
Free cash flow	134.3	181.0	– 25.8
Key ratios	%	%	in %
ROS (EBITDA/net sales)	15.1	14.3	+ 5.6
Equity ratio (shareholders' equity/total assets)	67.4	69.8	– 3.4
Gearing (net debt/shareholders' equity)	– 34.2	– 39.0	+ 12.3
Employees (as at December 31)	Number	Number	in %
Total employees	5,161	5,047	+ 2.3
Ratios per share, from continuing operations	CHF	CHF	in %
Earnings per share (undiluted)[1)]	61.92	53.21	+ 16.4
Equity (undiluted)	370.7	379.9	– 2.4
Dividend	16.0[2)]	14.0[3)]	+ 14.3
Stock market capitalization (as at December 31)	CHF m	CHF m	in %
Stock market capitalization[4)]	2,138.2	1,714.5	+ 24.7

1) See note 14 'Earnings per share' on page 117 of the financial report.

2) The Board of Directors proposes to the Ordinary General Meeting of April 24, 2015, the distribution of a dividend in the amount of CHF 16 per registered share.

3) Approval of a dividend of CHF 14 per registered share at the Ordinary General Meeting of April 25, 2014.

4) Total number of shares multiplied by year-end share price.

STRONG GROWTH AND A SIGNIFICANT INCREASE IN EARNINGS

Amid challenging market conditions in the 2014 business year, Forbo stayed right on course and produced impressive results. Both divisions generated robust growth stimuli and contributed to the positive sales figures in all regions. This success was driven by a number of factors: the launch of new high-end products and collections offering added value for our customers, the ongoing development and expansion of local distribution sites and service points in fast-growing markets, and selective measures to improve customer service and logistics.

Taken together, the gratifying growth in sales plus targeted investments in new tools, steps to expand production, and productivity gains along the entire value chain produced sustained earnings power and profitability at Forbo.

With our very healthy balance sheet and our leading market positions, we are well placed to capitalize on future growth opportunities.

Sales trend remains firm

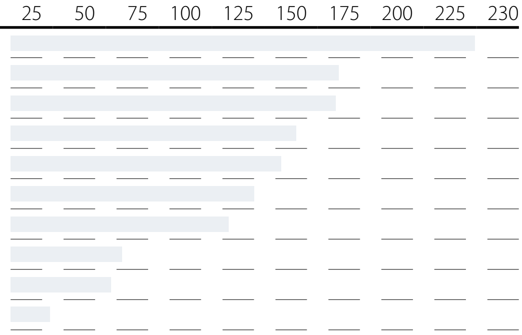
In 2014, Forbo generated gratifying growth in sales, which came to CHF 1,226.8 million (previous year: CHF 1,199.7 million). In local currencies, this is a gain of 4.6%, but in the corporate currency the increase came to only 2.3% owing to the negative impact of currency fluctuations. The adverse currency effects, affecting in particular the Japanese yen and the Russian ruble, had an impact of about CHF 28 million on sales.

The Flooring Systems division posted sales of CHF 884.6 million in the 2014 business year (previous year: CHF 873.5 million). In local currencies, this is a gain of 3.4%, but in the corporate currency the increase came to only 1.3% owing to the negative impact of currency fluctuations. The steady increase in sales since mid-year 2013 stems from the systematic implementation of our strategy, which calls for strengthening distribution channels and targeted expansion of the product portfolio for private sector customer segments.

The Movement Systems division generated sales of CHF 342.2 million in the year under review (previous year: CHF 326.2 million), which reflects a significant increase of 7.8% in local currency terms. In the corporate currency, the increase came to a gratifying 4.9% despite the negative currency effects. All regions – the saturated markets in Europe somewhat more modestly than the Asia/Pacific and Americas markets – contributed to this steep rise in sales and the corresponding gains in market share.

Net sales by geographic area

	%	Change on previous year in %	Change on previous year in local currencies in %	2014 CHF m
North, Central, and South America	18.8	+ 4.3	+ 7.1	229.1
Asia/Pacific and Africa	13.4	+ 2.9	+ 7.7	164.9
France	13.3	− 2.3	− 1.0	163.6
Germany	11.8	+ 2.2	+ 3.6	144.8
Great Britain/Ireland	11.2	+ 13.2	+ 9.2	137.7
Benelux	10.2	− 3.6	− 2.4	124.9
Scandinavia	9.2	− 1.0	+ 4.2	113.0
Eastern Europe	5.1	− 2.9	+ 7.0	62.7
Southern Europe	4.7	+ 7.9	+ 9.4	57.4
Switzerland	2.3	+ 4.2	+ 4.2	28.7
Total	**100.0**	**+ 2.3**	**+ 4.6**	1,226.8



Strong operating profit

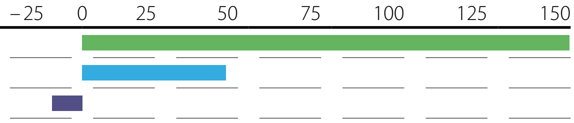
Despite the continuous expansion of our business activities in growth markets, investments in production plants, and substantial expenditures for the development of high-end products plus global market launches, both divisions significantly improved both operating profit before depreciation and amortization (EBITDA) and operating profit (EBIT).

Group EBITDA rose by 7.6%, while in the divisions Flooring Systems raised EBITDA by 7.8% and Movement Systems by 10.8%.

Group EBITDA came to CHF 185.1 million (previous year: CHF 172.1 million), while Flooring Systems reported EBITDA of CHF 149.6 million (previous year: CHF 138.8 million), and Movement Systems CHF 46.1 million (previous year: CHF 41.6 million). The Group increased its EBITDA margin by 0.8 percentage points to 15.1% (previous year: 14.3%), Flooring Systems by 1.0 percentage points to 16.9% (previous year: 15.9%), and Movement Systems by 0.7 percentage points to 13.5% (previous year: 12.8%).

EBITDA by division

	2014 CHF m	Change on previous year in %
Flooring Systems	149.6	+ 7.8
Movement Systems	46.1	+ 10.8
Corporate	– 10.6	– 27.7



Forbo again reported a double-digit gain of 10.1% in operating profit (EBIT), which rose to CHF 149.4 million (previous year: CHF 135.7 million). The Group EBIT margin rose by 0.9 percentage points to 12.2% (previous year: 11.3%).

The marked improvement in operating profit plus the strong financial income once more resulted in a double-digit increase in Group profit from continuing operations, which rose by 12.0% to CHF 123.4 million in the reporting year from CHF 110.2 million the previous year.

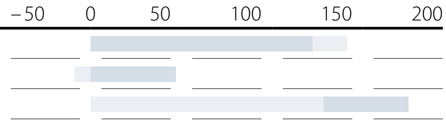
Taxes and financial income

The tax rate in the year under review came to 20.1%, compared with 21.8% the previous year.

Financial expenses declined to CHF 1.0 million (previous year: CHF 5.7 million) owing to the complete repayment of the CHF 150 million bond issued in 2009 with residual maturity in the summer of 2013. On the other hand, the Forbo Group posted financial income of CHF 5.9 million, due in particular to the investment of excess liquidity in a positive market environment. On balance, the financial result came to CHF 4.9 million (previous year: CHF 5.2 million).

Free cash flow

	2014 CHF m	2013 CHF m
Cash flow from operating activities	147.3	128.1
Cash flow from investing activities	– 13.0	52.9
Free cash flow	134.3	181.0



Net cash flow from operating activities
In the year under review, cash flow from operating activities came to CHF 147.3 million, which was CHF 19.2 million higher than the previous year (CHF 128.1 million), the main factor being the increase in operating profit. Cash flow from investing activities was negative in the year under review (CHF – 13.0 million versus CHF 52.9 million the previous year). One reason is that investments in property, plant, and equipment were higher than the previous year, but another is the fact that far fewer financial instruments were sold compared with the previous year. Free cash flow thus amounted to CHF 134.3 million (previous year: CHF 181.0 million).

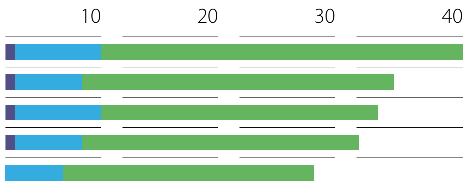
Balance sheet remains in great shape
Total assets as at December 31, 2014 stood at CHF 1,095.6 million (previous year: CHF 1,127.0 million). Net cash decreased by CHF 54.3 million to CHF 252.6 million (previous year: CHF 306.9 million). This decline can be explained primarily by the share repurchases made in the reporting year. Likewise, shareholders' equity reduced to CHF 738.8 million as at the end of December 2014 (previous year: CHF 786.8 million) owing to the share buybacks. The equity ratio still remains at a high level of 67.4% (previous year: 69.8%).

Significant increase in investment volume

In order to continue growing sales and profitability, we significantly increased investments in expanding capacity and boosting efficiency. In the reporting year, we concentrated our resources on key activities and strategic projects in the areas of market expansion and product technology. Accordingly, total investments in fixed assets in 2014 came to CHF 39.5 million, an increase in investment volume of 14.2% compared with the previous year's figure of CHF 34.6 million. In the reporting period, Flooring Systems invested CHF 29.9 million, 10.3% more than the previous year (CHF 27.1 million). The investments included automation projects and the expansion in production of high-quality modular vinyl designer floorings, new tools for modular linoleum production, and additional warehouse capacity. At Movement Systems, investments in fixed assets came to CHF 9.4 million, which was 32.4% higher than the previous year (CHF 7.1 million). The resources were invested mainly in the expansion of the product portfolio for specific applications in complex plant constructions, new tools for the production of plastic modular belts, the extension of the production plant in China, further expansion in growth markets, and new manufacturing technologies worldwide in order to satisfy customer needs even better and more efficiently.

Investments 2010 – 2014

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2014	30	9	1	40
2013	27	7	1	35
2012	24	9	1	34
2011	24	7	1	32
2010	22	6	0	28

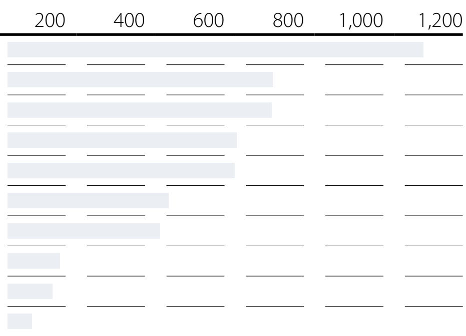


Increased headcount

At year-end 2014, the Forbo Group employed 5,161 people. This is altogether 114 employees more than at the end of the previous year. The individual percentage changes in staff levels by and large reflect market developments in the regions in question. The increases in Asia/Pacific, the Americas, and Eastern Europe were driven by the expansion of the sales and distribution organizations in these fast-growing markets. In Germany and the UK, where new hiring has been restrictive for some years, there was a personnel build-up in some areas, whereas in France we have acted responsibly with regard to staff increases owing to the currently muted level of demand in this market.

Employees by geographic area

	%	Change on previous year in %	2014
Benelux	21.3	+ 0.5	1,100
North, Central, and South America	14.0	+ 4.0	722
Asia/Pacific and Africa	13.9	+ 6.3	719
Germany	12.2	+ 2.9	632
Great Britain/Ireland	12.1	+ 2.1	625
Eastern Europe	8.9	+ 4.9	459
France	8.5	− 3.1	438
Switzerland	3.6	0.0	185
Scandinavia	3.2	− 0.3	166
Southern Europe	2.3	0.0	115
Total	**100.0**	**+ 2.2**	**5,161**



SUSTAINABLE ENGAGEMENT

A responsible attitude towards the management of resources in all dimensions is one of the fundamental values at Forbo. We are committed to protecting the environment and continuously investing in a sustainable future. As a manufacturer and employer conscious of its responsibilities, Forbo sets very high standards for health, safety, environment, and quality.

Social dimension

Forbo cultivates a high-performance culture in order to fulfill the high demands of our customers and business partners as well as our own demands on ourselves. This is why we promote the necessary capabilities and competences on all organizational levels, and support this internally with seminars and further training activities.

This means that the divisions provide internal training in a wide range of areas regarding products and applications, health and safety in the workplace, sales and marketing, finance, operations, project management, strategy implementation, and Forbo's values. Continuous intensive trainings in the area of health and safety include measures in the areas of accident prevention, risk awareness, and work safety.

On the Group level Forbo has successfully established an internal management training program in collaboration with the University of St. Gallen, as well as other external partners and internal experts. This practice-oriented advanced training program for senior managers and persons in key positions consists of a first training week that includes various modules from management and sales to marketing and operations. A second training week expands on this and includes additional leadership modules, focusing on strategic implementation and leadership themes such as dealing with organizational and team changes as well as performance management.

Ecological dimension

Protection of the environment and the generation of ecological added-value are important factors in all of Forbo's development and investment decisions. Our customers also demand efficient and sustainable products and services. Both divisions are meeting these demands by offering purely natural products in their product portfolio.

With linoleum, Flooring Systems offers a floor covering made of 97% renewable raw materials of which 72% are renewable within ten years. Linoleum is made from the natural raw materials linseed oil, natural resin, wood flour and limestone as well as jute and pigments. A natural product through and through which, in view of its long service life and positive ecological balance, is regarded as the most environmentally friendly resilient floor covering available. At the end of its long service life it can be composted, as it is 100% biodegradable. In addition to this, linoleum is made from 43% recycled material, which lowers the consumption of primary raw materials accordingly.

Vinyl floor coverings receive their elasticity, pliability and flexibility properties from plasticizers. Flooring Systems is the clear leader in the use of phthalate-free plasticizers of the latest generation. They also contain up to 45% recycled material in the substrate layer. Within the framework of our 'back to the floor' program, we collect off-cuts of our vinyl coverings as well as waste material from our own production and put these back into the production of new coverings, for example for the substrate layer of carpet tiles and Flotex.

Flooring Systems gets 100% of the electricity used at our production locations from renewable energy sources.

With the BioBelt, Movement Systems is the first ever conveyor belt manufacturer to develop a biodegradable conveyor belt whose physical and dynamic properties are equal to standard belts. The same applies to its performance and long service life. In BioBelt products, oil-based raw materials and synthetic-technical materials have been largely substituted by materials from renewable, plant-based raw materials.

SUSTAINABLE ENGAGEMENT

In order to maximize environmental compatibility and at the same time increase the product advantages, Movement Systems patented a special coating (AmpMiser) that significantly reduces the friction between the underside of the belt and the slider bed compared with conventional conveyor belts. Conveyor belts coated with AmpMiser display their advantages most clearly where goods are being continuously conveyed and many belts are in use, for example at airports or in logistics and distribution centers. For this type of application, energy savings for the overall systems of up to 40% are achieved.

We have also made it our aim to continually shape our own activities more sustainably and efficiently. We do this by using less material and energy to realize equivalent or even better solutions. Both divisions are working constantly on the optimization of production processes in terms of water and energy consumption, reduction of emissions, reuse of heat generated in the production process, and in the reduction and the efficient recycling of waste material in order to reduce the burden on the environment. A wide range of certifications verify these efforts. At the same time, we are working on innovative ideas regarding the materials used in the production process as well as new application techniques.

FLOORING SYSTEMS

Floor coverings are part of our everyday lives and define our living, leisure, and working space. Whether as a direct end customer, builder of a major project, architect or installer, for every demand group the issue of sustainability plays an important role in the decision-making process. This is why it is important for Flooring Systems to differentiate itself from its competitors with comprehensible and convincing arguments, also in terms of sustainability.

With the new approach 'committed to the health of one' Flooring Systems wants, alongside a fully transparent product declaration, to highlight the sustainability features more clearly than up to now and place them in correlation to each individual. Under HEALTH we understand holistic physical, mental, and social well-being, and with ONE we mean persons as well as companies, the environment, organizations, customer segments, etc. In this way, the relevant product prop-

erties and explicit differentiation features are emphasized for each demand group: for example, suitable floor covering solutions for allergy sufferers, children in a playgroup, patients in a ward, doctors in an operating theater, cleaning personnel in large buildings, employees at the workplace, travelers on the train, etc.

MOVEMENT SYSTEMS

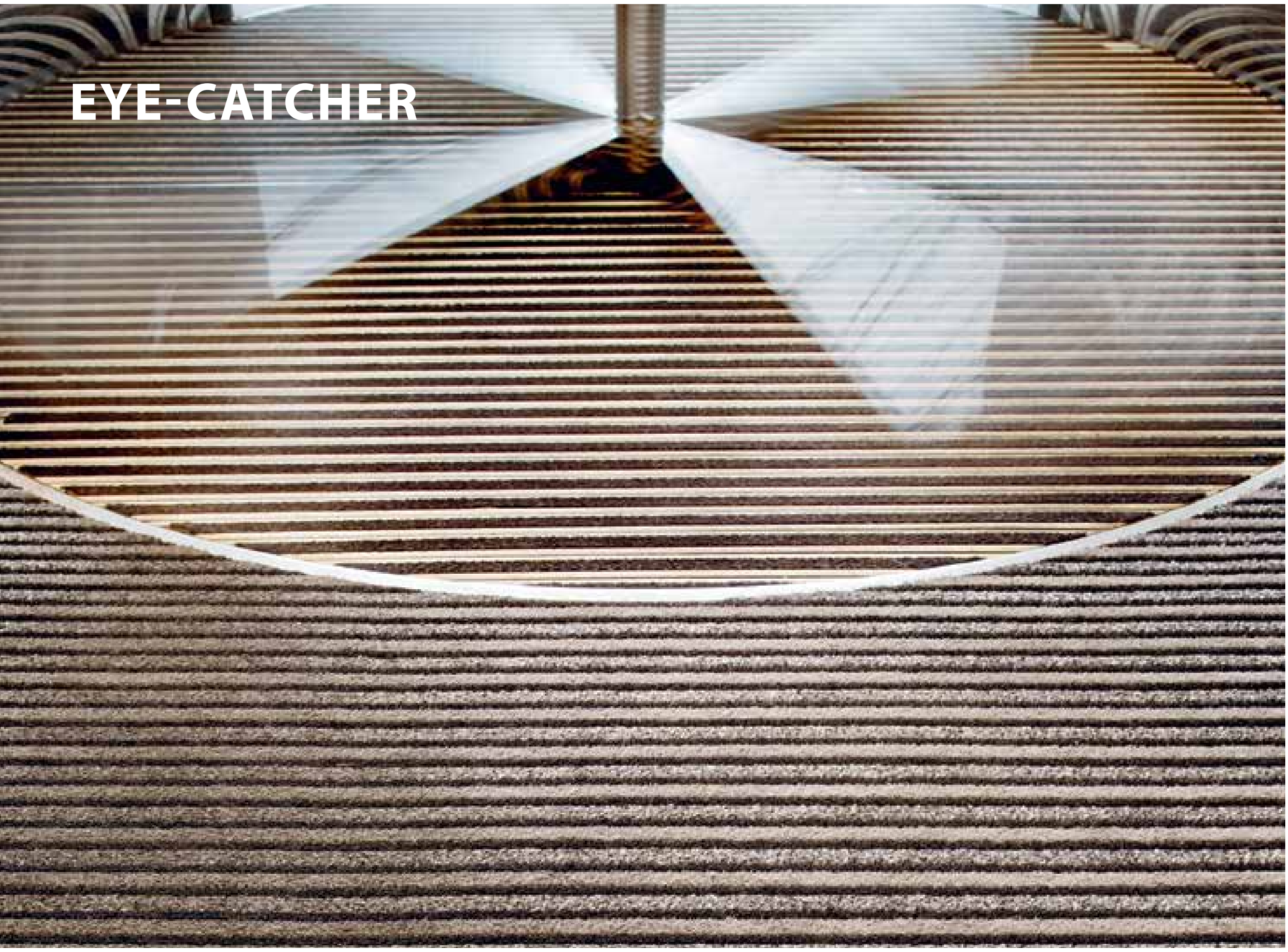
Movement Systems' resource management is based on the continuous improvement of consumption efficiency by the development and the targeted implementation of measures for the optimization of electricity, gas, and water consumption. Alongside saving energy, energy recovery is an important factor, i.e. the use of energy released in the downstream incineration plant for the purposes of heating and/or power generation. In order to reduce water consumption and avoid unnecessary waste, Movement Systems is increasingly using closed water circulation systems. Some of the used water can be used in another production step in order to minimize water requirements. The reduction and productive reuse of waste material is increasingly the focus of sustainability initiatives. Cut-offs from the belts we produce in certain countries are sold to other companies to be reused in their production. The locations in North America collect sanding dust in filters which is then processed as material by external partners in their production. Some of the waste from plastic modular belts and polyurethane cut-offs is recycled back into our own production.

Economic dimension

As a listed company, Forbo also engages intensively with the economic dimension of sustainability. Compliance is enormously important for the reputation and positioning of a company. We are successful as a company when we fulfill the expectations of the customers, when the employees are enthusiastic and committed, and when we create added value in the long term for our shareholders.

In the reporting year we have constantly maintained our efforts in terms of a conscious attitude to what we do by reinforcing consciousness regarding the contents of the code of conduct, competition law and anti-corruption principles, as well as the uncompromising implementation of the risk management process.

ACTIVITY REPORT



EYE-CATCHER

MAXIMUM PERFORMANCE

TWO DIVISIONS WITH LEADING MARKET POSITIONS

Forbo aims to operate primarily in business areas in which it has or can achieve a leading global market position – something it has achieved for both Flooring Systems and Movement Systems.

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, needle felt, and Flotex, the washable textile flooring. Thanks to their excellent technical properties and attractive design, these flooring products are invariably the first choice for public buildings, department stores, hospitals, and other healthcare facilities, schools, libraries, commercial and office spaces, leisure centers, shops, hotels, restaurants, and cafeterias as well as for applications in the residential market. With a market share of over 65 percent, Forbo is the world leader in linoleum.

Flooring Systems also provides ready-made adhesives for flooring installations and ceramic tiles as well as leveling compounds for the construction industry under the trade name Eurocol.

Movement Systems

Movement Systems is a global industry leader for sophisticated conveyor and processing belts, synthetic modular belts, top-quality power transmission belts, as well as 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, treadmill belts in fitness studios, and flat belts in mail distribution centers.

Strategic directions

To be successful in the market place as a Group with differently aligned operations, the individual divisions act independently and flexibly, but always along the strategic directions defined for the Group as a whole:

- Based on a pronounced customer focus, a high level of service, innovation, and a strong global brand, we are creating global leadership positions in clearly defined market segments.
- Due to a strong market orientation, we shape markets and drive profitable growth.
- We are developing significant positions in growth markets.
- We are acquiring companies to extend our product range, to consolidate and/or reinforce market access.
- We are developing a high-performance culture and providing the relevant skills and competences at all levels.

FLOORING SYSTEMS

EYE-CATCHER

BEAUTIFULLY MAINTAINED

Our high-performance entrance flooring systems are not only eye-catching but keep entrance areas clean and well maintained. Their absorbent fibers and robust dirt-removal yarns prevent dirt and moisture from being tracked onto interior surfaces. This prolongs the life of the interior flooring and effectively reduces building and maintenance costs. Entrance flooring systems are rightly considered the perfect way to link functionality and aesthetics.

FLOORING SYSTEMS: SOLID FOUNDATION FOR FUTURE GROWTH

'The continuous increase in our sales since mid-year 2013 confirms that we are on the right track with the systematic implementation of our strategy in line with changing market conditions. In the year under review, we expanded our attractive product portfolio for private sector customer segments by adding appealing designs and coordinating the portfolio with various application areas. We also broadened our market know-how, strengthened our distribution structures, and made our customer contacts more interactive by means of mobile presentation and information tools. We boosted our operational performance by focusing investments on various steps in production and by further improving the supply chain. Taken together, all these activities have greatly improved our earnings situation once again, ensuring that we have a solid foundation for future growth and enabling us to reinforce our market position as the leading systems supplier in the commercial segment.'

Matthias P. Huenerwadel
Executive Vice President
Flooring Systems

The Flooring Systems division posted sales of CHF 884.6 million in the 2014 business year (previous year: CHF 873.5 million). In local currencies, this is a gain of 3.4%, but in the corporate currency the increase was only 1.3% owing to the negative impact of currency fluctuations. The division accounts for 72.1% of Group sales. The steady increase in sales since mid-year 2013 confirms that we are systematically implementing our strategy, which calls for strengthening of distribution channels especially in growth markets and targeted expansion of the product portfolio for private sector customer segments. These intensified activities are counteracting stubbornly weak public sector demand and making up for the decline in demand in certain markets where the construction industry is in the doldrums. The gratifying increase in sales, coupled with productivity gains along the entire value chain, had a positive impact on operating profit (EBIT), which climbed to CHF 123.4 million (previous year: CHF 113.3 million). This is equivalent to an increase of 8.9% over the previous year. The EBIT margin came to 14.0% (previous year: 13.0%), a year-on-year increase of 1.0 percentage points.

Sustainable sales growth
Our business received strong growth stimuli from the ongoing expansion of our private sector offering, for instance for shop fittings, offices, hotels, restaurants, and leisure facilities, and this more than made up for the weak demand in the public sector among our high-revenue customer segments.

The markets in which we do business are still mixed. Especially in Europe, demand in some markets such as the Netherlands and France has remained sluggish. In Russia, the economy suffered a sharp downturn in the course of 2014, although for the year as a whole, sales were still significantly higher than the previous year. The regions Germany/Austria/Switzerland, Scandinavia, Southern and Eastern Europe, and Great Britain all performed well compared with the previous year. In North America, market sentiment is by and large more upbeat than in earlier years, and the sales trend was correspondingly firm despite a few harsh winter months. We generated additional growth with a new service offering – a comprehensive solution for the commercial sector that enables us to deliver turnkey projects to customers with floors that are professionally laid by certified floor layers. The Asia/Pacific markets performed well on the whole. Some countries such as China and

South Korea reported above-average growth driven by major customer installations, whereas others such as Japan, Australia, and Southeast Asia saw stable demand.

The building and construction adhesives activity is still operating in a difficult economic environment and is not experiencing any genuine recovery in demand, particularly in the Netherlands, which accounts for the lion's share of sales. In contrast Germany and Russia showed some signs of growth, though the building and construction adhesives market in Russia has also weakened considerably in recent months. We anticipate positive growth stimuli from the launch of a new liquid floor finishing for various customer segments and from our recently developed do-it-yourself business in Russia.

Attractive product portfolio thanks to modular collections

In the reporting year, Flooring Systems enhanced its versatile and innovative product portfolio with attractive, new collections in all product groups. The high-quality, modular vinyl designer floorings again generated double-digit growth in a highly competitive market, gaining market share and delighting customers with new designs, structures, and installation methods. Vinyl floorings for the commercial sector, entrance flooring systems, carpet tiles and needle felt floor coverings along with Flotex – our washable, high-tech textile floor covering – played their part in driving sales growth. Linoleum is generally still facing fairly modest demand because it is widely used in the healthcare and educational sectors where investments in new builds and renovations often depend on public spending budgets. The downtrend is being offset by the modular linoleum floor coverings launched in 2014, especially for private sector customer segments, where customers are excited by the versatile design options and the impressive range of colors. Sales of vinyl floorings for the residential sector declined in the year under review in the wake of strategic portfolio adjustments.

Investments to drive future growth

In addition to these many new collections, we have been steadily strengthening distribution channels in the growth markets and have established a local sales team in Turkey.

Given the buoyant sales of high-quality, modular vinyl designer floorings, we have further automated and expanded production in the Netherlands. In addition to expanding our cutting capacity, we have invested in an additional packaging line, which will be extended again in the current year. We are now also producing vinyl designer floor coverings in Russia for the local market, with our own designs that are geared to local needs. To do so, we expanded the production line in Russia and built a new warehouse. We invested in new tools for modular linoleum production in Scotland and initiated an expansion of warehouse capacity for storage of large reels. In China we created additional warehouse capacity, which helps us streamline delivery and speed up delivery times in daily operations.

Solid foundation for further profitable growth

We have steadily increased net sales since mid-year 2013 amid a challenging market environment, thereby confirming that we are on course with our strategy. We will continue to focus our efforts on profitable growth in the year ahead as well. The growth drivers will be the varied and large collections launched in 2014, the new launches of vinyl floorings for the commercial sector and carpet tiles planned for 2015, and the ongoing expansion of our distribution channels in growth markets. In 2015, we will continue to step up investments in innovative and sustainable product portfolios and focus on achieving operational efficiency gains.

Three challenges we face are the renewed rise in volatility in some European markets, the modest resources available in the public sector and in healthcare, and the market conditions confronting the building and construction adhesives activity.

FLOOR COVERINGS WITH THEIR OWN IDENTITY

Making products and processes more sustainable and more environmentally friendly is a priority for Flooring Systems in every change and new development. Forbo floor coverings combine attractive and innovative design with long life and high product quality. In the reporting year Forbo again made its mark with new, diverse trends.

The current trend in floor coverings is moving increasingly in the direction of modular designer coverings. These offer a great diversity of designs and colors, thus allowing infinite combination options for the customer's own floor covering creations. Compared to roll material, these are easier to transport and easier to handle in the installation; they generate fewer sections and can be easily replaced if damaged.

The Flooring Systems product portfolio has been meeting these demands for several years, and now includes luxury vinyl designer tiles as well as carpet and Flotex tiles. This range was supplemented in the reporting year with a very versatile collection of modular linoleum.

Modular linoleum

This unique range corresponds to two trends: sustainability and modularity, namely because linoleum is manufactured almost exclusively from renewable raw materials such as linseed oil, natural resins, wood flour and limestone, as well as pigments. Instead of the jute backing, a polyester fleece ensures the necessary flexibility and dimensional stability of the modular coverings.

With various square and rectangular shapes and sizes, as well as countless colors, they offer a wide range of layout and design options and thus open up, alongside classical application areas such as the healthcare and

education sectors, new application surfaces in shop fitting, offices, hotels, restaurants, and in the leisure sector. One can play with subtle tonal color variations to create natural floor coverings that imitate natural stone or concrete. Or one can be more daring and colorful, taking up a dash of color from the environment and using it to create one's own design highlights. This gives rise to creative floor covering designs with their own identity.

New striped designs will be added to the collection in spring 2015.

'DIVERSITY CREATES UNIQUE ROOMS'

Luxury vinyl tiles

Luxury vinyl tiles have been the fastest growing product group in the area of resilient floor coverings for some years now. Their extremely realistic wood, stone, and metal designs offer architects, interior designers, and planners an abundance of options for the most diverse room concepts. New collections were introduced in the reporting year to further extend the range and the diversity. The tiles and planks are available in new sizes and designs, with new textures and embossments, have very good shape stability, and are also available in different thicknesses of wear layer for optimized impact noise reduction as well as in a click version.

These high-quality, modular vinyl designer floorings, which are 100% recycable, fulfill a series of sustainable criteria: they are made of a phthalate-free vinyl from recycled raw materials, all printing processes are executed with water-based colors and they are produced using green energy in a state-of-the-art production environment.


MOVEMENT
SYSTEMS

MAXIMUM PERFORMANCE

UNCOMPROMISING QUALITY

Baked goods are produced in a wide range of shapes and diverse types. Equally diverse are the high quality requirements for the process and conveyor belts used in the food industry in order to guarantee hygienic production. The high cleanability and freedom from germs of our high-quality belts are essential for strict compliance with hygiene standards. Ingenious surface structures with excellent separation properties and innovative belt edge seals make Forbo the know-how carrier for applications in the food processing industry, and ensure decisive competitive advantages for our customers.

MOVEMENT SYSTEMS: SUCCESS DRIVEN BY KNOW-HOW AND RELIABILITY

'2014 was another successful year for Movement Systems. Focused efforts to implement the strategy in all the division's business areas had a very positive impact on all fronts. We considerably increased both sales and earnings in all regions. The drivers were innovative and application-specific new products with features that generate added value in the production and logistics processes of our customers in a wide range of industries; new manufacturing technologies that guarantee efficient installation and optimum maintenance; and other improvements all along the global value chain that further increased both productivity and efficiency. We are on the right track. By sticking to our strategic focus, we can systematically pursue our goals as we seek to strengthen and expand our market position.'

Jean-Michel Wins
Executive Vice President
Movement Systems

The Movement Systems division generated sales of CHF 342.2 million in the year under review (previous year: CHF 326.2 million), which reflects a significant increase of 7.8% in local currency terms. In the corporate currency, however, adverse currency effects reduced this gratifying growth to 4.9%. The division accounts for 27.9% of Group sales. All regions – the saturated markets in Europe somewhat more modestly than the Asia/Pacific and Americas markets – contributed to this steep rise in sales and the corresponding gains in market share. The consistent implementation of the strategy with a clear focus in all business areas had a strong positive impact on operating profit (EBIT), which climbed to CHF 37.0 million (previous year: CHF 31.7 million), a significant increase of 16.7%. The EBIT margin came to 10.8% (previous year: 9.7%), a year-on-year increase of 1.1 percentage points.

All regions on the growth path
Almost without exception, all markets contributed to the gratifying jump in sales with strong growth stimuli. Although the business environment in Europe is still mixed, most companies performed much better than they did in the previous year. Only in Germany, one of our major markets, and in Russia, demand was more subdued – though still higher than the previous year. The Americas region reported above-average growth, due in part to years of close cooperation with major accounts in customer segments such as food-processing, logistics, and sports treadmills, where we completed some large-scale projects, and in part to the steady expansion of business in the field of plastic modular belts. Asia/Pacific also stayed on the growth track. A major factor was an above-average in sales in fast-growing markets such as China, South Korea, India, and Southeast Asia, where we focused on expanding the local sales and assembly operations. Japan also enjoyed more buoyant demand.

In Thailand we completed the organizational build-up for which we laid the groundwork the previous year, and we are now successfully operating with a local team.

Strategic customer segments with double-digit growth
Following years of strategically focused development, the Prolink plastic modular belts product group again posted double-digit growth. These belts are used mainly in the food-processing industry, logistics and industrial manufacturing, wherever conventional conveyor belts, owing to their design, are not entirely suit-

able for some conveyance and process tasks. In the year under review, we expanded the product portfolio with segment-specific new developments. In hygiene-sensitive applications, for instance, new surface structures were developed that are adapted to the specific area of use and feature improved cleaning properties and different colors to ensure ease of quality control of the goods on the belt.

All other strategic customer segments also reported buoyant growth. Demand for various belt types for the food-processing industry was very satisfactory in all regions, and this uptrend was no doubt due to innovative product line extensions that feature high-quality properties. Demand for professional applications in logistics was also stronger than in the previous year; here we generate added value for our customers, for instance in postal distribution and logistics centers, with our energy-saving conveyor belts. Sales in the customer segments textiles, sports treadmills, industrial manufacturing, and raw materials rose on the back of specific and persuasive additions to the range. The paper/printing and tobacco segments were either flat or slightly weaker owing to general business conditions.

Innovation partner for equipment manufacturers
Movement Systems not only supplies a wide range of conveyor and power transmission belts but is also a reliable provider of technical know-how for total solutions as well as an innovation partner for equipment manufacturers and end customers. In new product developments, small details often play a crucial role in the interaction of application features and the materials used. Again in the year under review, we committed significant resources to expanding the product portfolio and to developing specific applications in complex facilities.

We launched a range of new belt types for the food-processing industry that are geared to specific customer requirements, feature diverse surface structures, have excellent release and grip properties, are highly resistant to oil and grease, and are easy to clean. The surface structures and the novel materials used are adapted to specific hygiene requirements.

We also focused efforts on expanding the product portfolio of Extremultus flat belts and power transmission technology. These belts are particularly durable, elastic, and vibration and shock-absorbent. They are used, for instance, for generator drives, for live roller drives in logistics, and as box-folding and conveyor belts in paper processing. Our investment in two new machines for finishing marks a further step towards bringing the value chain back in house. This speeds up the launch of new products in serial production and provides greater flexibility in raw-material processing. Among the innovations launched in the reporting year are the new high-efficiency tangential belts that are used in ring spinning frames, twisters and texturing machines. The combination of a reinforced tension member with improved friction coating saves energy and ensures a significantly higher throughput with virtually constant yarn twist.

In addition, we made targeted investments in various manufacturing facilities, for instance in new tools for the production of plastic modular belts, expansion of the production plant in China, and new manufacturing processes worldwide, in order to meet customer needs even better and more efficiently.

We continue to focus on top operational performance
In 2015, we will continue to vigorously pursue our strategic initiatives in all the division's business areas by targeted expansion of our product portfolio and the build-up of new sales offices especially in Asia/Pacific and the Americas.

In addition, we will again review all processes and methods involved in operations, production planning, supply chain management, and quality in order to improve our efficiency and raise our industry standard. An important factor is steadily improving our employees' product, process, and application know-how, which we intend to maintain at a high level.

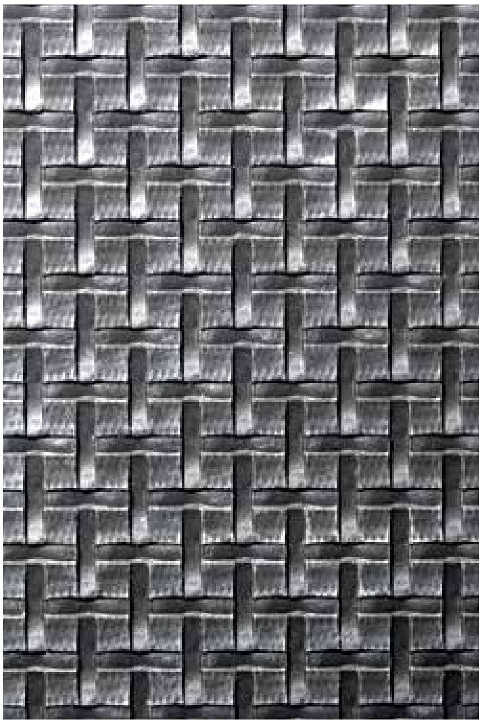
INDIVIDUAL OVERALL SOLUTIONS IN FOCUS

Not always visible, but present nonetheless almost everywhere, Movement Systems is making sure that many production steps are optimized and trouble-free. Our solutions are distinguished by being highly efficient, precise and reliable. Forbo again managed to profile itself in the reporting year as a competent partner in the development of sector-specific and future-oriented solutions for driving, conveying, and producing.

Special belt for printing ceramic tiles

Movement Systems is a leading belt supplier to the ceramic tile printing industry where our high-quality conveyor and process belts are used in systems for the printing of ceramic tiles. In recent years the technology has shifted from rotary printing – where the material to be printed is pressed between two rotating rollers – to inkjet printing – where ink is pressed through nozzles in fine drops onto the material. The new system constructions are much more flexible in terms of changing the print pattern. They have clear advantages regarding maintenance, and are thus less cost-intensive. They do, however, place much greater demands on the belt properties.

Our development teams have accompanied these new system constructions in the inkjet printing process in close collaboration with machinery manufacturers and end customers in Europe and Asia. The challenge for high print quality is, for example, the precise positioning of the belt so that tiles are printed at exactly the right place. The belt must not only have low expansion and excellent chemical resistance, it must also be possible to make fine adjustments to the belt during the printing process. At the highest print quality, around 40 meters of tiles are printed per minute, even on belts for large tile formats which are up to 1.8 meters wide.

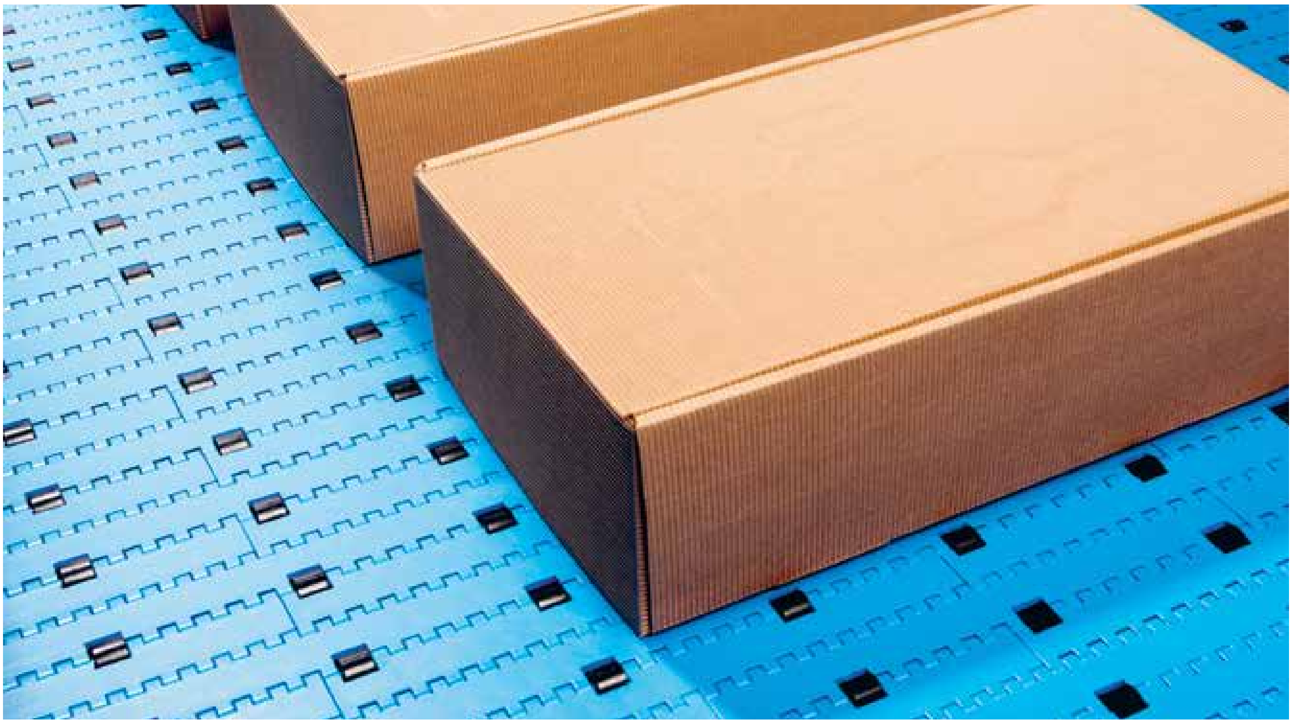


'APPLICATIONS THAT STAND FOR PRECISION AND RELIABILITY'

Plastic modular belts with integrated rollers

Due to their construction, conventional conveyor belts are only conditionally suitable for certain conveyor and process tasks. As the optimum complement to these, Movement Systems is focused on expanding the product range in the area of plastic modular belts. In the reporting year we developed plastic modular belts with integrated rollers for the accumulation or separation of the goods being conveyed. The accumulation of conveyed goods often takes place at the end of a production process where the products are conveyed to a container for the last processing steps, or are accumulated in their complete packaging on belts with freely rotating rollers ready for palleting. In this way an accumulation of products can be achieved with low friction between product and belt, low abrasion and, ultimately, low energy consumption.

Alongside the accumulation of conveyed goods, belts with integrated rollers are also often used for separating conveyed goods. On the belts the products are accelerated relative to the speed of the belt, which increases the distance between the individual products. This application is often found at the start of a conveyor process to ensure that incoming goods are not too close or even parallel to each other on the belts so that they may, for example, not be scanned properly, or that too many products are arriving at the same time for the next processing step.



ORGANIZATION

EXECUTIVE BOARD

Jean-Michel Wins, Stephan Bauer, Andreas Spreiter, Matthias P. Huenerwadel

Stephan Bauer

Chief Executive Officer

Stephan Bauer was born in 1961 and is a German citizen. He took a degree in Engineering and Management at the Munich University of Applied Sciences (FH) and began his professional career at BMW in Munich in 1987 as a project manager for the launch of new vehicle models. From 1991 to 2008 he worked for Siemens VDO Automotive AG (which became Continental Automotive in 2007) in various regional and global management positions in the field of sales and marketing and general management. In 2004 he was appointed CEO of Diesel Systems. From 2008 to 2013 Stephan Bauer was CEO and President Control Products & Systems at the Siemens Building Technologies division, where he was responsible for the entire product spectrum. He joined our company in September 2013 and took over the position of Chief Executive Officer and Chairman of the Executive Board of the Forbo Group as of January 1, 2014.

Andreas Spreiter

Chief Financial Officer

Andreas Spreiter was born in 1968 and is both a Swiss and a British citizen. He studied at the Federal Institute of Technology (ETH) in Zurich where he was awarded his engineering degree in plant production and engineering. From 1993 to 1998 he was Business Unit Controller at Landis + Gyr (Europe) AG. He then joined Siemens Metering AG, where he was Head of Finance and Controlling for two years and was then appointed to head the Electronic Meters Competence Center. From 2002 to 2012 he was Executive Vice President and Group Chief Financial Officer of Landis + Gyr AG. He is a member of the Board of Directors at Reichle & De-Massari AG. Andreas Spreiter joined the Forbo Group in January 2013 as a member of the Executive Board and Chief Financial Officer.

Matthias P. Huenerwadel

Executive Vice President Flooring Systems

Matthias P. Huenerwadel was born in 1968 and is a Swiss citizen. He studied engineering at the Federal Institute of Technology (ETH) in Zurich, specializing in manufacturing technologies and technology management. He began his professional career as 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 for Franke Foodservice Systems and managed its European operations from 2002 to 2005. Matthias P. Huenerwadel joined the Forbo Group as a member of the Executive Board in October 2005 where he was appointed head of the Movement Systems division. He has been Head of the Flooring Systems division since January 1, 2013.

Jean-Michel Wins

Executive Vice President Movement Systems

Jean-Michel Wins was born in 1967 and is a Belgian citizen. He studied business administration and languages at the IPET in Nivelles, Belgium, and began his professional career in Germany at Calberson GmbH, where he held various specialist functions. He then moved to Simut Sicherheit GmbH for two years, where he was in charge of sales and marketing. From 1992 to 1996 he was Export Manager at Brabus GmbH and from 1996 to 2002 he held various sales and managerial functions at Hirschmann Electronics. In 2002 he switched to Grammer AG, headquartered in Germany, where he held a number of international sales and senior management positions; in 2009 he was appointed Vice President responsible for the Offroad Seating Business Unit. As a member of the Executive Board, Jean-Michel Wins took over management of the Movement Systems division in January 2013.

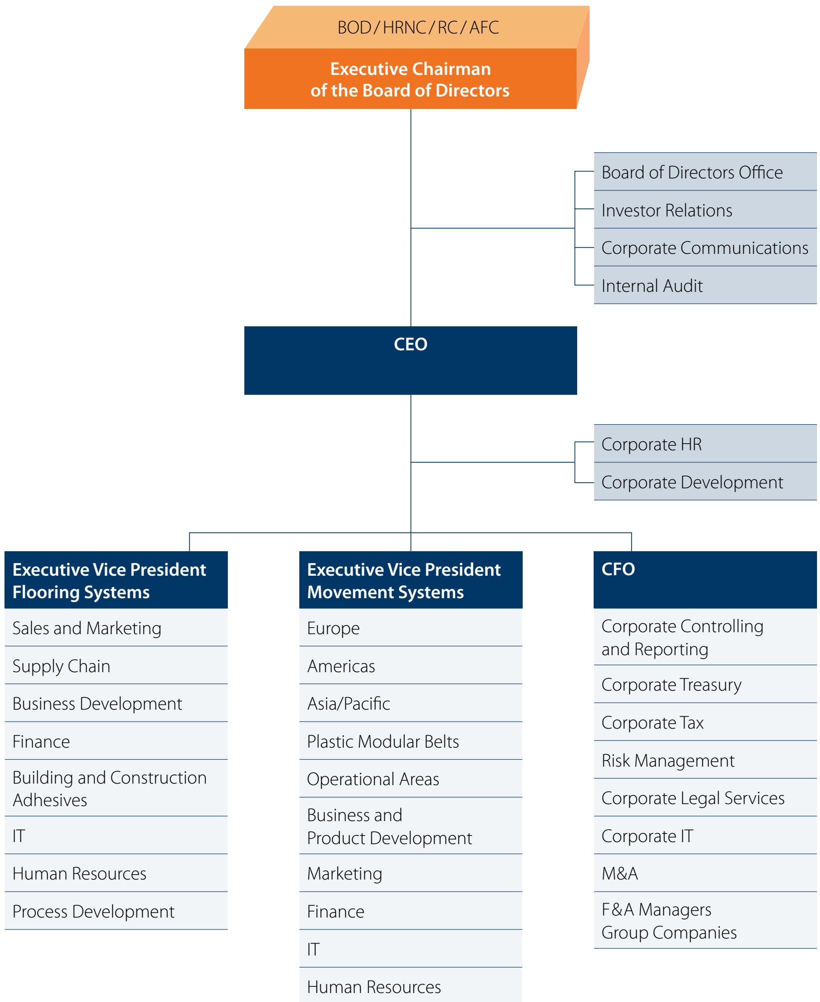
GROUP STRUCTURE

Forbo has performed better than average in recent years compared with other listed companies. With its two focused divisions, the Group is now a world leader in its markets, free of debt and in possession of significant resources for further strategic development. The task Forbo is facing now is, on the one hand, to maintain its successful performance of recent years and, on the other hand, to reinforce and expand its positions in the global market with the means available through strong organic growth and acquisitions.

Whereas Forbo has been managed over the past ten years by the Delegate of the Board of Directors and CEO in a dual function, the change approved by the Ordinary General Meeting in April 2014 redefined the tasks and responsibilities of the highest executive by appointing a separate Executive Chairman of the Board of Directors and a CEO.

Tasks of the Executive Chairman of the Board of Directors
- Leading the Board of Directors
- Preparing the decisions of the Board of Directors and ensuring they are executed
- Representing and positioning the Group in the public
- Overall management of strategy development and involvement in realizing key strategic projects
- Management of relationships with key accounts and business, sector and capital market partners

Tasks of the Chief Executive Officer
- Operational management of the Group
- Leading the Executive Board
- Development and operational implementation of the strategies
- Implementation and monitoring of multi-year planning and budgets
- Supporting the Executive Chairman of the Board of Directors in preparing important projects relating to strategy, personnel, and finances for discussion and decision-taking by the Board of Directors



BOD Board of Directors
HRNC Human Resources and Nomination Committee
RC Remuneration Committee
AFC Audit and Finance Committee

■ Member of the Executive Board

BOARD OF DIRECTORS

Vincent Studer, Michael Pieper, Claudia Coninx-Kaczynski, This E. Schneider, Dr. Peter Altorfer, Dr. Reto Müller

This E. Schneider
Executive Chairman

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 Autoneum Holding AG, Winterthur

Michael Pieper
Vice Chairman

Owner of the Artemis Holding AG (formerly Franke Holding AG), Hergiswil
Chairman of the Management Board of Artemis Management AG (formerly Franke 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
Member of the Board of Directors of Autoneum Holding AG, Winterthur
Member of the Board of Directors of Reppisch-Werke AG, Dietikon

Dr. Peter Altorfer
Vice Chairman

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 Trustees of Werner Abegg Fonds, Zurich
Member of the Board of other private and foreign banks and non-listed investment and real-estate companies in Switzerland

Claudia Coninx-Kaczynski
Member

Member of the Board of Directors of Tamedia AG, Zurich
Member of the Board of Directors of P.A. Media AG, Zurich
Member of other Trustees and Committees

Dr. Reto Müller
Member

Full-time Chairman of the Board of Directors of Helbling Holding AG, Zurich
Member of the Council of SWISSMEM, Zurich
Member of other Boards of Directors

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

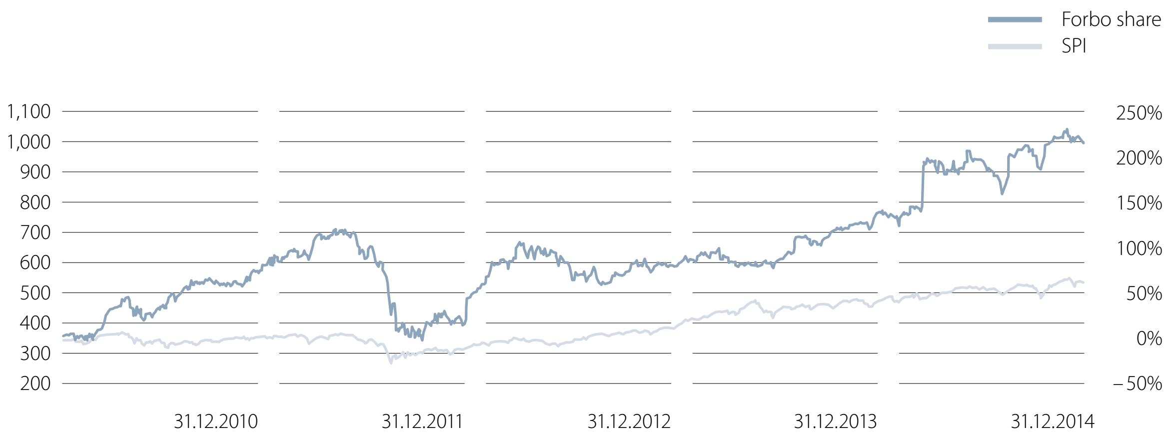
THE FORBO SHARE

THE FORBO SHARE

The Swiss Performance Index (SPI) gained almost 10% by mid-June 2014 but then corrected by around 5% in the subsequent weeks. The broad market posted gains between mid-August and the end of September. However, in the downturn that followed, by mid-October the SPI had lost almost all the gains it had made over the year. The positive environment starting in the second half of October resulted in the market rising by as much as 15% before it corrected again in December. The SPI closed the year with an overall gain of 13.0%.

The Forbo share price rose from its year-end 2013 level of CHF 762 to CHF 974.50 by mid-June 2014 – a gain of almost 28%. Even after the subsequent correction of the broad market, the Forbo share was still up by about 8%. When the stock market began to recover, the share price posted strong gains until mid-September, at times reaching CHF 992 – an increase of about 30%. Even in the wake of the market downturn that followed, the Forbo share price remained above CHF 900 and climbed to CHF 1043 by early December. When the broad market corrected again in December, the share closed the year at CHF 994.50, an overall gain of 30.5%. Once again, therefore, the Forbo share clearly outperformed the SPI in 2014.

The Forbo share in comparison to the SPI



Share capital

		2014 Number	2013 Number	2012 Number	2011 Number	2010 Number
Issued registered shares[1]		2,150,000	2,250,000	2,500,000	2,500,000	2,713,152
Thereof:						
Shares outstanding		1,888,850	2,032,703	2,052,740	2,298,758	2,339,162
Share buyback programs		158,467	99,470	250,000		213,152
Other treasury shares		81,264	96,408	175,841	179,823	139,419
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		215,000	225,000	250,000	250,000	271,315
Thereof:						
Shares outstanding		188,885	203,270	205,274	229,876	233,916
Share buyback programs		15,847	9,947	25,000		21,315
Other treasury shares		8,126	9,641	17,584	17,982	13,942
Reserve shares (without dividend rights)		2,142	2,142	2,142	2,142	2,142

Data per share

		CHF	CHF	CHF	CHF	CHF
Group shareholders' equity per share[2]		371	380	329	349	320
Group profit per share[2] [3]		62.0	56.8	96.4	62.8	71.6
Gross dividend and cash distribution		16.0[4]	14.0	12.0	12.0	12.0
Gross dividend yield (in %)	High	1.5[5]	1.8[5]	1.8[5]	1.7[5]	2.0[5]
	Low	2.2[5]	2.4[5]	2.5[5]	3.5[5]	3.5[5]
Payout ratio[6] (in %)		26	26	13	19	17

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	1,043	769	685	713	595
	Low	719	580	484	343	343
	Year-end	995	762	585	493	590
Market capitalization (m)[7]	High	2,242	1,730	1,712	1,782	1,614
	Low	1,545	1,305	1,210	857	931
	Year-end	2,138	1,715	1,463	1,232	1,601

1) Par value per share in 2014, 2013, 2012, 2011 and 2010: CHF 0.10
2) Based on the weighted average of the number of shares as set out in note 14 'Earnings per share' on page 117 of the financial report.
3) See note 14 'Earnings per share' on page 117 of the financial report.
4) Proposal of the Board of Directors to the 2015 Ordinary General Meeting.
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) Total number of shares multiplied by the corresponding 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 that are designed to protect the company's interests long term. 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 subsidiaries, directly or indirectly, that belong to the Forbo Group. The operational structure of the Group is shown in the organizational chart on page 49. The scope of consolidation of Forbo Holding Ltd does not include any listed companies. The unlisted companies within the scope of consolidation of Forbo Holding Ltd are listed under 'Group companies' starting on page 146 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 company to the Group's businesses, can also be found in that section of this Annual Report.

Significant shareholders

As of December 31, 2014, 1,728 shareholders were listed in the share register of Forbo Holding Ltd, or 209 (11%), fewer than in the previous year. As of December 31, 2014, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2014 as a percentage
Michael Pieper[1)]	28.69
Forbo Holding Ltd[2)]	12.15
This E. Schneider	3.02
UBS Fund Management (Switzerland) AG	3–5
Norges Bank	3–5

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.
2) – First trading line 4.78%, share buyback programs 7.37%.
– 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).

Forbo Holding Ltd reported on July 1, 2014 that it had exceeded the threshold of 10% and that it held 225,059 of its own shares, corresponding to 10.003% of voting rights, directly or indirectly via Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland. Forbo Holding Ltd further reported on July 12, 2014 that, as a result of the completion of the capital reduction approved by the Ordinary General Meeting of Forbo Holding Ltd on April 25, 2014, it had fallen below the threshold of 10% as at July 9, 2014 and that it held 127,881 of its own shares, equivalent to 5.948% of voting rights, directly or indirectly through Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland. In addition, Forbo Holding Ltd reported on October 3, 2014 that it had exceeded the threshold of 10% and that it held 215,294 of its own shares, corresponding to 10.014% of voting rights, directly or indirectly via Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland. Finally, Forbo Holding Ltd reported that it had granted 9,047 stock purchase rights on 9,047 registered shares of Forbo Holding Ltd, corresponding to 0.40% of voting rights before and 0.42% after the above-mentioned capital reduction.

No other disclosures were made in 2014.

For further information on significant shareholders or shareholder groups, we refer the reader to the table on page 58 and to page 160 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, 2014, Forbo Holding Ltd had a fully paid up share capital of CHF 215,000, which was divided into 2,150,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

– 62.06% were registered in the name of 1,699 shareholders with voting rights;
– 30.18% were shares of banks or of SIX SIS AG pending registration of transfer;
– 7.76% 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 Forbo shares can be found on pages 54 and 55. Further information on the rights of participation associated with shares can be found on pages 69 and 70 of this Annual Report.

The share buyback program launched by the Board of Directors on November 6, 2012, based on the authorization given by the Extraordinary General Meeting of Forbo Holding Ltd of November 5, 2012, was completed on April 28, 2014. By this date, Forbo Holding Ltd had repurchased a further 530 shares via the second trading line in the year under review. The Ordinary General Meeting of April 25, 2014 approved the cancelation of the total of 100,000 shares acquired through the share buyback program. At the Ordinary General Meeting of Forbo Holding Ltd of April 25, 2014, the Board of Directors was again authorized to buy back own shares up to a maximum of 10% of the share capital over a period of three years either on a second trading line at the SIX Swiss Exchange or otherwise, with the purpose of extinguishing them at a later stage. The Board of Directors reserves the right to interrupt or terminate the share buyback program if this should become necessary in order to finance external growth. The Board of Directors once more opted for a two-stage procedure in which the shareholders took the basic decision at the Ordinary General Meeting of Forbo Holding Ltd on April 25, 2014, and will be asked to approve the cancelation of the repurchased shares at one of the forthcoming General Meetings. By December 31, 2014, Forbo Holding Ltd had repurchased 89,954 shares via the second trading line. In addition to the repurchase via the second trading line, an additional 68,513 shares were tendered to Forbo Holding Ltd in a fixed-price repurchase program. In total, therefore, Forbo Holding Ltd repurchased 158,467 shares, corresponding to 7.37% of the share capital.

Conditional and authorized capital
Pursuant to Paragraph 4 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 granted in connection with the bonds issued by the company or one of its subsidiaries, or through the exercise of option rights granted to shareholders. Except for shareholder options, shareholders have no right of subscription. Holders of option or convertible rights are entitled to subscribe to new share issues. The registration of new shares is subject to the general restriction set out in Paragraph 6 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
The Ordinary General Meeting of Forbo Holding Ltd on April 25, 2014 decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 10,000 from CHF 225,000 to CHF 215,000 by canceling 100,000 shares with a par value each of CHF 0.10. It was further decided to amend the Articles of Association accordingly.

In 2013, except for the implementation of the decision of the Extraordinary General Meeting of November 5, 2012, there was no change to the capital of Forbo Holding Ltd.

The Extraordinary General Meeting of Forbo Holding Ltd on November 5, 2012, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 25,000 from CHF 250,000 to CHF 225,000 by canceling 250,000 shares with a par value of CHF 0.10 each. It was further decided to amend the Articles of Association accordingly.

Participation certificates and 'Genussscheine' (non-voting equity securities)
Forbo Holding Ltd has issued neither 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/she has acquired the shares in his/her own name and for his/her own account.

Pursuant to Paragraph 6 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.

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. Details on the Management Investment Plan (MIP) for the Executive Board as amended in 2012, under which options allocated before the amendment are still outstanding, can be found on page 88, as well as on pages 125 and 126 of this Annual Report.

Board of Directors

Members of the Board of Directors
The cut-off date for the following information is December 31, 2014.

With the exception of This E. Schneider, Executive Chairman of the Board of Directors, none of the members of the Board of Directors listed below holds or has held any operational management positions 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.

This E. Schneider, Executive Chairman
This E. Schneider, born in 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 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 publicly 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. From March 2004 to December 2013, This E. Schneider was Delegate of the Board of Directors and CEO, and from January to April 2014 Delegate of the Board of Directors of the Forbo Group.

Dr. Albert Gnägi, who was Chairman of the Board of Directors for nine years, did not stand for re-election to the Board of Directors in spring 2014 as he had by then reached the statutory age of retirement. In the interest of continuity and forward-looking succession planning, the Board of Directors has expressed the wish that This E. Schneider should continue to play an important role in the development of Forbo. The Board of Directors therefore proposed the election of This E. Schneider as Executive Chairman of the Board of Directors at the Ordinary General Meeting on April 25, 2014. He was elected by an overwhelming majority.

This E. Schneider is also a member of the Board of Directors of Galenica SA, Rieter Holding AG and Autoneum Holding AG.

Michael Pieper, Vice Chairman
Michael Pieper, born in 1946, is a Swiss citizen. He studied economics (lic. oec. HSG) at the University of St. Gallen. He has been with the Artemis Group (formerly the Franke Group) since 1988 and has been 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, Autoneum Holding AG and Rieter Holding AG. He was first elected to the Board of Directors of Forbo Holding Ltd in 2000.

Dr. Peter Altorfer, Vice Chairman
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. He subsequently joined the law firm Wenger&Vieli in Zurich, where he is now a partner, specializing in bank and company law. Peter Altorfer sits on the Board of Directors of several companies, including Huber+Suhner AG in Herisau, agta record ag in Fehraltorf, Abegg Holding AG in Zurich, Altin AG in Baar, the Werner Abegg Fund in Zurich and various private and foreign banks, as well as unlisted investment and real estate companies in Switzerland. He has been a member of the Board of Directors of Forbo Holding Ltd since March 2005.

Claudia Coninx-Kaczynski
Claudia Coninx-Kaczynski, born in 1973, is a Swiss citizen. She took a degree in law at the University of Zurich (lic. iur.) and earned her Master of Law (LL. M.) at the London School of Economics and Political Sciences. From 2006 to 2011 she managed the business of Faerbi Immobilien AG (subsequently Rietpark Immobilien AG) in Zurich as a member of the Board of Directors. Afterwards until 2014, she implemented various projects for P. A. Media AG and Swisscontent AG in Zurich (M&A amongst others). She is currently a member of the Board of Directors of Tamedia AG, P. A. Media AG – a subsidiary of Swisscontent AG – and holds directorships in other foundations and committees. She has been a member of the Board of Directors of Forbo Holding Ltd since April 2014.

Dr. Reto Müller
Reto Müller, born in 1951, is a Swiss citizen. He took a first degree in economics and completed his doctorate (Dr. oec. HSG) at the University of St. Gallen. He also completed the Stanford Executive Program and additional training at IMD, INSEAD and the Harvard Business School. He is a founding partner of Helbling group of companies, for which he has worked since 1984. From 2000 to 2011 he was the CEO and Chairman of the Board and in July 2011 he was appointed full-time Chairman of the Board of Helbling Holding AG. Between 2002 and 2010 Reto Müller was either a member or chairman of the Zurich Regional Economic Advisory Board (Zurich) of the Swiss National Bank. He has been a member of the Council of SWISSMEM since 2008. He also holds other directorships. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2011.

Vincent Studer
Vincent Studer, born in 1962, is a Swiss citizen. He completed the Advanced School of Economics and Business Administration in Berne and trained 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 responsible for 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. He holds further directorships 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 as per December 31, 2014

	First elected at OGM	AFC	HRNC	RC
Executive Chairman				
THIS E. SCHNEIDER	2004	–	–	–
Executive Director				
Vice Chairmen				
MICHAEL PIEPER	2000	–	M	M
Non-executive director				
DR. PETER ALTORFER	2005	M	C	C
Non-executive director				
Members				
CLAUDIA CONINX-KACZYNSKI	2014	–	M	M
Non-executive director				
DR. RETO MÜLLER	2011	M	–	–
Non-executive director				
VINCENT STUDER	2009	C	–	–
Non-executive director				
Secretary of the Board of Directors				
NICOLE GRAF				
Non-member				

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

Statutory regulations governing the number of permissible activities pursuant to Article 12, Paragraph 1, Section 1 OaER

In accordance with §22 of the Articles of Association, members of the Board of Directors may hold no more than five mandates in listed companies and twenty mandates in unlisted legal entities. A mandate is defined as any activity in the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

Elections and terms of office

The members of the Board of Directors will be elected in individual votes for a one-year term of office, in accordance with the Ordinance against Excessive Remuneration in Listed Public Companies (OaER). A year is defined as the period between two Ordinary General Meetings. 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 Board may, however, approve exceptions. 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.

The Articles of Association of Forbo Holding Ltd do not contain any regulations that deviate from the statutory provisions for the appointment of the Chairman, the members of the Remuneration Committee (RC) and the independent proxy.

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 63.

Decisions are as a general rule taken by the full Board of Directors. The Board constitutes three standing committees from its own ranks – the Audit and Finance Committee (AFC), the Human Resources and Nomination Committee (HRNC), and the Remuneration Committee (RC) – to deal with clearly defined subject areas of overriding importance. These three committees have mainly advisory and control functions. The members of the AFC and HRNC are elected by the Board of Directors on an annual basis and can be dismissed at any time. The members of the RC are elected annually by the Ordinary General Meeting.

As a rule, the Executive 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 Executive Chairman. He monitors the execution of the measures adopted by the Board. He is the direct superior of the CEO, is in regular contact with him, and has an advisory and supervisory function. In addition, the Executive Chairman represents the Board and the Forbo Group vis-à-vis the public, the authorities and the shareholders. The tasks of the Executive Chairman of the Board and the demarcation of responsibilities from those of the CEO are set out in the chapter 'Areas of responsibility'.

The Vice Chairmen are tasked with deputizing for the Executive Chairman should the latter be prevented from attending for any reason. In accordance with the Organizational Regulations and actual practice, the Vice Chairmen have no further duties.

The Vice Chairmen are elected by the Board of Directors.

The Board of Directors meets on being convened by the Executive 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 announced at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2014, the Board of Directors met seven times, the meetings usually lasting a whole day.

The Executive Chairman 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, the RC or the HRNC 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 on behalf of the company 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 and the CFO are regularly requested to attend 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 2014 business year, three meetings were held, each lasting about half a day. The external auditors were present for some items on the agenda of the AFC's meeting on the financial statements, while the Ernst & Young representatives responsible for internal auditing attended all meetings held to discuss the internal audit reports.

Human Resources and Nomination Committee
We refer to the explanations in the compensation report on page 77.

Remuneration Committee
We refer to the explanations in the compensation report on pages 77 and 78.

Areas of responsibility
The Board of Directors bears ultimate responsibility for the management of Forbo Holding Ltd. The main duties of the Board of Directors 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
– definition of the organization
– organization of accounting, financial controlling, and financial planning
– appointment and dismissal of persons entrusted with the management of the company
– overall supervision of the persons entrusted with managing the company, particularly with respect to compliance with the law, articles of association, regulations, and directives
– preparation of the Annual Report and of the General Meeting and implementation of its resolutions
– preparation of the remuneration report
– notification of the court in the event of over-indebtedness

The Board of Directors bears ultimate responsibility for supervising and monitoring the 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, HRNC and RC, 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.

Tasks of the Executive Chairman of the Board of Directors:

- leading the Board of Directors
- preparing the decisions of the Board of Directors and ensuring they are executed
- representing and positioning the Group in the public
- overall management of strategy development and involvement in realizing key strategic projects
- management of relationships with key accounts and business, sector and capital market partners

Tasks of the Chief Executive Officer:

- operational management of the Group
- leading the Executive Board
- development and operational implementation of strategies
- implementation and monitoring of multi-year planning and budgets
- support for the Executive Chairman of the Board of Directors in preparing important projects relating to strategy, personnel, and finances for discussion and decision-taking by the Board of Directors

The CEO reports to the Executive Chairman of the Board of Directors and as a rule participates in all Board meetings dealing with topics that are relevant for the exercise of his function, but is not himself a member of the Board of Directors. All business management tasks that are not allocated to the Board of Directors or the Executive Chairman of the Board and that do not require the approval of the Board are delegated to the CEO and are conducted by him on his own responsibility. The CEO is responsible for ensuring compliance with the provisions of the law, the articles of association, and regulations throughout the Forbo 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, CFO, and the Executive Vice Presidents of the two divisions; it is responsible for the long-term success and market-driven management of the Forbo Group.

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 2014 business year, eleven meetings were held, the meetings usually lasting half a day.

At the meetings of the Board of Directors, any member may request information about any matter concerning the Forbo Group. Outside the meetings, such requests for information are to be addressed to the Executive 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, the HRNC, and the RC report at the Board of Directors meetings on the activities of their committees and express the opinions and recommendations of the AFC, HRNC or RC 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, HRNC, and RC meetings. The Executive Board reports to the AFC through the CFO in consultation with the CEO; it reports to the HRNC and RC through the CEO.

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

The 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 and on the AFC, HRNC, and RC on pages 64 and 65 as well as 77 and 78 respectively.

The Board of Directors furthermore fulfills 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 in this task. Neither the external auditors nor the internal auditors, however, were invited to any meetings of the Board of Directors in 2014 as there were no special incidents or topics for discussion.

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, 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 discussed 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 May and in a second estimate mid October. 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 Executive Chairman of the Board of Directors, is functionally independent, and reports directly 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. Where necessary, the risks and weaknesses identified in these audits are minimized or eliminated by measures adopted by management and are constantly monitored.

In 2014, a total of seven internal audits were conducted. The internal audits were restricted to individual business processes. In its review of audited Group companies, Internal Audit included any issues that had been defined in the framework of the internal control system (ICS). 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 three companies in each division were audited in the course of the internal audits.

By means of self-assessments and management controls by division management, 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, among other things, to safeguard the tangible and intangible assets of the company.

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 liability. The risks specifically in the areas of property damage and business interruption are examined in the context of periodic risk engineering reports 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 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 141 to 145 of the financial report for more information on this subject.

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 pages 141 to 145 (note 35 'Risk assessment and financial risk management').

Executive Board

Members of the Executive Board, other 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 47 and 48 of this Annual Report.

Statutory regulations governing the number of permissible activities pursuant to Article 12, Paragraph 1, Section 1 OaER

In accordance with §22 of the Articles of Association, members of the Executive Board may hold no more than two mandates in listed companies and seven mandates in unlisted legal entities. The acceptance of mandates by members of the Executive Board is subject to prior approval by the Board of Directors. A mandate is defined as any activity in the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

Changes on the Executive Board

Stephan Bauer was appointed as the new CEO and Chairman of the Executive Board of the Forbo Group as of January 1, 2014. This E. Schneider, Delegate of the Board of Directors, took over as Executive Chairman of the Board of Directors in the spring of 2014, replacing Dr. Albert Gnägi, who had reached the statutory retirement age in the spring of 2014 and therefore retired from the Board of Directors.

Management contracts

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

Compensation, shareholdings, and loans

For the relevant information we refer to the remuneration report as of page 76.

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/she has acquired and is holding the shares in his/her own name and for his/her 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 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 the 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 the legal representative, the independent proxy, or another shareholder who is registered in the share register.

Electronic participation in the Ordinary General Meeting

§12 of the Articles of Association defines the rules for electronic issuing of instructions to the independent proxy; the precise modalities for this are defined by the Board of Directors. In accordance with §14 of the Articles of Association, voting and elections at the Ordinary General Meeting are in principle conducted electronically, unless the Ordinary General Meeting decides that the ballot should be in writing or by a show of hands or the Chairman orders such a ballot procedure.

Statutory quorums
The Articles of Association of Forbo Holding Ltd do not provide for quorums that are larger than those stipulated by law for decisions of the Ordinary General Meeting.

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

Agenda
Shareholders who represent shares with a par value of 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
In accordance with §12 of the Articles of Association, the Board of Directors, in its invitation to the Ordinary General Meeting, announces the cut-off date for entries in the share register authorizing shareholder participation and voting.

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.

Clause on changes of control
As per year-end 2014, no clauses on changes of control existed in agreements or plans involving members of the Board of Directors, the Executive Board or other members of management.

Auditors

Duration of the mandate and term of office of the head auditor
PricewaterhouseCoopers has 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.

For corporate governance reasons, the Board of Directors will propose to the Ordinary General Meeting of April 24, 2015 that the external auditor be changed and that KPMG be elected as new audit company.

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 1.0 million in the year under review.

Additional fees
The additional consultancy fees that were invoiced by the auditing company amounted to CHF 0.4 million in 2014. These fees consist in the main of general tax advice.

Information instruments of the external auditors

The external auditors prepare as needed for the Executive Chairman of the Board of Directors, the CEO and the CFO 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 may inspect 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 prepared by the external auditors and the discussions held with the external auditors in the meetings. It also draws on the evaluation of the CFO, who, if required, 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, scope 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 to the company. The Executive Chairman of the Board of Directors 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 source of information. Periodic publication of media releases, the annual media and analysts' conference, and road shows are further information tools for the media and the capital market.

Ad hoc communication
Registration for the automated dissemination of ad hoc releases in accordance with the guideline on ad hoc publicity of the SIX Swiss Exchange is available at the following addresses:

www.forbo.com → Medien → Medienmitteilung 'Subscription Service'
www.forbo.com → Media → Media releases 'subscription service'

Notification to shareholders takes place through publication in the company's official publication provided no other form of information is stipulated. Written notification to shareholders takes place through a simple letter to the addresses listed in the share register.

A financial calendar with the key dates can be found on page 8 of this Annual Report. Further information on the Forbo share is printed on pages 54 and 55 of this Annual Report.

Publications may be ordered by e-mail, fax, or telephone:
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REMUNERATION REPORT

REMUNERATION REPORT

Introduction

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. The Ordinance allows a transition period until the end of 2015. The Board of Directors promptly submitted a comprehensive amendment of the Articles of Association to the Ordinary General Meeting of April 25, 2014. The present remuneration report was drawn up by the Board of Directors in compliance with the OaER and the amended Articles of Association.

As of the 2014 Ordinary General Meeting, and in accordance with the OaER and the amended Articles of Association, all members of the Board of Directors, including members of the Remuneration Committee, are now elected in individual ballots for a term of one year.

In accordance with the amendment of the Articles adopted at the 2014 Ordinary General Meeting, the below rules apply to votes on remuneration.

Once a year, the Ordinary General Meeting approves the maximum sum for the total remuneration to be paid to the Board of Directors for the business year following the Ordinary General Meeting, in a separate and binding ballot. In addition, a vote is taken on the maximum total amount of fixed remuneration to be paid to the Executive Board for the business year following the Ordinary General Meeting, and the amount of variable remuneration to be paid to the Executive Board for the business year preceding the Ordinary General Meeting.

At the 2015 Ordinary General Meeting, shareholders will vote individually on the following three remuneration payments for the first time:

– Maximum total remuneration of the Board of Directors for 2016
– Maximum fixed remuneration of the Executive Board for 2016
– Variable remuneration of the Executive Board for 2014

The total compensation was approved by an overwhelming majority in a consultative vote on the 2013 remuneration report at the Ordinary General Meeting of April 25, 2014 (agenda item 1.2). Participants in the 2015 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2014 remuneration report.

Content and methodology for determining the remuneration and shareholding program

The Human Resources and Nomination Committee (HRNC): task and function
The Human Resources and Nomination Committee (HRNC) advises the Board of Directors in exercising its responsibilities for the Group in matters relating to human resources and nominations both for the Board and the most senior level of management. More specifically, the HRNC formulates personnel policy proposals for appointments to the Board of Directors and to the posts of Chairman, CEO, and other Executive Board members for submission to the Board of Directors. Furthermore, it assesses and approves the proposals of the Executive Chairman of the Board and the CEO regarding Executive Board appointments and employment contracts. It also approves the acceptance of mandates by members of the Executive Board in companies that are not part of the Forbo Group.

The Human Resources and Nomination Committee meets as often as business requires, but at least twice a year. In the 2014 business year, the HRNC held two meetings, each lasting a couple of hours.

The Human Resources and Nomination Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 25, 2014 elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2014 business year.

The Remuneration Committee (RC): task and function
The Remuneration Committee supports the Board of Directors in defining the principles of remuneration policy and in determining the remuneration paid to members of the Board of Directors and the Executive Board within the total sum of remuneration as approved by the Ordinary General Meeting. It supports the Board of Directors in drawing up participation programs and in all other tasks related to remuneration. The Remuneration Committee formulates appropriate recommendations for submission to the Board of Directors. The Board of Directors may delegate further duties and powers to the Remuneration Committee. The Executive Chairman of the Board of Directors is regularly invited to its meetings in an advisory capacity, as is the CEO in certain circumstances. Agenda items and matters directly affecting the function or the person of the Executive Chairman of the Board of Directors or the CEO are deliberated in their absence.

The Remuneration Committee meets as often as business requires, but at least twice a year. In the 2014 business year, the Remuneration Committee held two meetings, each lasting a couple of hours.

The Remuneration Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 25, 2014 elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski und Michael Pieper to the Remuneration Committee for the 2014 business year. The members of the Remuneration Committee are independent (non-executive) members of the Board of Directors, i.e. they have never belonged to the management of Forbo and have no or only negligible business relations with the company, though they may be shareholders.

Decision-making process of the Remuneration Committee
The maximum amount of the total remuneration paid to the Board of Directors and the maximum fixed remuneration paid to the Executive Board are determined by the Remuneration Committee as a rule once a year in the spring for the following business year and are submitted to the Board of Directors for acceptance at its March meeting. The amount of the target bonus for the Executive Board is determined by the Remuneration Committee once a year in November for the following year.

	Proposal	Acceptance	Approval
Remuneration budget			
Maximum total remuneration of the Board of Directors	RC	BoD	Ordinary General Meeting for the following business year
Maximum fixed remuneration of the Executive Board	RC	BoD	Ordinary General Meeting for the following business year
Variable remuneration of the Executive Board	RC	BoD	Ordinary General Meeting for the preceding business year
Performance targets			
Performance targets – Executive Board	RC	BoD	
Performance targets – CEO	RC	BoD	

Important changes in 2014

In the 2014 business year there were no important changes in the remuneration system for the Board of Directors or the Executive Board. The contractual adjustments to the OaER were made partly in 2013 and partly in the year under review.

Principles of remuneration for the Board of Directors and the Executive Board

Forbo's remuneration strategy is geared to long-term and sustainable corporate development. The aim is to remunerate employees appropriately for their achievements, commitment, and performance and thereby gain their long-term loyalty to the company. The purpose of paying part of the remuneration in the form of shares is to link the interests of the managers to those of the shareholders.

The members of the Board of Directors receive a fixed remuneration, the amount of which is determined according to whether the member is Board Chairman, a simple Board member or also a member of one of the Board committees. The remuneration is paid out to members of the Board of Directors partly in the form of locked-up shares in Forbo Holding Ltd.

The members of the Executive Board receive a fixed and a variable remuneration. The fixed remuneration is paid mainly in cash but may also include shares of Forbo Holding Ltd. The variable remuneration consists of a performance-based remuneration (bonus), at least 50% of which must be taken in the form of locked-up shares of Forbo Holding Ltd (see the description of the Management Investment Plan (MIP) on pages 83 and 84 of this remuneration report). The bonus is tied to the achievement of individual (qualitative) targets by each Executive Board member and of financial (quantitative) targets by the company. Depending on the function and responsibilities of the Executive Board member in question, these financial targets may be tied to Group and/or divisional objectives. It may not exceed 200% of the fixed remuneration of the individual Executive Board member.

The relevant statutory provisions governing the principles of performance-based remuneration, the distribution of shares, and the additional sum for remuneration of new members of the Executive Board who are appointed after the Ordinary General Meeting are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd. These can be found at:
www.forbo.com → Investors → Ordinary General Meeting

Determining the remuneration of the Board of Directors

In order to determine the remuneration of the Board of Directors, the compensation paid to Board members of Forbo Holding Ltd is compared periodically with that paid to Board members of comparable industrial companies based on information that is available from publicly accessible sources, from respected market data providers, and from data published by Ethos (the Foundation for Socially Responsible Investment and Active Shareownership) or is known to Board members from their experience of office in similar companies. Industrial companies are regarded as comparable if they are similar to Forbo in terms of sector, structure, size (sales and number of employees), geographic presence, profitability, market capitalization, and complexity. As a general rule, no external consultants are co-opted for determining the remuneration.

The relevant statutory provisions governing the principles of performance-driven remuneration and the distribution of shares are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd. These can be found at:
www.forbo.com → Investors → Ordinary General Meeting

Elements of remuneration for the Board of Directors

Non-executive members of the Board of Directors
The non-executive members of the Board of Directors receive a fixed remuneration, the amount of which is determined according to whether the member is Board Chairman, a simple Board member or also a member of the Audit and Finance Committee (AFC), the Remuneration Committee (RC) or the Human Resources and Nomination Committee (HRNC). Of the remuneration, 40% is paid to the Board of Directors in shares of Forbo Holding Ltd. These shares have a lock-up period of three years. The number of shares issued is determined by taking the average price in the ten stock market days after distribution of a dividend or repayment of par value. If no dividend is distributed or no par value repayment made, the average price during the first ten stock market days starting on June 1 of the relevant business year applies. The settlement or payment of the shares usually takes place in November.

For the purpose of reporting the remuneration, the shares issued are valued at fair value on the date of allocation. The total compensation for the non-executive members of the Board of Directors also includes a lump sum for expenses plus employer contributions to the usual social insurance benefits.

The non-executive Board members do not participate in the Management Investment Plan (MIP).

Executive Chairman of the Board of Directors
The compensation for the Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors is disclosed separately and included under total compensation to the Board of Directors.

With effect from May 2013, the employment contract with the Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors was extended to encompass the period from May 1, 2013 to December 31, 2016. The remuneration will again be paid mainly in locked-up shares which have lock-up periods of three, four, and five years respectively, and in an annual cash payment of CHF 310,000, to be used in part for taxes and for employee contributions to the pension fund and social security. The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which Forbo Holding Ltd shares were traded on the stock market in 2012 (CHF 522.12), less the reduced value as a result of locking up the shares. The share package corresponds to annual compensation of CHF 2,200,000 (5,314 shares).

With this share package and this cash remuneration, all compensations such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked-up shares will be available on May 1, 2018 at the earliest. This compensation model is thus geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders.

The total compensation of the Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors for the period from May 1, 2013 to December 31, 2016 was described in detail in the 2012 Annual Report and was approved by a majority of 98% in a consultative vote at the Ordinary General Meeting of April 26, 2013.

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. According to Article 28 of the OaER, employment contracts must be compliant with the OaER by December 31, 2015 at the latest. Consequently, all payments that had been agreed and were paid out for 2016 have to be reversed by December 31, 2015 at the latest. The value of this fixed remuneration for This E. Schneider comes to CHF 2,200,000 for 2016. In order to comply with and implement the provisions of the OaER, Forbo and This E. Schneider have agreed that he will repay Forbo in cash the amount of his fixed compensation for the period from January 1, 2016 to December 31, 2016, plus interest of 0.5% from May 1, 2013 to December 31, 2013. The repayment was completed before year-end 2013 and will be paid out to him again in monthly installments in 2016 after approval by the 2015 Ordinary General Meeting. The compensation package and the relevant agreements were adjusted accordingly. No severance payment or compensation in the event of a takeover was agreed; the period of notice is 12 months.

The total compensation for the Delegate and Executive Chairman of the Board of Directors came to CHF 2,939,400 for the year under review. Contained in this amount and reported in the column 'Other payments' are employer contributions to the pension fund, other usual social insurance benefits, private use of the company car, contributions for accident and health insurance, and location expenses. The Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors is not a party to the Management Investment Plan (MIP) or the share-based compensation program of the Board of Directors.

Remuneration paid
For the remuneration paid to the Board of Directors in the year under review and the details concerning valuation of the shares, the reader is referred to pages 86 until 89 of this remuneration report.

Determining the remuneration of the Executive Board

Basic principles
In order to determine the remuneration of the Executive Board, criteria such as function, responsibility and experience are taken into account and the remuneration paid to Forbo Executive Board members is compared with that paid to Executive Board members in comparable industrial companies. This is based on information that is available from publicly accessible sources, from respected market data providers, and from data published by Ethos (the Foundation for Socially Responsible Investment and Active Shareownership) or is known to the members of the Remuneration Committee from their experience of office in similar companies. Industrial companies are regarded as comparable if they are similar to Forbo in terms of sector, structure, size (sales and number of employees), geographic presence, profitability, market capitalization, and complexity. As a general rule, no external consultants are co-opted for determining the remuneration.

Alignment of performance-based remuneration to the corporate strategy
The remuneration strategy of Forbo is geared to its current corporate strategy and linked to the relevant key ratios. This is reflected in the choice of performance criteria that are tied to Group and/or divisional objectives depending on the function of the individual Executive Board member; these include net sales, free cash flow and EBIT. The criteria for determining the remuneration paid to Executive Board members are thus transparent.

The Board of Directors is closely involved in the company's planning cycle. As a rule, the current corporate strategy is subjected to an in-depth review by the Board in the first half of the year. Once it has been confirmed or revised, the 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 examined and adopted by the Board of Directors in the fourth quarter.

The Board of Directors assesses the current business year by means of an initial estimate at the end of May and a second estimate in mid-October. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. The actual amount of the performance-driven remuneration paid out to the Executive Board is determined on the basis of the achievement of these individual targets. The Board of Directors defines the relation between budget target achievement and payment ratio.

The performance-driven portion of the remuneration for the previous year is paid out on completion of the business year and after approval by the shareholders. Impacts/performance criteria affecting the amount of the payment are tied directly to Group profitability. The chart below provides a detailed breakdown on the timing and connection between the corporate targets and the remuneration.

Planning cycle

	1st quarter	2nd quarter	3rd quarter	4th quarter
Ordinary General Meeting		■		
Corporate strategy				
Review/amendment of strategy		■		
Establishing mid-term plan		■		
Establishing budget			■	■
Working out remuneration				
Defining maximum total remuneration of Board of Directors	■			
Defining maximum total remuneration of Executive Board	■			
Ordinary General Meeting approval of total remuneration of Board of Directors and of fixed remuneration of Executive Board for following business year		■		
Setting targets for Executive Board				■
Assessing target achievement and proposal for variable remuneration of Executive Board	■			
Approval of variable remuneration of Executive Board for previous business year		■		

■ Decision period

Elements of remuneration of the Executive Board

Remuneration of the members of the Executive Board consists of a fixed base salary and a performance-driven bonus.

Fixed remuneration
The fixed base remuneration paid to the Executive Board in the reporting year consists of the gross base salary, private company car use, and social security payments made by the company. The Remuneration Committee may also decide that part of the remuneration will be paid in the form of shares in Forbo Holding Ltd (lock-up period of five years).

Performance-based remuneration
The variable (performance-based) remuneration component is tied to qualitative (individual) and quantitative (financial) targets, which are defined in accordance with the operational responsibility of the Executive Board member in question. The Board of Directors defines and weights the individual and financial targets.

The qualitative targets are geared to the company's long-term sustainable development and may account for between 10% and 20% of the total variable remuneration. The remaining portion of the variable remuneration component depends on achievement of the financial (quantitative) targets. The main targets for members of the Executive Board are: net sales of the Group and/or a division (25% to 30% of the variable remuneration), EBIT of the Group and/or a division (50% to 55% of the variable remuneration), net working capital of the Group and/or a division (5% to 10% of the variable remuneration), and free cash flow of the Group (0% to 10% of the variable remuneration).

The defined objectives of the entire variable remuneration are equivalent to 100% target achievement. The maximum target achievement is 150%. If a given threshold for a particular target is not reached, no bonus for that target is paid. Depending on the function, the variable remuneration may be as much as 140% of the fixed remuneration if targets are fully met. If the targets are exceeded, the variable remuneration may be as much as 200% of the fixed remuneration.

The amount of the performance-driven bonus, which is based on achievement of the individual and Group targets, is set in March on completion of the business year and is submitted to shareholders for approval at the Ordinary General Meeting.

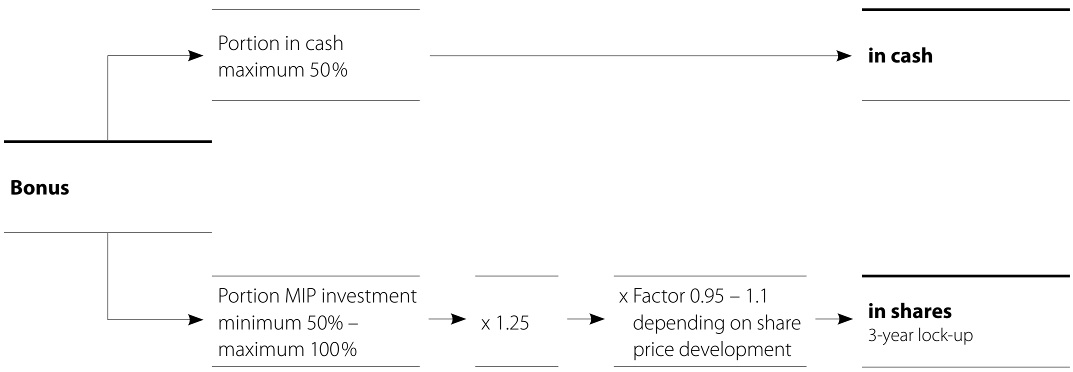
Conversion of remuneration into shares in the Management Investment Plan (MIP)
The bonus payment is linked to the Management Investment Plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual bonus of Executive Board members must be paid into the MIP.

As for the remaining 50% of the annual bonus, the Executive Board members may either draw all or part of it in cash or pay it into the MIP. The Executive Board members may redefine the allocation of this remaining 50% every year.

Following the amendment of the MIP, all the sums paid into it will be invested solely in shares of Forbo Holding Ltd as of January 1, 2013. As a first step, the amount invested in the MIP will be increased by 25%, partly in order to take account of the three-year lock-up period. In addition, this amount will be multiplied by a factor that tracks the share price movement. This factor is calculated as follows:

((SPA – SPP)/SPP) + 1, where 'SPA' stands for the share price applicable for the allocation of shares in the year of allocation and 'SPP' for the applicable share price in the previous year. The upper limit for this factor is 1.1 and the lower limit is 0.95.

The relevant share price for the allocation of shares is calculated from the unweighted average of the closing prices of the Forbo share in the first fourteen trading days in January of the allocation year. The shares are locked up for a period of three years. They cannot be sold or pledged during this time.



Actual bonus payments

Readers are referred to pages 86 until 89 of this remuneration report for the amount of the actual variable remuneration paid to the Executive Board in the year under review and for the details on valuation and allocation of shares.

Employment contracts of the Executive Board members

According to Article 28 of the OaER, employment contracts must be compliant with the OaER by December 31, 2015 at the latest.

Consequently, the employment contracts of the Executive Board members have been adjusted in order to meet the ordinance guidelines that come into effect in 2015. The employment contracts of the Executive Board members provide for contracts of indefinite duration with a maximum period of notice of twelve months.

The Board of Directors can order that lock-up periods stipulated in the employment contracts of Executive Board members in connection with the MIP may be revoked wholly or in part upon the occurrence of defined events (e.g. change of control, termination of employment, retirement or death).

Should changes in control of the company occur, no additional remuneration or benefits will be paid out.

No severance payments have been agreed with Executive Board members.

Remuneration elements allocated for previous years and still outstanding

Under the previous MIP, 25% of the payments was invested in options and 75% in shares of Forbo Holding Ltd. The shares and options were locked up for a period of three years, and the lifetime of the options was five years. The options issued in connection with the MIP come to maturity no later than April 21, 2017. Owing to the revision of the MIP, the sums paid into the MIP are no longer invested in options and shares as of January 1, 2013, but solely in shares of Forbo Holding Ltd. These shares are subject to a lock-up period of three years.

Of special note with regard to the options issued before the revision of the MIP is the treatment of these options in the event of termination of the employment contract, disability or retirement. If notice is given by either party terminating the employment contract during the lock-up period, the MIP participants may either sell back the options (the reselling price then corresponds to the difference between the strike price of the option and the average price of the shares during the last five trading days before the employment contract was terminated) or they may keep the options and sell or exercise them after the lock-up period during their remaining lifetime. In the event of death, disability or retirement (including early retirement), the options – regardless of whether or not they are still subject to a lock-up period – may be sold during the entire remaining period to maturity from the moment the disability or retirement begins or from the date of death.

Details on MIP allocation

The shares and options issued in connection with the MIP are equity-settled. The options were issued on the basis of a valuation by an independent bank, with the valuation being based on the average market price of the shares in the first 14 trading days in January of the year the allocation was made. The last allocation of options was made in 2012. The shares that were distributed in connection with the MIP up to and including 2012 were issued at the average market price for the first 14 trading days in January of the corresponding year.

Disclosure of remuneration for the Board of Directors and the Executive Board

Remuneration of the Board of Directors

The total remuneration paid to the non-executive members of the Board of Directors came to CHF 880,480 in the year under review (previous year: CHF 1,015,001). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 519,099 (previous year: CHF 557,154) and the base remuneration in shares (40% of the remuneration) of CHF 264,234 (previous year: CHF 372,846). This corresponds to 290 shares (previous year: 627 shares) at a market value of CHF 911.15 (previous year: CHF 594.65). This total remuneration includes a lump sum for expenses plus employer contributions to the usual social insurances, which are reported separately in the column 'Other compensation'.

The compensation paid to the Executive Chairman of the Board of Directors is explained in detail on pages 79 and 80 of this remuneration report.

Remuneration of the Executive Board

The total compensation paid to the members of the Executive Board came to CHF 3,879,680 in the year under review (previous year: CHF 2,951,241), subject to approval of the variable portion by the 2015 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,714,347 (previous year: CHF 1,296,160) and variable remuneration of CHF 1,664,955 (previous year: CHF 1,293,034) plus the private use of the company car, employer contributions to the pension fund and other usual social insurances, which are reported separately in the column 'Other compensation'.

The fixed portion of the base salary paid in shares (lock-up period of five years) came to CHF 403,207. The portion of the variable remuneration paid in shares in connection with the MIP (lock-up period of three years) came to CHF 1,592,868, subject to approval by the 2015 Ordinary General Meeting.

Disclosure of remuneration of the Board of Directors and the Executive Board

Remuneration
for the business year 2014[1)]

	Base salary			Variable remuneration[2)]			Other remu-neration[3)]	Total
	Cash		Shares	Cash		Shares		
Name and function	CHF	Number	CHF	CHF	Number	CHF	CHF	CHF
This E. Schneider, Executive Chairman[4)]	297,983	5,314	2,200,020				441,397	2,939,400
Dr. Albert Gnägi, Chairman[5)]	128,333	0	0				39,681	168,014
Michael Pieper, Vice Chairman	80,331	60	54,669				11,443	146,443
Dr. Peter Altorfer, Vice Chairman[6)]	104,841	77	70,159				16,712	191,712
Claudia Coninx-Kaczynski, member[7)]	47,199	36	32,801				8,572	88,572
Dr. Reto Müller, member	71,709	53	48,291				12,870	132,870
Vincent Studer, member	86,686	64	58,314				7,869	152,869
Total Board of Directors[8)]	**817,082**	**5,604**	**2,464,254**				**538,544**	**3,819,880**
Total Executive Board[9)10)11)]	**1,311,140**	**455**	**403,207**	**72,087**	**1,649**	**1,592,868**	**500,378**	**3,879,680**
Of whom highest-paid Executive Board member	400,000	227	201,120	0	778	751,517	206,447	1,559,084

1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements.

2) The variable remuneration of the Executive Board corresponds to the actual degree to which targets were reached in 2014 and will be submitted to the April 2015 Ordinary General Meeting for approval. The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo shares in the first 14 trading days in January of the allocation year in connection with the MIP. The shares are allocated at the end of April/beginning of May (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year: CHF 965.96. The shares are locked up for a period of three years.

3) 'Other remuneration' includes in particular employer contributions to the usual social insurances, the private company car use and lump sum or local expenses.

4) This E. Schneider was Delegate of the Board of Directors until the 2014 Ordinary General Meeting. From this point on, he has had the function of Executive Chairman of the Board of Directors. For details on the structure of his remuneration, please refer to pages 79 and 80 of this remuneration report. These remarks also contain the criterion for determining the number of shares issued and their lock-up periods.

5) Dr. Albert Gnägi retired from the Board of Directors at the 2014 Ordinary General Meeting on reaching the retirement age. His remuneration was paid in cash pro rata temporis.

6) Vice Chairman since the 2014 Ordinary General Meeting (previously member).

7) New member of the Board of Directors since the 2014 Ordinary General Meeting.

8) The criterion for determining the number of shares issued for the non-executive members of the Board of Directors is the average share price in the ten trading days after payment of the dividend or repayment of the par value: CHF 911.15. The shares are locked up for a period of three years.

9) Remuneration of the entire Executive Board including the highest-paid Executive Board member.

10) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated at the end of April/beginning of May for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of five years. The corresponding value of the shares allocated was proportionate CHF 759.68 for 2014 and CHF 965.65 for 2015.

11) The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares for the bonus for fiscal 2014 will be allocated in late April/early May 2015, subject to approval by the 2015 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 965.65.

Remuneration
for the business year 2013[1)]

	Base salary			Variable remuneration	Other remuneration[2)]	Total
	Cash		Shares	Cash, Shares		
Name and function	CHF	Number	CHF	CHF	CHF	CHF
Dr. Albert Gnägi, Chairman	230,986	259	154,014		27,363	412,363
Michael Pieper, Vice Chairman	80,887	91	54,113		11,449	146,449
Dr. Peter Altorfer, member	86,724	98	58,276		14,661	159,661
Dr. Reto Müller, member	71,833	81	48,167		23,662	143,662
Vincent Studer, member	86,724	98	58,276		7,866	152,866
Non-executive members of the Board of Directors	**557,154**	**627**	**372,846**		**85,001**	**1,015,001**
This E. Schneider, Delegate of the Board and CEO[3)]	256,667	7,796	2,138,632		398,005	2,793,304
Total Board of Directors	**813,821**	**8,423**	**2,511,478**		**483,006**	**3,808,305**
Total Executive Board	**1,029,493**	**0**	**266,667**	**1,293,034**	**362,047**	**2,951,241**

1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements.
The table therefore discloses the maximum remuneration that was granted in the year under review, including compensation for which the payment date or definitive legal title occurred after December 31, 2013.
2) 'Other remuneration' includes in particular employer contributions to the usual social insurances, the private company car use, and lump sum or local expenses.
3) The compensation paid to the Delegate of the Board of Directors and CEO is disclosed separately and included under total compensation to the Board of Directors. It is not possible to clearly allocate the total compensation paid for the two functions.

Options

In the year under review and the previous year, no options were issued in connection with the MIP. However, there are still options outstanding within the Management Investment Plan (MIP), which was launched in 2006 and revised in 2012.

As at the balance sheet date December 31, 2014, the Executive Board held the following options:

Allocation	Number	Term	Locked-up until	Subscription ratio	Strike price (CHF)
2012	3,051	20.04.2012 – 21.04.2017	20.04.2015	1:1	616.33

Advances and loans

As at December 31, 2014, no advances or loans to members of the Board of Directors or the Executive Board were outstanding.

The relevant statutory provisions concerning advances, loans and employee benefits for members of the Board of Directors and the Executive Board are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd can be downloaded at:
www.forbo.com → Investors → Ordinary General Meeting

Disclosure of shareholdings pursuant to Article 663c CO

2014 business year

As at December 31, 2014, 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:

Shareholdings 2014		
	Shares	Options[1]
Name and function		2012 series 1:1[2]
This E. Schneider, Executive Chairman[3]	64,981	
Michael Pieper, Vice Chairman	616,779	
Dr. Peter Altorfer, Vice Chairman[4]	1,032	
Claudia Coninx-Kaczynski[5], member	36	
Dr. Reto Müller, member	456	
Vincent Studer, member	695	
Total Board of Directors	**683,979**	
Stephan Bauer, Chief Excecutive Officer	538	
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	1,500	3,051
Andreas Spreiter, Chief Financial Officer	570	
Jean-Michel Wins, Executive Vice President Movement Systems	92	
Total Executive Board	**2,700**	**3,051**

1) Following the amendment of the MIP, all the sums paid into it are invested in shares of Forbo Holding Ltd starting as of January 1, 2013. As of the 2013 business year, no further options were issued in connection with the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and revised in 2012.

2) Subscription ratio.

3) The share portion for the Executive Chairman of the Board of Directors amounts to 19,483 shares from the employment contract for the period from May 1, 2013 to December 31, 2016. The shares are subject to lock-up periods of three, four, and five years. The last third of the shares will be available on May 1, 2018 at the earliest.

4) Vice Chairman since the 2014 Ordinary General Meeting (previously member).

5) New member of the Board of Directors since the 2014 Ordinary General Meeting.

As at December 31, 2013, 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:

Shareholdings 2013

	Shares			Options[3]
Name and function		2012 series 1:1[1]	2011 series 1:1[1]	2010 series 1:1[1]
Dr. Albert Gnägi, Chairman	5,162			
Michael Pieper, Vice Chairman	681,719			
Dr. Peter Altorfer, member	955			
Vincent Studer, member	631			
Dr. Reto Müller, member	403			
Non-executive members of the Board of Directors	**688,870**			
This E. Schneider, Delegate of the Board of Directors and CEO[2]	86,368			
Total Board of Directors	**775,238**			
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	2,310	3,051	2,033	565
Andreas Spreiter, Chief Financial Officer	56			
Jean-Michel Wins, Executive Vice President Movement Systems	0			
Total Executive Board	**2,366**	**3,051**	**2,033**	**565**

1) Subscription ratio.

2) The compensation to the Delegate of the Board of Directors and CEO is disclosed separately and shown in the line Board of Directors.

3) Following the amendment of the MIP, all the sums paid into it will be fully invested in shares of Forbo Holding Ltd starting on January 1, 2013. As of the 2013 business year, no further options were issued in connection with the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and revised in 2012.

Report of the statutory auditor

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

Report of the statutory auditor on the remuneration report
We have audited pages 87 to 90 of the accompanying remuneration report of Forbo Holding Ltd for the year ended December 31, 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans, and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Forbo Holding Ltd for the year ended December 31, 2014 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Ketterer Revisionsexperte Audit expert	Reto Tognina Audit expert

Zurich, March 11, 2015

FINANCIAL REPORT

Consolidated balance sheet

		31.12.2014	31.12.2013
Assets			
CHF m	Note		
Non-current assets		**418.5**	**408.2**
Property, plant, and equipment	15	234.9	232.3
Intangible assets	16	146.1	146.4
Deferred tax assets	13	37.2	29.3
Investments in associates and other non-current assets	17	0.3	0.2
Current assets		**677.1**	**718.8**
Inventories	18	230.6	213.4
Trade receivables	19	150.6	148.8
Other receivables		24.0	29.2
Deferred income and prepaid charges		17.3	18.3
Other current financial instruments	20	49.5	68.1
Cash and cash equivalents	21	205.1	241.0
Total assets		**1,095.6**	**1,127.0**
Shareholders' equity and liabilities			
CHF m			
Shareholders' equity		**738.8**	**786.8**
Share capital	23	0.2	0.2
Treasury shares	23	– 0.1	– 0.1
Reserves and retained earnings		738.7	786.7
Non-current liabilities		**112.6**	**99.1**
Non-current financial debt	25	1.4	1.2
Employee benefit obligations	26	60.5	51.8
Non-current provisions	27	24.2	26.1
Deferred tax liabilities	13	26.5	20.0
Current liabilities		**244.2**	**241.1**
Trade payables		86.5	87.2
Current provisions	27	17.8	17.3
Accrued expenses	28	90.4	88.5
Current financial debt	29	0.6	0.7
Current tax liabilities		18.9	14.5
Other current liabilities		30.0	32.9
Total liabilities		**356.8**	**340.2**
Total shareholders' equity and liabilities		**1,095.6**	**1,127.0**

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

Consolidated income statement

CHF m	Note	2014	2013
Continuing operations			
Net sales	5	**1,226.8**	**1,199.7**
Cost of goods sold		– 765.8	– 747.3
Gross profit		**461.0**	**452.4**
Development costs	6	– 16.5	– 16.4
Marketing and distribution costs		– 196.6	– 197.1
Administrative costs	7	– 94.2	– 90.7
Other operating expenses	8	– 13.2	– 19.3
Other operating income	9	8.9	6.8
Operating profit		**149.4**	**135.7**
Financial income	11	5.9	10.9
Financial expenses	12	– 1.0	– 5.7
Group profit before taxes		**154.3**	**140.9**
Income taxes	13	– 30.9	– 30.7
Group profit for the year from continuing operations		**123.4**	**110.2**
Group profit for the year from discontinued operations after taxes	30	**0.2**	**7.4**
Group profit for the year		**123.6**	**117.6**
Earnings per share, total			
CHF			
Basic earnings per share	14	62.04	56.78
Diluted earnings per share	14	61.95	56.76
Earnings per share from continuing operations			
CHF			
Basic earnings per share	14	61.92	53.21
Diluted earnings per share	14	61.83	53.19
Earnings per share from discontinued operations			
CHF			
Basic earnings per share	14	0.12	3.57
Diluted earnings per share	14	0.12	3.57

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

Comprehensive income statement

CHF m	2014	2013
Group profit for the year	**123.6**	**117.6**
Items that will not be reclassified to the income statement:		
Remeasurements of employee benefit obligations, net of taxes	– 6.2	0.9
Items that may be subsequently reclassified to the income statement:		
Translation differences	0.6	– 8.2
Other comprehensive income for the year, net of tax	**– 5.6**	**– 7.3**
Total comprehensive income	**118.0**	**110.3**

The items under 'Other comprehensive income for the year, net of tax' include income tax effects, which are described in note 13 'Income taxes'.

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

Consolidated shareholders' equity

2014

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
December 31, 2013	**0.2**	**– 0.1**	**1,031.5**	**– 244.8**	**786.8**
Group profit for the year			123.6		123.6
Other comprehensive income for the year, net of tax			– 6.2	0.6	– 5.6
Total comprehensive income			**117.4**	**0.6**	**118.0**
Share-based payments			4.2		4.2
Treasury shares	– 0.0	0.0	– 141.6		– 141.6
Dividend payment			– 28.6		– 28.6
December 31, 2014	**0.2**	**– 0.1**	**982.9**	**– 244.2**	**738.8**

2013

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
December 31, 2012	**0.3**	**– 0.1**	**965.6**	**– 236.6**	**729.2**
Group profit for the year			117.6		117.6
Other comprehensive income for the year, net of tax			0.9	– 8.2	– 7.3
Total comprehensive income			**118.5**	**– 8.2**	**110.3**
Share-based payments			3.1		3.1
Treasury shares	– 0.1	0.0	– 30.8		– 30.9
Dividend payment			– 24.9		– 24.9
December 31, 2013	**0.2**	**– 0.1**	**1,031.5**	**– 244.8**	**786.8**

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

Consolidated cash flow statement

	2014	2013
Cash flow from operating activities		
CHF m		
Group profit for the year	123.6	117.6
Profit from disposal of discontinued operations after taxes	– 0.2	– 7.4
Tax expense	30.9	30.7
Group profit before taxes	**154.3**	**140.9**
Financial result	– 4.9	– 5.2
Depreciation of property, plant, and equipment	32.8	33.3
Amortization of intangible assets	2.9	3.1
Profit from the sale of non-current assets	– 1.2	0.0
Share-based payments	4.2	3.1
Income tax paid	– 27.1	– 24.9
Decrease in provisions and employee benefit obligations	– 1.4	– 5.7
Increase (–)/Decrease in net operating working capital[1]	– 15.7	1.3
Decrease/Increase (–) in other current assets	3.4	– 17.8
Net cash flow from operating activities	**147.3**	**128.1**
Cash flow from investing activities		
CHF m		
Purchase of business operations net of cash acquired		– 0.3
Purchase of non-current assets	– 39.5	– 34.6
Proceeds from the disposal of non-current assets	2.2	1.6
Purchase of current financial instruments	0.0	– 0.8
Proceeds from current financial instruments	23.7	86.2
Interest received	0.6	0.8
Net cash flow from investing activities	**– 13.0**	**52.9**
Cash flow from financing activities		
CHF m		
Repayment of current financial debt	– 0.1	– 132.4
Repayment of non-current financial debt		– 1.4
Interest paid	– 0.2	– 5.5
Purchase of treasury shares	– 152.7	– 62.2
Proceeds from sale of treasury shares	9.3	37.4
Dividend payment	– 28.6	– 24.9
Net cash flow from financing activities	**– 172.3**	**– 189.0**
Change in cash and cash equivalents		
CHF m		
Decrease in cash and cash equivalents	– 38.0	– 8.0
Translation differences on cash and cash equivalents	2.1	– 2.3
Total cash and cash equivalents at beginning of year	241.0	251.3
Total cash and cash equivalents at year-end	**205.1**	**241.0**

1) 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 floorings, construction adhesives, and drive and conveyor technology. The Group has a global network of locations with production and distribution as well as 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 11, 2015, and released for publication on March 17, 2015. The report is subject to approval by the Ordinary General Meeting of April 24, 2015.

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 subsidiaries prepared according to uniform corporate accounting policies. The reporting date for all Group companies is December 31.

The consolidated statements were prepared in accordance with the principle of historical costs with the exception of available-for-sale financial assets 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 their knowledge differ from the actual circumstances, the original estimates and assumptions will be adjusted in the reporting year in which the circumstances have changed.

Scope and principles of consolidation
The subsidiaries of Forbo Holding Ltd are all domestic and foreign companies in which the company holds rights to direct relevant activities, has exposure to variable returns from its involvement with the investee, and is able to use its power over the investee to affect the amount of the investor's returns. 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 transferred, liabilities incurred or acquired, 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. Acquisition costs are reported as expenditure in the income statement. At the acquisition date, the acquirer recognizes the acquired identifiable assets, liabilities, contingent 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 recognized as the proportionate share of the fair value of the net assets acquired. Goodwill is the excess of the consideration of the business combination and the amount of the non-controlling interest over the identifiable net assets assessed at fair value. Goodwill is not amortized but is tested for impairment at least after each reporting date or earlier if there are any indications of a possible impairment.

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 consistency with the policies adopted by the Group.

Associates are all entities over which the Group has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% 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.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition changes 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 146 of this report).

Foreign currency translation

The individual companies prepare their financial statements in their functional currency, which generally corresponds to the local currency. The functional currency is 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 transaction. 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, unless recognized in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

The consolidated financial statements are prepared in Swiss francs. The Swiss franc is both the functional currency and the reporting currency of the company. 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 recognized in other comprehensive income and taken to profit or loss for the period (reclassified) in the event the foreign Group company is disposed of.

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

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

			Income statement (average exchange rates for the year)		Balance sheet (year-end exchange rates)	
			2014	2013	2014	2013
Exchange rates						
Euro zone	EUR	1	1.2146	1.2307	1.2030	1.2256
USA	USD	1	0.9155	0.9271	0.9943	0.8915
Great Britain	GBP	1	1.5071	1.4494	1.5486	1.4698
Japan	JPY	100	0.8653	0.9517	0.8308	0.8478
China	CNY	100	14.8600	15.0800	16.0200	14.6900
Sweden	SEK	100	13.3517	14.2328	12.7370	13.6790

Current and non-current classification
Assets are designated current assets if they are realized or consumed in the Group's ordinary business cycle within one year or if they 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 the business segments for which separate financial information is available and which are regularly reviewed by the chief operating decision-maker concerned in order to determine how resources are to be allocated and performance assessed. Segment reporting is made on the basis of internal controlling.

The reportable segments apply the same accounting policies as the Group. The provision of services among the reportable segments is transacted at arm's length, and the prices applied are therefore comparable to those that would have applied in a transaction with a third party.

Segment result is determined on operating profit level (EBIT). Allocation of interest and taxes to the individual divisions and Corporate is not appropriate owing to the highly centralized Finance and Tax functions.

Discontinued operations
Discontinued operations are recognized separately if a component of the Group has either already been discontinued or been classified as held for sale. The prior-year figures affecting the income statement are adjusted accordingly and are also presented separately.

Net sales and revenue recognition
Net sales include the fair value of the consideration received or to be received for the sale of goods and services as part of ordinary business activity. Net sales are reported net of revenue reductions such as sales tax, returns, discounts, and rebates.

Revenue from the sale of goods and services is recognized in the income statement if the risks and rewards of ownership have been transferred to the buyer, the amount of the revenue can be reliably determined, and payment is deemed to be likely.

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 instruments are granted. The fair value of the share options is determined by the Black-Scholes model. The anticipated life of the option 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. The fair value determined on granting equity-settled share-based payments is recognized in 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.

Deferred tax liabilities are recognized for temporary differences between assets and liabilities in the balance sheet, and their tax bases 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 unused tax losses and tax credits, but only to the extent as it is probable that sufficient taxable profits will be available against which these differences can be offset. Deferred tax liabilities are not recognized if temporary differences arise from the initial recognition of goodwill.

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.

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 or recognized in other comprehensive income. In this case, the corresponding tax effect is also to be recognized directly in shareholders' equity or in other comprehensive income.

Property, plant, and equipment
Property is recognized at cost on acquisition. Land is not depreciated, but allowances are set aside for impairments that have occurred. All other fixed assets such as machines, vehicles and operational assets are reported at cost on acquisition less accrued depreciation and impairments.

Betterments that increase the useful lives of the assets, significantly improve the quality of the output or enable a substantial reduction in operating costs are capitalized and depreciated over the remaining useful lives.

Depreciation is calculated according to the straight-line method over the following estimated useful life:

Land	no depreciation
Buildings	20 to 40 years
Modifications and installations	5 to 10 years or duration of rental contract
Machines and tools	5 to 10 years
Other operational assets	3 to 10 years
Vehicles	5 years
IT	3 to 5 years
Assets under construction	no depreciation

If there are signs of an impairment, the recoverable amount of the asset is determined. If the carrying amount exceeds the recoverable value, the carrying amount of the asset is reduced accordingly and the difference charged to the income statement.

Assets which are held in financial leasing 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 costs of short-term leasing are charged directly to the income statement. The corresponding liabilities are disclosed in the notes (see note 32 'Leasing').

Intangible assets
Goodwill is the excess of the consideration paid or payable of a business combination and the amount of the non-controlling interest over the identifiable net assets assessed at fair value. Goodwill derived in a business combination is included in 'Intangible assets'. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses.

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 3 years.

Financial instruments

Financial instruments can be classified as follows:

(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.

(b) Loans and receivables

Loans and receivables are loans and receivables granted by the Group 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 year, in which case they are classified as non-current assets.

(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.

RECOGNITION AND MEASUREMENT

Purchases and sales of financial assets are basically recognized as soon as the Group becomes a contractual party. In the case of regular purchases or sales, the settlement date is relevant for the initial recognition and derecognition.

Financial assets not classified 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 incidental to 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 recognized 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 securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in other comprehensive income are reclassified to the income statement.

The Group assesses at the end of each reporting year 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 previous impairment losses on that financial asset – is reclassified to the income statement. Impairment losses on equity instruments recognized in the income statement are not reversed through profit and loss. Impairment testing of trade receivables is described in note 19 'Trade receivables'.

Derivative financial instruments
The Group uses derivative financial instruments solely to manage financial risks and not for the purpose of speculation. The derivatives used are accounted for on the day the trade is conducted. Derivative financial instruments are recognized, in accordance with IAS 39, at market value in the balance sheet under 'Other current financial instruments' or under 'Liabilities from current financial debt'.

To hedge its currency risks, the Group uses mainly currency spot transactions, forward currency contracts, and currency swap transactions. The fair values of the various derivative instruments used for hedging purposes are disclosed in note 33 'Additional information on financial instruments'.

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 unsaleable inventories and inventories with insufficient turnover. Inter-company profits on intra-Group deliveries are eliminated in the income statement.

Trade receivables
Trade receivables are stated at invoiced amounts less allowances for doubtful risks. Allowances for doubtful risks are established based on the maturity structure and discernible solvency risks. In addition to individual allowances for specific identifiable risks, allowances are also made on the basis of statistically determined default risks.

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 maturities of up to 3 months.

Shareholders' equity
Registered shares are classified as share capital at their par value. Payments by shareholders 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. On the sale of treasury shares, gains or losses compared with the par value 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 comprise bank loans and finance lease obligations. It is stated at amortized cost (less transaction costs).

Financial debt is assigned to current debt, except if the Group has to settle the obligation earliest 12 months after the reporting date or enjoys 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 and 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 assessed 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 market 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 posted directly to the income statement. Profits resulting from pension plan curtailments or settlements 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.

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

3 Critical judgements, estimates and appraisals by management

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-current assets
Along with the regular periodic review of goodwill and intangible assets with an indefinite useful life, the carrying amounts of fixed and intangible assets with a finite useful 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 cash flows or the expected net sales price.

Important assumptions in these calculations include growth rates, margins, estimates and management's expectations of the future development of net working capital, and discount rates. The actual cash flows may deviate from the planned discounted future values. Likewise, the useful lives may be shortened or non-current 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 note 15 'Property, plant, and equipment' and note 16 'Intangible assets'.

Employee pension schemes
Various employee pension plans and schemes exist for employees of the Group. 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 inflation rate as well as assumptions for 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 income from the employee pension schemes and on the comprehensive income statement. Further information on this topic can be found in note 26 '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. 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 27 '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 in the relevant countries. There are business events which have an impact on taxation and 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 expenses. Where the definitive taxation of these business events deviates from the previous assumptions, this will have an impact on the current 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 is based on planning information. Further information on this topic can be found in note 13 'Income taxes'.

4 Application of new or revised accounting standards

Applied new and revised standards
The following new or revised standards and interpretations of the International Accounting Standards Board (IASB) were applied for the first time in the business year that began on January 1, 2014:

- *IAS 19 (revised) 'Employee benefits: employee contributions for defined benefit plans'*
- *IAS 32 (revised) 'Financial instruments: offsetting'*
- *IAS 36 (revised) 'Recoverable amount disclosures'*
- *IAS 39 (revised) 'Novations of derivatives and continuation of hedge accounting'*
- *IFRIC 21 'Levies'*

The first-time application of the before-mentioned IAS standards had no effect on the Annual Report presented here.

The Forbo Group has not early adopted standards, interpretations or amendments that have been published but are not yet mandatory.

Standards approved but not yet applied
The following new or revised standards and interpretations had been published, though they had not yet become effective 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 corresponding note to the table below represent an estimate by management.

Standards

Standard/Interpretation		Date effective	Planned Application
IFRS 15 (new) – 'Revenue recognition'	*	January 1, 2017	2017 business year
IFRS 9 (new) – 'Financial instruments'	*	January 1, 2018	2018 business year

* No significant impact on the consolidated financial statements is expected.

Moreover, various adjustments to the standards were published as part of the Annual Improvement Project that will be applied for the first time in the business year beginning on January 1, 2015. Since they have little impact on the financial statements, no detailed list of the changes is given.

Notes

5 Segment reporting

The Group is a global producer of Flooring Systems and Movement Systems. The divisions correspond to the internal management structure and are run separately because the products they manufacture, distribute, and sell differ fundamentally in terms of production, distribution, and marketing.

In the Flooring Systems division, the Group develops, produces, and sells linoleum, vinyl floorings, entrance flooring systems, carpet tiles, needle felt floor coverings, Flotex, the washable textile flooring, and building and construction adhesives as well as the various accessory products required for laying, processing, cleaning, and care of flooring. In the Movement Systems division, the Group develops, produces, and sells high-quality conveyor and processing belts, as well as plastic modular belts, and drive, timing and flat belts made of synthetic materials. Corporate includes the costs of the Group headquarters and certain items of income and expenses that are not directly attributable to a specific business.

The Flooring Systems and the Movement Systems divisions are reportable segments. The identification of the reportable segments is based on internal management reporting to the Executive Chairman of the Board of Directors and 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 year:

2014 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	884.7	342.2	– 0.1	1,226.8
Inter-segment sales	– 0.1	– 0.0	0.1	0.0
Net sales to third parties	884.6	342.2		1,226.8
EBIT	123.4	37.0	– 11.0	149.4
Operating assets	563.7	222.6	17.2	803.5
Number of employees (December 31)	3,059	2,060	42	5,161

Segment information on the reportable segments for the prior year:

2013 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	873.5	326.2	– 0.0	1,199.7
Inter-segment sales	– 0.0	– 0.0	0.0	0.0
Net sales to third parties	873.5	326.2		1,199.7
EBIT	113.3	31.7	– 9.3	135.7
Operating assets	552.6	206.8	29.0	788.4
Number of employees (December 31)	3,030	1,976	41	5,047

The management reporting is based on the same accounting principles as external reporting.

The Executive Chairman of the Board of Directors and the Chief Executive Officer assess the performance of the reportable segments based on their operating result (EBIT). The net financial result is not allocated to the segments since it is Corporate Treasury that mainly exercises central control over the financial result.

Inter-segment sales are transacted at arm's length. The segments apply the same accounting principles as the Group. Sales to third parties, as they are reported to the Executive Chairman of the Board of Directors and the Chief Executive Officer, are identical with the sales reported in the income statement.

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

	2014	2013
CHF m		
Segment result (EBIT)	**149.4**	**135.7**
Financial result	4.9	5.2
Group profit before taxes	**154.3**	**140.9**

	31.12.2014	31.12.2013
CHF m		
Operating assets	**803.5**	**788.4**
Non-operating assets	292.1	338.6
Total assets	**1,095.6**	**1,127.0**

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

CHF m	2014 Third-party sales	2013 Third-party sales
Switzerland (domicile)	28.7	27.5
France	163.6	167.4
Germany	144.8	141.7
Great Britain and Ireland	137.7	121.7
Benelux	124.9	129.5
Scandinavia	113.0	114.1
Eastern Europe	62.7	64.6
Southern Europe	57.4	53.2
Europe	**832.8**	**819.7**
North, Central, and South America	**229.1**	**219.6**
Asia/Pacific and Africa	**164.9**	**160.4**
Total net sales to third parties	**1,226.8**	**1,199.7**

CHF m	31.12.2014 Operating assets	31.12.2013 Operating assets
Switzerland (domicile)	31.8	32.7
France	71.4	77.0
Germany	87.8	85.0
Great Britain and Ireland	167.3	161.8
Benelux	201.6	207.0
Scandinavia	25.6	26.3
Eastern Europe	19.8	22.8
Southern Europe	19.2	19.2
Europe	**624.5**	**631.8**
North, Central, and South America	**97.7**	**83.9**
Asia/Pacific and Africa	**81.3**	**72.7**
Total operating assets	**803.5**	**788.4**

In the reporting year, no customer accounted for sales that exceeded 10% of the Group's total sales.

6 Development costs

'Development costs', which mainly comprise product development, amounted to CHF 16.5 million in the reporting year (2013: CHF 16.4 million).

Costs for manufacturing trials, recipe optimization and new collections are not reported within 'Development costs'. As in the previous year, no development costs were capitalized.

7 Administrative costs

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

8 Other operating expenses

'Other operating expenses' comprises expenses of different kinds in connections with structural measures, legal costs, warranties, taxes on capital, and levies based on local legislation.

9 Other operating income

'Other operating income' comprises a range of income, mainly gains on sale of tangible assets, the release of provisions, insurance payments, rental income, and the sale of material for recycling purposes.

10 Personnel expenses

	2014	2013
Personnel expenses		
CHF m		
Salaries and wages	287.4	278.9
Social security contributions	64.8	61.4
Employee benefit expenses for defined benefit plans	5.4	6.5
Total personnel expenses	**357.6**	**346.8**

As at December 31, 2014, the headcount was 5,161 (2013: 5,047). The average headcount over the year was 5,141 (2013: 5,072).

Salaries and wages include share-based payments expenses of CHF 4.2 million (2013: CHF 3.1 million). A bonus program is available for around 120 managers, which is linked to achieving financial targets set for the Group, the divisions, and individual objectives.

11 Financial income

	2014	2013
Financial income		
CHF m		
Interest income	0.6	0.8
Realized gains from financial instruments classified as being at fair value through profit and loss	1.9	3.2
Increase in fair value of financial instruments classified as being at fair value through profit and loss	3.4	6.9
Total financial income	**5.9**	**10.9**

The financial income in the year under review was due, as in the previous year, mainly to price gains and income from securities.

12 Financial expenses

	2014	2013
Financial expenses		
CHF m		
Interest expenditure from financial liabilities valued at amortized cost	0.2	3.4
Amortization of issuance costs for private placement and bond		0.2
Foreign exchange losses, net	0.2	1.7
Other financial expense	0.6	0.4
Total financial expenses	**1.0**	**5.7**

Financial expenses in the previous year included interest expense for the CHF 150 million bond issued on July 6, 2009, which fell due on July 31, 2013 and was repaid in full. In the year under review, the Group did not have any interest-bearing liabilities with the exception of some financial leasing arrangements. The average interest rate of the interest-bearing liabilities in the past year was 3.5% (2013: 4.1%).

13 Income taxes

	2014	2013
Income taxes		
CHF m		
Current income taxes	29.6	32.1
Deferred income taxes	1.3	– 1.4
Total income taxes	**30.9**	**30.7**

Analysis of tax expense

The following reconciliation explains the difference between the expected and the effective tax expense.

	2014	2013
CHF m		
Group profit before taxes	154.3	140.9
Tax expense at the expected tax rate	**– 35.6**	**– 32.5**
Tax effects of:		
Non-tax-deductible expenses	– 2.1	– 2.9
Tax-exempt income	3.8	1.1
Tax losses for which no deferred tax assets have been capitalized	2.8	2.0
Utilization of tax losses not capitalized in previous years	0.3	0.2
Previous-year and other positions	– 0.1	1.4
Effective income tax expenses	**– 30.9**	**– 30.7**

Since the Group operates in various countries with different tax laws and rates, the expected and effective tax expense depends every year 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 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 the year under review was 23.1% (2013: 23.1%).

Capitalized and non-capitalized tax loss carry forwards, by expiry date:

2014 CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.6	0.0	0.6
2 years	0.8	0.1	0.9
3 years	1.6	0.3	1.9
4 years	1.3	0.1	1.4
5 years	1.2	0.1	1.3
More than 5 years	103.4	35.4	138.8
Total tax loss carry forwards	**108.9**	**36.0**	**144.9**

2013 CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.2	1.9	2.1
2 years	0.4		0.4
3 years	0.3		0.3
4 years	1.8		1.8
5 years	1.4	0.4	1.8
More than 5 years	120.5	33.5	154.0
Total tax loss carry forwards	**124.6**	**35.8**	**160.4**

In 2014, no unused tax loss carry forwards expired (2013: CHF 0.5 Mio).

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:

	31.12.2014	31.12.2013
CHF m		
Deferred tax assets	37.2	29.3
Deferred tax liabilities	– 26.5	– 20.0
Deferred tax assets, net	**10.7**	**9.3**

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

Deferred tax assets							
CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry forwards	Employee benefit obligations	Other	Total
As at December 31, 2013	**5.4**	**3.7**	**7.9**	**9.7**	**9.6**	**7.1**	**43.4**
Increase/decrease (–) in deferred tax assets	1.6	– 0.1	– 2.8	– 0.1	6.4	1.0	6.0
As at December 31, 2014	**7.0**	**3.6**	**5.1**	**9.6**	**16.0**	**8.1**	**49.4**
Netting							– 12.2
As at December 31, 2014, net							**37.2**

Deferred tax liabilities							
CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Employee benefit obligations	Other	Total
As at December 31, 2013	**3.4**	**5.1**	**5.9**	**18.4**	**0.0**	**1.3**	**34.1**
Increase in deferred tax liabilities	0.1	0.0	0.9	0.3	2.7	0.6	4.6
As at December 31, 2014	**3.5**	**5.1**	**6.8**	**18.7**	**2.7**	**1.9**	**38.7**
Netting							– 12.2
As at December 31, 2014, net							**26.5**

Increase in deferred tax assets, net	**1.4**
Of which recognized in other comprehensive income	2.7
Of which recognized in the income statement	– 1.3

As at December 31, 2014, no deferred tax liabilities on undistributed profits from consolidated companies have been recognized, since this income is deemed to have been reinvested for an indefinite period. Should there be a distribution, withholding and other taxes might be incurred, which upon decision may be provided for accordingly.

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

			2014			2013
CHF m	Before tax	Tax income	After tax	Before tax	Tax expense (–)	After tax
Actuarial losses (–)/gains on pension obligations	– 8.9	2.7	– 6.2	1.3	– 0.4	0.9
Translation differences	0.6	0.0	0.6	– 7.4	– 0.8	– 8.2
Other comprehensive income	**– 8.3**	**2.7**	**– 5.6**	**– 6.1**	**– 1.2**	**– 7.3**

14 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.

The calculations are based on the following information:

	2014	2013
Group profit for the year from continuing operations	123.4	110.2
Group profit for the year from discontinued operations after taxes	123.6	117.6
Weighted average number of shares	1,992,635	2,070,986
Amount of shares adjusted for stock option plans	2,915	734
Weighted average number of shares used to calculate diluted earnings per share	1,995,550	2,071,720

15 Property, plant, and equipment

Cost on acquisition 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, 2012	**127.7**	**676.1**	**124.0**	**11.2**	**939.0**
Acquisition		0.1			0.1
Additions	1.8	7.5	2.2	22.9	34.4
Disposals	– 1.9	– 9.3	– 2.2		– 13.4
Transfers	6.9	16.5	3.1	– 26.5	0.0
Translation differences	– 3.0	1.1	– 0.3	0.2	– 2.0
As at December 31, 2013	**131.5**	**692.0**	**126.8**	**7.8**	**958.1**
Acquisition					
Additions	1.1	7.3	2.2	28.7	39.3
Disposals	– 5.1	– 4.3	– 1.8	– 1.6	– 12.8
Transfers	2.0	12.3	2.9	– 17.2	0.0
Translation differences	– 2.1	– 5.8	– 1.2	– 0.4	– 9.5
As at December 31, 2014	**127.4**	**701.5**	**128.9**	**17.3**	**975.1**

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, 2012	**9.9**	**581.2**	**112.5**	**1.6**	**705.2**
Depreciation	6.9	21.7	4.7		33.3
Disposals	– 0.7	– 9.0	– 2.1		– 11.8
Transfers	– 0.4		0.4		0.0
Translation differences	– 1.9	0.9	0.1		– 0.9
As at December 31, 2013	**13.8**	**594.8**	**115.6**	**1.6**	**725.8**
Depreciation	7.3	21.0	4.5		32.8
Disposals	– 4.4	– 4.1	– 1.7	– 1.6	– 11.8
Transfers	0.4	– 0.4			0.0
Translation differences	– 1.0	– 4.3	– 1.3		– 6.6
As at December 31, 2014	**16.1**	**607.0**	**117.1**	**0.0**	**740.2**
Net carrying amount					
As at December 31, 2013	117.7	97.2	11.2	6.2	232.3
As at December 31, 2014	111.3	94.5	11.8	17.3	234.9

Property, plant, and equipment is recognized at amortized cost. As in the previous year, no impairments occurred in the year under review.

Maintenance and repair costs amounted to CHF 22.6 million (2013: CHF 20.1 million). The depreciation expense of CHF 32.8 million (2013: CHF 33.3 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.

Property, plant, and equipment also includes leased assets with a net book value of CHF 1.4 million (2013: CHF 1.4 million). The leasing liability for fixed assets carried in the balance sheet amounts to CHF 1.5 million (2013: CHF 1.4 million).

As at December 31, 2014 there were no assets for which interest on borrowed capital was capitalized during the preparation phase.

As at December 31, 2014 the Group had outstanding purchase orders for capital goods amounting to CHF 15.4 million (2013: CHF 0.4 million).

The insured value of the insurance for buildings, machinery, equipment, and inventories was CHF 1,694.1 million (2013: CHF 1,718.8 million).

16 Intangible assets

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2012	**92.2**	**34.0**	**86.6**	**212.8**
Additions			0.2	0.2
Disposals				
Translation differences	0.5	– 0.1	– 0.3	0.1
As at December 31, 2013	**92.7**	**33.9**	**86.5**	**213.1**
Additions			0.2	0.2
Disposals			– 2.9	– 2.9
Translation differences	– 1.1	0.4	3.1	2.4
As at December 31, 2014	**91.6**	**34.3**	**86.9**	**212.8**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2012	**9.6**	**25.8**	**28.2**	**63.6**
Amortization			3.1	3.1
Disposals				
Translation differences	0.1	0.0	– 0.1	0.0
As at December 31, 2013	**9.7**	**25.8**	**31.2**	**66.7**
Amortization			2.9	2.9
Disposals			– 2.9	– 2.9
Translation differences	– 0.2	0.0	0.2	0.0
As at December 31, 2014	**9.5**	**25.8**	**31.4**	**66.7**
Net carrying amount				
As at December 31, 2013	83.0	8.1	55.3	146.4
As at December 31, 2014	82.1	8.5	55.5	146.1

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 for calculating the value in use. Cash flow for the first five years is estimated on the basis of the plan approved by management (detailed planning period). Cash flows beyond the detailed planning period are extrapolated to the terminal value by means of using sustainable earnings. During the detailed planning period, relatively constant EBITDA margins are assumed, which are around 17% for Flooring Systems and around 13% for Movement Systems. The discount rate corresponds to the total weighted cost of capital before taxes including an average risk charge estimated by management, which lies between 9.5% and 12.3% (2013: between 9.8% and 12.7%). The intangible assets with an indefinite useful life were also subject to impairment testing in the form of sensitivity analyses.

The impairment tests conducted in connection with trademarks are based on the sales turnover achieved with these trademarks. The relief from royalty method was used, in which the economic benefit of the trademark holder is determined by means of the discounted royalty savings. The cash flow forecasts during the detailed planning period are based on expected royalty savings of between 1% and 2% of net sales. In the year under review, no impairment was determined.

Goodwill is distributed among the following groups of cash-generating units:

	31.12.2014	31.12.2013
Flooring Systems	78.1	79.0
Movement Systems	4.0	4.0
	82.1	**83.0**

The goodwill in Flooring Systems as at December 31, 2014, comprises primarily the goodwill acquired in connection with the acquisition of Bonar Floors in 2008. The item 'Trademarks' includes mainly the trademarks acquired as part of the acquisition of Bonar Floors. 'Other intangible assets' consists mainly of the customer relations and technologies as part of the acquisition of Bonar Floors, as well as acquired software.

The annual impairment test of goodwill yielded a value in use that was greater than the carrying amount.

17 Investments in associates and other non-current assets

	31.12.2014	31.12.2013
Investments in associates and other non-current assets		
CHF m		
Investments in associates	0.0	0.0
Other non-current financial assets	0.3	0.2
Total investments in associates and other non-current assets	**0.3**	**0.2**

18 Inventories

	31.12.2014	31.12.2013
Inventories		
CHF m		
Raw materials and supplies	44.0	39.8
Work in progress	75.0	67.7
Finished goods	139.5	135.5
Valuation allowance for inventories	– 27.9	– 29.6
Total inventories	**230.6**	**213.4**

Valuation allowances for inventories amounted to CHF 27.9 million (2013: CHF 29.6 million).

Expenses for inventories recognized in the reporting year came to CHF 496.7 million (2013: CHF 480.8 million).

19 Trade receivables

	31.12.2014	31.12.2013
Trade receivables		
CHF m		
Accounts receivable	139.9	135.9
Notes receivable	17.3	20.0
Allowance for doubtful trade receivables	– 6.6	– 7.1
Total trade receivables	**150.6**	**148.8**

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. Valuation allowances are made in the form of specific valuation allowances. 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 if the debtor has given notice of payment difficulties. Valuation allowances take due account of default risks.

Trade receivables recognized as at the balance sheet date:

CHF m	31.12.2014	31.12.2013
Total trade receivables, gross	**157.2**	**155.9**
Of which not due	137.0	134.0
Of which past due for:		
Less than 30 days	8.7	10.7
Between 31 and 90 days	6.2	5.6
Between 91 and 180 days	3.7	2.9
Between 181 days and 1 year	1.3	2.0
Over 1 year	0.3	0.7
Allowance for doubtful trade receivables	– 6.6	– 7.1
Total trade receivables	**150.6**	**148.8**

Of the total of CHF 20.2 million in trade receivables past due as at December 31, 2014 (2013: CHF 21.9 million), CHF 14.8 million (2013: CHF 16.3 million) were not subjected to a valuation allowance. Overall, valuation allowances of CHF 6.6 million (2013: CHF 7.1 million) were made for receivables with a nominal value of CHF 24.4 million (2013: CHF 25.2 million).

Gross value of trade receivables by currency:

CHF m	31.12.2014	31.12.2013
CHF	1.9	1.6
EUR	74.8	76.6
USD	18.4	15.9
GBP	16.2	14.4
JPY	12.6	12.5
CNY	8.7	9.0
SEK	5.5	5.8
Other	19.1	20.1
Total trade receivables, gross	**157.2**	**155.9**

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

CHF m	2014	2013
As at January 1	**– 7.1**	**– 7.0**
Additions	– 1.3	– 1.5
Release	0.7	0.6
Use	1.2	0.6
Translation differences	– 0.1	0.2
As at December 31	**– 6.6**	**– 7.1**

Allowances of CHF 2.0 million were made for trade receivables not yet due and of CHF 4.6 million for trade receivables past due.

The creation and release of allowances for doubtful trade receivables are included in 'Other operating expense and income' in the income statement.

20 Other current financial instruments

The item 'Other current financial instruments' contains securities (stocks and funds). As explained in note 33 'Additional information on financial instruments', this position is valued on the basis of listed market prices.

21 Cash

	31.12.2014	31.12.2013
Cash and cash equivalents		
CHF m		
Petty cash	0.1	0.1
Bank accounts	160.7	215.7
Short-term deposits with banks	44.3	25.2
Total cash and cash equivalents	**205.1**	**241.0**

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

22 Pledged or assigned assets

There were no significant pledged or assigned assets.

23 Share capital

As at December 31, 2014, the share capital of Forbo Holding Ltd stood at CHF 215,000 (2013: CHF 225,000), divided into 2,150,000 registered shares with a par value of CHF 0.10 each. Thereof 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors. Consequently, 2,128,581 registered shares were eligible for dividends as at December 31, 2014.

Change of shares issued and outstanding:

	31.12.2014	Change	31.12.2013
	Number	Number	Number
Total shares outstanding	**2,150,000**	**– 100,000**	**2,250,000**
Treasury shares			
Shares with dividend rights:			
Treasury shares	81,264	– 15,144	96,408
Share buyback programs	158,467	58,997	99,470
Own shares with no dividend rights	21,419		21,419
Total treasury shares	**261,150**	**43,853**	**217,297**
Total shares issued and outstanding	**1,888,850**	**– 143,853**	**2,032,703**

At the Ordinary General Meeting of Forbo Holding Ltd held on April 25, 2014, the shareholders approved a capital reduction from CHF 225,000 to CHF 215,000 by cancellation of the shares acquired in connection with the share buyback program approved at the Ordinary General Meeting on November 5, 2012, and the corresponding amendment to the Articles of Association. Following the legally mandatory notice to creditors, the capital reduction was entered in the Commercial Register on July 4, 2014. The Board of Directors was furthermore authorized to buy back the company's own shares, over a period of three years, for the purpose of subsequent cancellation of the share certificates, up to a maximum of 10% of the share capital. In the framework of this new share buyback program approved at the Ordinary general meeting of Forbo Holding Ltd on April 25, 2014, 158,467 shares had been repurchased by the end of the year under review.

24 Employee participation plan

Variable compensation for the Executive Board is linked with the Management Investment Plan (MIP), which was introduced in 2006 and amended in 2012. The members of the Board of Directors do not participate in the MIP. According to this plan, at least 50% of the annual variable remuneration of Executive Board members is paid into the MIP. As for the remaining 50% of the annual variable remuneration, the Executive Board members may either draw all or part of it in cash or pay it into the MIP. They may redefine the allocation of this remaining 50% every year anew.

Under the previous plan until 2012, 25% of the payments were invested in options and 75% in shares of Forbo Holding Ltd. The shares and options were subject to a three year lock-up period and the term of the options was five years. The options issued in connection with the MIP come to maturity on April 21, 2017, at the latest. Following the amendment of the MIP, all the sums paid into it will be invested only in shares of Forbo Holding Ltd as of January 1, 2013 and no longer in options. These shares, too, are subject to a three year lock-up period. The shares and options issued under the MIP are equity-settled. 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 that are distributed under the MIP are issued at the unweighted average closing price of the Forbo share for the first 14 trading days in January of the year in which they are distributed. The options until 2012 were issued on the basis of a valuation by an independent bank, whereby the valuation was based on the average market price of the shares in the first 14 trading days in January of the respective year.

Options

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

	2014		2013	
	Weighted average strike price in CHF	Number of options	Weighted average strike price in CHF	Number of options
Options outstanding as at January 1	**674**	**22,088**	**675**	**31,744**
Granted				
Exercised	714	– 13,041	435	– 3,612
Expired			822	– 6,044
Options outstanding as at December 31	**616**	**9,047**	**674**	**22,088**

Of the 9,047 (2013: 22,088) options outstanding, none are exercisable as at December 31, 2014 (2013: 847). The exercise of 13,041 (2013: 3,612) options resulted in the issue of 13,041 (2013: 3,612) Forbo Holding shares at a weighted average issue price of CHF 714 (2013: CHF 435). The weighted average share price on the exercise days was CHF 945 (2013: CHF 625).

Information on the outstanding options as at December 31, 2014:

Series	Strike price (CHF)	Number of outstanding options	Average remaining term (years)	Number of exercisable options
2012	616	9,047	2.3	0
Total options outstanding		**9,047**		

Shares

In the year under review, 1,373 shares of Forbo Holding Ltd were issued under the MIP (2013: 368). A further 440 shares were allocated to Executive Board members in the reporting year as part of base remuneration (2013: 112). The share price at valuation date was CHF 760 (2013: CHF 606).

The Executive Chairman of the Board of Directors is compensated primarily with shares. The detailed information and figures for this compensation model can be found on pages 140 and 141 of this financial report and on pages 79 and 80 of the remuneration report.

The number of shares with a three-year lock-up period allocated to the non-executive members of the Board of Directors came to 290 in the reporting year (2013: 627).

In the year under review, the amount charged to the income statement in application of IFRS 2 for shares issued came to CHF 4.2 million (2013: CHF 3.1 million).

25 Non-current financial debt

	31.12.2014	31.12.2013
CHF m		
Bank debt		
Lease obligations	1.5	1.3
Less current portion	– 0.1	– 0.1
Total non-current financial debt	**1.4**	**1.2**

	31.12.2014	31.12.2013
Maturities of non-current financial debt		
CHF m		
After 1 year	0.1	0.1
After 2 years	0.1	0.1
After 3 years	0.3	0.2
5+ years	0.9	0.8
Total non-current financial debt	**1.4**	**1.2**

The item 'Non-current financial debt' now contains only financial leasing liabilities.

At year-end one derivative financial instrument contract was open. The hedged gross value was CHF 12.0 million, and the fair value was CHF 0.0 million.

26 Employee benefit obligations

The Group has established several pension plans on the basis of the specific requirements of the countries in which it operates. Both defined contribution and defined benefit plans exist in the Group that insure employees against the risks of death and invalidity and provide old-age pensions.

The liabilities and assets under the main defined benefit plans are assessed annually by independent actuaries using the projected unit credit method.

Pension plans in the United Kingdom
The Group has two defined benefit pension plans in the United Kingdom. The main one is the Forbo Superannuation Fund (the FSF), which accounts for about 63% of the Group's total pension liabilities. The FSF is a pension plan whose benefits are based on the final salary and which pays out a guaranteed pension for life to its members. The FSF is closed to new entrants, but benefits continue to accrue for a small number of existing members. The composition of the pension liabilities is as follows: 4% to active employees, 37% to deferred members and 59% to current beneficiaries. New employees in the United Kingdom who meet certain criteria are now offered a defined contribution plan.

The FSF operates under trust law and is managed and administered by the trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The FSF's assets are held by the trust. Responsibility for governance of the FSF – including investment decisions and contribution schedules – lies jointly with the company and the trustees. The board of the trustees must be composed of representatives of the company and plan participants in accordance with the FSF's regulations and British pension law.

The pension plan follows an investment strategy that is geared to the structure of the pension liabilities (LDI – liability-driven investment approach). The core elements of this strategy are:

- Hedging of liabilities: 60% of the assets of the fund are held in physical form in corporate bonds and a further 10% in funds geared to the pension liabilities. This approach hedges a substantial portion of interest rate and inflation risks. The target hedge ratio is 80% of the assets held by the FSF.
- Return-seeking assets: 30% of the assets of the FSF are held in the form of diversified growth investment funds.

The use of any surplus is not subject to any restriction under the FSF's articles of incorporation and may be used freely by the Group. These surpluses are therefore recognized in the balance sheet as assets in accordance with IAS 19 revised.

Switzerland
The Group pays contributions to an independent pension fund as part of the occupational pension provision (known in Switzerland as the 'second pillar'). As a minimum benefit, this independent pension fund must provide the beneficiary with an old-age pension at the time of retirement. This pension is paid out of the retirement savings capital at the start of the pension. The Group meets these liabilities through agreements with pension funds that cover the pension liabilities in full.

The pension liabilities of the Swiss Group companies account for about 17% of the Group's entire pension liabilities. 96% of the liabilities are to active members and 4% to retired beneficiaries.

The Swiss pension system includes guarantees that expose the company to the risk that it may have to provide additional financing. Such a situation may occur, for instance, if the pension fund is unable to meet its obligations or decides to end the insurance relationship. The pension fund guarantees a minimum return and is responsible for the payment of a pension for life once the insurance benefits fall due. As a result of these guarantees, Swiss pension plans are treated as defined benefit plans under IFRS, even though they contain essential elements of defined contribution plans.

The company cannot participate in any surplus of the pension plan. According to Swiss pension law, all surpluses belong to the pension plan and hence to its members.

Others

The Group has a number of other, smaller defined contribution and defined benefit plans in other countries, in accordance with the legal provisions for employees. The main plans exist in France, Germany, Japan, Norway, Sweden, and the USA.

The latest actuarial valuations of the present values of defined benefit liabilities and of service costs were performed as at December 31, 2014, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2014, based on the information available when the annual financial statements were prepared. The average duration of the pension plans until payment of benefits (plan duration) is 14.5 years for the United Kingdom, 18.4 years for Switzerland, and 16.5 years for the other countries.

The principal assumptions underlying the actuarial calculations are summarized as follows.

	2014				2013			
Actuarial assumptions	Switzerland	UK	Other	Weighted	Switzerland	UK	Other	Weighted
Discount rate (in %)	1.1	3.7	2.1	3.0	2.4	4.3	3.1	3.8
Future increases in salaries (in %)	1.7	4.0	2.7	2.4	2.0	4.2	2.6	3.6
Inflation rate (in %)	1.2	3.3	1.7	2.8	1.5	3.5	1.6	2.9
Life expectancy at age of 65 (in years)								
Year of birth 1949								
Men	22	22	19		21	22	19	
Women	24	24	23		24	24	23	
Year of birth 1964								
Men	23	23	21		23	23	21	
Women	25	26	24		25	26	24	

The amounts reported in the consolidated income statement and in equity can be summarized as follows.

Pension costs for defined benefit plans:

Pension costs	2014				2013			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Current service cost	1.3	0.6	2.1	4.0	2.5	0.6	2.3	5.4
Interest costs	1.2	9.6	1.4	12.2	1.2	9.2	1.3	11.7
Interest income on plan assets	– 1.0	– 9.5	– 0.3	– 10.8	– 0.9	– 9.4	– 0.3	– 10.6
Total actuarial net periodic pension costs	**1.5**	**0.7**	**3.2**	**5.4**	**2.8**	**0.4**	**3.3**	**6.5**

Changes in pension liabilities under the defined benefit plans:

Benefit obligations	2014				2013			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**50.6**	**221.2**	**48.2**	**320.0**	**59.0**	**222.7**	**48.7**	**330.4**
Current service cost	1.3	0.6	2.1	4.0	2.5	0.6	2.3	5.4
Employee contributions	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Interest costs	1.2	9.6	1.4	12.2	1.2	9.2	1.3	11.7
Benefits paid	– 3.2	– 10.4	– 2.1	– 15.7	– 8.5	– 9.6	– 2.0	– 20.1
Actuarial losses/gains (–)	11.1	16.8	10.1	38.0	– 4.6	– 1.1	– 1.4	– 7.1
Translation differences		9.7	– 1.6	8.1		– 0.6	– 0.7	– 1.3
As at December 31	**62.0**	**247.5**	**58.1**	**367.6**	**50.6**	**221.2**	**48.2**	**320.0**

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

	2014				2013			
Plan assets								
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**40.9**	**219.5**	**7.8**	**268.2**	**46.0**	**226.1**	**7.2**	**279.3**
Interest income on plan assets	1.0	9.5	0.3	10.8	0.9	9.4	0.3	10.6
Employer contributions	1.7	0.1	2.2	4.0	1.7	0.1	2.0	3.8
Employee contributions	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Return on pension assets (excluding amounts in interest income)	– 0.1	29.3	– 0.1	29.1	– 0.2	– 5.9	0.3	– 5.8
Benefits paid	– 3.2	– 10.4	– 2.1	– 15.7	– 8.5	– 9.6	– 2.0	– 20.1
Translation differences		9.9	– 0.2	9.7		– 0.6		– 0.6
As at December 31	**41.3**	**257.9**	**7.9**	**307.1**	**40.9**	**219.5**	**7.8**	**268.2**

In the reporting period there were no plan curtailments or settlements. There were also no changes occurring as a result of changes to the scope of consolidation.

Actuarial gains and losses are recognized in the balance sheet under 'Pension liabilities' and accounted for 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 37.0 million (2013: CHF 32.1 million) out of a total of CHF 367.6 million (2013: CHF 320.0 million) are unfunded.

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

Net liabilities	2014				2013			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**9.7**	**1.7**	**40.4**	**51.8**	**13.0**	**– 3.4**	**41.5**	**51.1**
Pension income	1.5	0.7	3.2	5.4	2.8	0.4	3.3	6.5
Employer contributions	– 1.7	– 0.1	– 2.2	– 4.0	– 1.7	– 0.1	– 2.0	– 3.8
Actuarial losses/gains (–)	11.2	– 12.5	10.2	8.9	– 4.4	4.8	– 1.7	– 1.3
Translation differences		– 0.2	– 1.4	– 1.6		0.0	– 0.7	– 0.7
Net liabilities as at December 31	**20.7**	**– 10.4**	**50.2**	**60.5**	**9.7**	**1.7**	**40.4**	**51.8**

Gains and losses of defined benefit pension plans offset in the comprehensive income statement for all divisions:

Recognized gains and losses	2014				2013			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial losses (–)/gains in the current period:	**– 10.5**	**– 16.8**	**– 9.7**	**– 37.0**	**5.1**	**– 6.7**	**0.7**	**– 0.9**
Based on adjustment of demographic assumptions	0.0	0.0	0.0	0.0	1.5		– 0.2	1.3
Based on adjustment of economic assumptions	– 10.5	– 16.8	– 9.7	– 37.0	3.6	– 6.7	0.9	– 2.2
Experience adjustment	– 0.6	0.0	– 0.1	– 0.7	– 0.5	7.8	0.7	8.0
Return on pension assets (excluding amounts in interest income)	– 0.1	29.3	– 0.4	28.8	– 0.2	– 5.9	0.3	– 5.8
Total losses (–)/gains recognized in the comprehensive income statement	**– 11.2**	**12.5**	**– 10.2**	**– 8.9**	**4.4**	**– 4.8**	**1.7**	**1.3**

Change in the present value of defined benefit liabilities:

	+0.5%			–0.5%		
Sensitivities						
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	– 5.6	– 17.2	– 4.4	6.2	18.6	5.0
Rate of salary increase	1.8	0.5	3.0	– 1.7	– 0.5	– 2.4
Inflation rate	1.4	9.1	4.0	– 1.3	– 8.4	– 3.6
Interest credits on retirement assets	1.3			– 1.3		

The above table describes the effect of the principal actuarial assumptions on pension liabilities. The table shows the effect of an isolated change of a single parameter, assuming that all other parameters remain unchanged. The table illustrates the overall effect for each region. However, sensitivities may differ for individual plans within the regions. Sensitivity analysis aims to visualize the uncertainty in valuating pension liabilities under market conditions at the date of valuation. The results cannot be extrapolated owing to possible non-linear effects in the event of changes to the actuarial assumptions. Moreover, the analysis cannot say anything about the likelihood of these changes occurring, nor can it present the view of the Group regarding anticipated future changes in pension liabilities. Any measures taken by management to reduce the risks inherent in pension liabilities are also not taken into account in the analysis.

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

	2014	2013
%		
Shares	2.4	2.2
Bonds	60.7	56.8
Real estate	0.1	0.2
Cash and other investments	36.8	40.8
Total plan assets as at December 31	**100.0**	**100.0**

Cash and other investments amounting to 36.8% consist of listed investments (23.4%) and unlisted investments (13.4%). The shares, bonds, and real estate are all listed investments. The plan assets do not include any shares or other securities of the Forbo Group.

Future contributions to defined benefit plans are estimated in the following year on the basis of the period under review.

The expense for the contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 10.2 million in 2014 (2013: CHF 10.2 million).

Other non-current benefits

The Group does not finance any other non-current benefits. The plans for long-service bonuses and other benefits related to years of service are negligible or do not qualify as plans for other non-current benefits.

27 Provisions

Provisions

CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total 2014	Total 2013
As at January 1	**2.3**	**12.1**	**13.9**	**12.0**	**3.1**	**43.4**	**52.2**
Additions	1.7		3.6	3.8	2.4	11.5	8.4
Used during the year	– 0.9		0.0	– 1.9	– 0.3	– 3.1	– 4.7
Reversed during the year	– 0.1		– 5.5	– 2.5	– 1.3	– 9.4	– 12.5
Translation differences	– 0.1	– 0.1	– 0.1	– 0.1	0.0	– 0.4	0.0
As at December 31	**2.9**	**12.0**	**11.9**	**11.3**	**3.9**	**42.0**	**43.4**
Of which current provisions	2.3	0.0	1.5	11.3	2.7	17.8	17.3
Of which non-current provisions	0.6	12.0	10.4	0.0	1.2	24.2	26.1

Warranty provisions are linked to product sales and are based on past experience. 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 include in particular the bonus programs, provisions for paid leave, and potential labor law issues.

Of the original provision of CHF 21.0 million in connection with the sale of the industrial adhesives activity, including synthetic polymers, CHF 10.0 million was released in the previous year owing to the expiry of warranty deadlines: CHF 3.0 million for legal claims, CHF 3.0 million for personnel and CHF 4.0 million for other. The remaining provisions of CHF 11.0 million are kept unchanged for anticipated cash outflows in connection with risks in the areas of environmental (CHF 7.0 million), legal claims (CHF 3.0 million) and other (CHF 1.0 million).

28 Accrued expenses

	31.12.2014	31.12.2013
Accrued expenses		
CHF m		
Accrued expenses for compensation and employee benefits	35.4	36.1
Other accrued expenses	55.0	52.4
Total accrued expenses	**90.4**	**88.5**

Accrued expenses for compensation and employee benefits mainly comprise overtime accruals and commissions. Other accrued expenses include accrued volume rebates, commissions, premiums, interest and goods and services received but not yet invoiced.

29 Current financial debt

	31.12.2014	31.12.2013
Current financial debt		
CHF m		
Current bank loans and overdrafts	0.5	0.6
Current portion of non-current debt	0.1	0.1
Total current financial debt	**0.6**	**0.7**

30 Discontinued operations and assets held for sale as well as liabilities directly associated with assets held for sale

The Group signed a contract with H.B. Fuller Company on December 21, 2011, regarding the sale of its industrial adhesives business, including synthetic polymers, belonging to the former Bonding Systems division. The sale price was CHF 384.7 million. On fulfillment of all conditions, the transaction was successfully closed on March 5, 2012.

In the year under review, the Group received CHF 0.3 million from H.B. Fuller for the result in the short fiscal year 2012 because a control and profit and loss transfer agreement was still in effect in Germany for this period.

Owing to the release of provisions that had been accrued for risks in connection with the sale of the industrial adhesives activity, including synthetic polymers (see note 27 'Provisions'), a profit of CHF 10.0 million before tax, or CHF 7.4 million after tax, was generated in the previous year from the sale of the discontinued operations.

Group profit from discontinued operations:

	2014	2013
CHF m		
Net sales	**0.0**	**0.0**
Cost of goods sold	0.0	0.0
Gross profit	**0.0**	**0.0**
Other functional costs and other operating expenses	0.0	0.0
Operating profit	0.0	0.0
Profit before taxes	0.0	0.0
Related income taxes	0.0	0.0
Profit after taxes	**0.0**	**0.0**
Profit from the sale of the discontinued operations before taxes	**0.3**	**10.0**
Related income taxes	– 0.1	– 2.6
Profit from the sale of the discontinued operations after taxes	**0.2**	**7.4**
Group profit from discontinued operations	**0.2**	**7.4**

31 Contingent liabilities

	31.12.2014	31.12.2013
CHF m		
Contingent liabilities	0.3	0.6

The 'Contingent liabilities' shown in the table refer to sureties and guarantees in favor of third parties.

Furthermore, as announced in a media release on July 3, 2013, the activity of Flooring Systems in France is being investigated by the French competition authorities. The investigation affects the flooring market in France and was instituted on suspicion of anti-competitive practices by leading manufacturers. As the investigation is ongoing, the Group is unable to provide any further information at present or estimate the possible repercussions.

32 Leasing

	2014	2013
Leasing		
CHF m		
Operating leasing liabilities:		
Up to 1 year	9.8	8.1
2 – 5 years	22.3	15.4
More than 5 years	6.4	3.2
Total operating leasing liabilities	**38.5**	**26.7**

Expenses for operating leasing and rentals charged to the 2014 income statement totaled CHF 20.6 million (2013: CHF 21.4 million). The Group has no individually significant operating leasing contracts.

Operating leasing liabilities increased compared with the previous year owing to adjustments to leasing agreements.

The liabilities arising from financial leasing are contained in the item 'Non-current financial debt'.

33 Additional information on financial instruments

Financial instruments that are valued at fair value are classified in a three-level hierarchy as follows:
- Level 1: listed market prices in an active market 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).
- The Group held the following financial instruments on the balance sheet date: there were no financial instruments in the fair value hierarchy level 3 nor was there any regrouping between the levels of the fair-value hierarchy. There were also no non-recurring fair-value measurements of financial instruments. The financial instruments held at the balance sheet date fall into the following categories:

Fair-value measurement of financial instruments using the method of the fair-value hierarchy CHF m	As at December 31, 2014	Level 1 Listed market prices	Level 2 Significant other observable input factors
Assets			
Financial instruments valued at amortized cost:			
Trade receivables and other receivables	174.6		
Cash and cash equivalents	205.1		
Financial instruments valued at fair value:			
Other current financial instruments	49.5	49.5	
Derivative financial instruments	0.0		
Total	**429.2**	**49.5**	

CHF m			
Shareholders' equity and liabilities			
Financial instruments valued at amortized cost:			
Interest-bearing debt	1.5		
Trade payables and other payables	96.8		
Financial instruments valued at fair value:			
Derivative financial instruments			
Total	**98.3**		

Fair-value measurement of financial instruments using the method of the fair-value hierarchy CHF m	As at December 31, 2013	Level 1 Listed market prices	Level 2 Significant other observable input factors
Assets			
Financial instruments valued at amortized cost:			
Trade receivables and other receivables	178.0		
Cash and cash equivalents	241.0		
Financial instruments valued at fair value:			
Other current financial instruments	67.9	67.9	
Derivative financial instruments	0.2		0.2
Total	**487.1**	**67.9**	**0.2**

CHF m			
Shareholders' equity and liabilities			
Financial instruments valued at amortized cost:			
Interest-bearing debt	1.3		
Trade payables and other payables	97.2		
Financial instruments valued at fair value:			
Derivative financial instruments			
Total	**98.5**		

As at December 31, 2014

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial instruments held for trading
Assets				
Trade receivables and other receivables		174.6		
Cash and cash equivalents	205.1			
Other current financial instruments				49.5
Derivative financial instruments			0.0	
Total	**205.1**	**174.6**	**0.0**	**49.5**

CHF m	Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities			
Interest-bearing debt	1.5		
Derivative financial instruments			
Trade payables and other payables	96.8		
Total	**98.3**		

As at December 31, 2013

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial instruments held for trading
Assets				
Trade receivables and other receivables		178.0		
Cash and cash equivalents	241.0			
Other current financial instruments				67.9
Derivative financial instruments			0.2	
Total	**241.0**	**178.0**	**0.2**	**67.9**

CHF m	Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities			
Interest-bearing debt	1.3		
Derivative financial instruments			
Trade payables and other payables	97.2		
Total	**98.5**		

34 Related party transactions

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

	Executive Board		Board of Directors[1]		Total	
CHF m	2014	2013	2014	2013	2014	2013
Remuneration	1.7	1.2	1.1	1.1	2.8	2.3
Employer contributions to the pension scheme	0.2	0.2	0.2	0.2	0.4	0.4
Share-based payments	1.5	0.9	2.5	2.2	4.0	3.1
Total payments	**3.4**	**2.3**	**3.8**	**3.5**	**7.2**	**5.8**

1) The remuneration of the Delegate of the Board of Directors and CEO until end-2013 and, as of 2014, the Executive Chairman of the Board of Directors, This E. Schneider, is accounted for under the Board of Directors for both 2013 and 2014.

The remuneration paid to the Executive Board in the reporting year came to CHF 1.7 million (2013: CHF 1.2 million) and consists of the fixed gross base salary in cash, the variable remuneration in cash, private use of the 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 the proportion of the fixed gross base salary, which is paid in shares of Forbo Holding Ltd, and the variable remuneration within the framework of the MIP (see note 24 'Employee participation plan') for the reporting year, amounting to CHF 2.0 million (payable in spring 2015, subject to approval by the 2015 Ordinary General Meeting) less the difference, amounting to CHF 0.5 million, between the bonuses deferred at the end of the previous year (payable in equity instruments) and the value of the equity instruments actually issued in the year under review. The increase in the remuneration paid to the Executive Board is largely due to the appointment of the new CEO, Stephan Bauer, as per January 1, 2014.

The remuneration of the Board of Directors amounted to CHF 1.1 million in the year under review (2013: CHF 1.1 million). This includes the gross base remuneration in cash, the employer contributions to the usual social insurances, the lump sum and on-site expenses, and private use of the company car (only for the Executive Chairman of the Board of Directors). The employer contributions to the pension fund for the Executive Chairman of the Board of Directors are reported separately. The share-based remuneration of the Board of Directors includes the portion of the gross base remuneration in shares. This consists on the one hand of the 40% portion of the remuneration paid in shares to non-executive Board members, amounting to CHF 0.3 million (2013: CHF 0.4 million) and, on the other, of the share package of the Executive Chairman of the Board of Directors amounting to CHF 2.2 million (2013: CHF 2.1 million).

With effect from May 2013, the employment contract with the former Delegate and as of April 25, 2014 the Executive Chairman of the Board of Directors was extended to encompass the period from May 1, 2013 to December 31, 2016. The bulk of the compensation will again be paid in locked-up shares which have lock-up periods of three, four, and five years respectively, and in an annual cash payment of CHF 310,000 to be used in part for taxes and for employee contributions to the pension fund and social security payments. The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which shares of Forbo Holding Ltd were traded on the stock market in 2012 (CHF 522.12), less the discount as a result of the shares being locked up. The share package corresponds to annual compensation of CHF 2,200,000 (5,314 shares). As per IFRS 2, they are recognized pro rata for each calendar year.

With this share package and the cash remuneration, all benefits such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked-up shares will be available on May 1, 2018, at the earliest.

The OaER entered into force on January 1, 2014. According to Article 28 of the OaER, employment contracts must be compliant with this Ordinance no later than December 31, 2015. Consequently, all payments that had been agreed and were paid out for 2016 have to be reversed by December 31, 2015 at the latest. The value of this fixed remuneration paid to This E. Schneider for fiscal 2016 amounts to CHF 2,200,000. In order to comply with and implement the provisions of the OaER, the Group and This E. Schneider have agreed that he will repay the Group in cash the amount of his fixed compensation for the period from January 1, 2016 to December 31, 2016, plus interest of 0.5% from May 1, 2013 to December 31, 2013. The repayment was completed before year-end 2013 and will be paid out to him again in monthly instalments in 2016 after approval by the 2015 Ordinary General Meeting. The compensation package and the relevant agreements were adjusted accordingly.

Information on the remuneration of the Executive Board and Board of Directors is explained in detail on page 87 of the Remuneration Report.

As at December 31, 2014 and 2013, Forbo had no significant receivables due from or liabilities to related parties.

35 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 reporting year and also determined the risks to 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 that they are 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 financial risk management policy does not permit the use of derivative financial instruments 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.

Foreign exchange 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 up to 15 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.

Sensitivity analysis of existing foreign exchange positions on the balance sheet date
The following table shows the sensitivity of profit before tax to changes in the exchange rate of the US dollar, the euro, and the pound sterling against the Swiss franc. The table only displays sensitivity in relation to transaction risks from financial instruments.

Translation risks and the effects of loans that qualify as net investments are not taken into account. Except for the effect on profit, the same change in exchange rates with a sensitivity of +/– 5% has no effect on equity.

Transaction risks from financial instruments

CHF m	Change in exchange rate	Impact on profit before tax
2014		
EUR/CHF	5%	0.3
	– 5%	– 0.3
USD/CHF	5%	0.7
	– 5%	– 0.7
EUR/USD	5%	0.2
	– 5%	– 0.2
GBP/USD	5%	– 0.2
	– 5%	0.2

Transaction risks from financial instruments

CHF m	Change in exchange rate	Impact on profit before tax
2013		
EUR/CHF	5%	0.5
	– 5%	– 0.5
USD/CHF	5%	0.2
	– 5%	– 0.2
EUR/USD	5%	0.0
	– 5%	0.0
GBP/USD	5%	0.1
	– 5%	– 0.1

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 only the sensitivity of profit before tax to the stated changes in interest rates for cash and cash equivalents, interest-bearing debt, and financial derivatives. Except for the effect on profit, the same change in interest rates of +/– 50 bp has no effect on equity.

An average figure calculated from the opening and closing balance has been used for cash and cash equivalents since the final amount is not appropriate for calculating interest-rate sensitivity.

Interest rate risks from cash and cash equivalents, interest-bearing debt and financial derivatives

CHF m	Change in interest rate	Impact on profit before tax
2014		
EUR	50bp	0.3
	– 50bp	– 0.3
USD	50bp	0.1
	– 50bp	– 0.1
CHF	50bp	0.4
	– 50bp	– 0.4

Interest rate risks from cash and cash equivalents, interest-bearing debt and financial derivatives

CHF m	Change in interest rate	Impact on profit before tax
2013		
EUR	50bp	0.2
	– 50bp	– 0.2
USD	50bp	0.1
	– 50bp	– 0.1
CHF	50bp	0.7
	– 50bp	– 0.7

Management of liquidity risks

Group companies need sufficient cash in order to meet their commitments. 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, 2014. The Group has sufficient liquidity reserves (as at December 31, 2014 these stood at CHF 205.1 million in cash and CHF 49.5 million in current financial instruments) to be able to meet its commitments at any time. At present, the Group regards a cash level of roughly CHF 50 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 derivative financial instruments are shown separately.

As at December 31, 2014

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
Interest-free liabilities	96.8			
Leasing contract liabilities	0.1	0.1	0.4	0.9
Cash outflow from financial derivatives	0.0			
Cash inflow from financial derivatives	0.2			

As at December 31, 2013

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
Interest-free liabilities	97.2			
Leasing contract liabilities	0.1	0.1	0.3	0.8
Cash outflow from financial derivatives	0.0			
Cash inflow from financial derivatives	0.2			

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 adequately, the financial creditworthiness of various customers is constantly monitored. Credit risks are diversified by the company's broad customer base in various business segments and geographic regions. With regard to counterparty risk exposure to banks, Group-wide directives stipulate that financial investments and other financial transactions are to be made only 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, 2014, shareholders' equity stood at CHF 738.8 million. The objectives of capital management 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 conditions may require adjustments to the Group's shareholders' equity. These adjustments can take the form of dividend distributions, capital repayments or increases, or share buybacks.

36 Events after the balance sheet date

On January 15, 2015, the Swiss National Bank announced that it was discontinuing its minimum exchange rate of CHF 1.20 per euro. The changes in the exchange rates after December 31, 2014 are not reflected in the present consolidated financial statements. Since the Group uses the Swiss franc as its reporting currency, any strengthening of the Swiss franc has a negative translation effect on the consolidated accounts.

The changes in the exchange rates after December 31, 2014 did in relation to the Group financial results not cause any major price gains or losses at the time the annual financial statements were approved. Foreign exchange risk management is described in note 35 'Risk assessment and financial risk management'.

Group companies (as at December 31, 2014)

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Movement Systems	Holding/ Services
Australia								
Forbo Floorcoverings Pty. Ltd.	Wetherill Park, NSW		AUD	500,000	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 Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S		
Brazil								
Forbo Pisos Ltda.	São Paulo		BRL	2,000,000	100%	S		
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%		MS	
Canada								
Forbo Flooring Canada Corp.	Halifax		CAD	500,200	100%	S		
Forbo Siegling Canada Corp.	Halifax		CAD	501,000	100%		S	
Chile								
Forbo Siegling Chile S.A.	Santiago	N	CLP	335,631,092	50%		S	
Czech Republic								
Forbo Siegling Ceska republika s.r.o.	Liberec		CZK	100,000	100%		S	
Forbo s.r.o.	Prague		CZK	500,000	100%	S		
Denmark								
Forbo Flooring A/S	Glostrup		DKK	500,000	100%	S		
Forbo Siegling Danmark A/S	Brøndby		DKK	32,300,000	100%		MS	
Finland								
Forbo Flooring Finland Oy	Helsinki		EUR	33,638	100%	S		
France								
Forbo Château-Renault S.A.S.	Château-Renault		EUR	1,000,000	100%	MS		
Forbo Participations S.A.S.	Reims	D	EUR	5,000,000	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	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2014
D Direct participation of Forbo Holding Ltd

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Germany								
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	
Realbelt GmbH	Lörrach		EUR	100,000	100%		S	
Hong Kong								
Forbo International Hong Kong Ltd.	Hong Kong		HKD	1	100%			H
India								
Forbo Flooring India Pvt. Ltd.	Delhi		INR	15,000,000	100%	S		
Forbo Siegling Movement Systems India Pvt. Ltd.	Pune		INR	26,000,000	100%		S	
Indonesia								
PT Forbo Siegling Indonesia	Kabupaten Bandung		IDR	2,883,900,000	100%		S	
Ireland								
Forbo Ireland Ltd.	Dublin		EUR	125,000	100%	S		
Italy								
Forbo Resilienti S.r.l.	Segrate (Milan)		EUR	60,000	100%	S		
Forbo Siegling Italia S.p.A.	Paderno Dugnano (Milan)		EUR	120,000	100%		S	
Japan								
Forbo Siegling Japan Ltd.	Tokyo		JPY	330,000,000	100%		MS	
Jersey, C.I.								
Forbo Invest Ltd.	Saint Helier		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%		MS	
Netherlands								
Forbo Eurocol Nederland 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	1,944,500	100%	MS		
Forbo NL Holding B.V.	Krommenie		EUR	13,500,000	100%			H
Forbo-Novilon B.V.	Coevorden		EUR	3,624,000	100%	MS		
Forbo Siegling Nederland B.V.	Spankeren		EUR	113,445	100%		S	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2014
D Direct participation of Forbo Holding Ltd

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Movement Systems	Holding/ Services
New Zealand								
Forbo Siegling Ltd.	Auckland		NZD	650,000	100%		S	
Norway								
Forbo Flooring AS	Asker		NOK	1,000,000	100%	S		
People's Republic of China								
Forbo Shanghai Co., Ltd.	Shanghai		CHF	4,000,000	100%	S	MS	
Forbo Siegling (China) Co., Ltd.	Shenyang		USD	16,221,000	100%		MS	
Portugal								
Forbo-Revestimentos, S.A.	Maia (Porto)		EUR	74,850	100%	S		
Romania								
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'	Saint Petersburg		RUB	400,000	100%		S	
ZAO 'Forbo Siegling'	Stary Oskol		RUB	187,181,000	100%	MS		
Slovakia								
Forbo Siegling s.r.o.	Malacky		EUR	15,281,639	100%		MS	
South Korea								
Forbo Korea Ltd.	Seoul		KRW	900,000,000	100%	S	S	
Spain								
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	
Sweden								
Forbo Flooring AB	Gothenburg	D	SEK	8,000,000	100%	S		
Forbo Project Vinyl AB	Gothenburg	D	SEK	50,000,000	100%			H
Forbo Siegling Svenska AB	Kållered (Gothenburg)		SEK	1,000,000	100%		S	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2014
D Direct participation of Forbo Holding Ltd

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Movement Systems	Holding/ Services
Switzerland								
Forbo Financial Services AG	Baar	D	CHF	100,000	100%			H
Forbo Finanz AG	Baar	D	CHF	10,000,000	100%			H
Forbo Finanz II AG	Baar		CHF	250,000	100%			H
Forbo-Giubiasco SA	Giubiasco	D	CHF	100,000	100%	MS		
Forbo International SA	Baar	D	CHF	100,000	100%		MS	H
Thailand								
Forbo Siegling (Thailand) Co. Ltd.	Bangkok	D	THB	9,000,000	100%		S	
Turkey								
Forbo Siegling Hareket Sistemleri Ticaret Limited Şirketi	Istanbul		TRY	2,000,000	100%		S	
United Kingdom								
Forbo Flooring UK Ltd.	Kirkcaldy		GBP	3,609,990	100%	MS		H
Forbo Floors UK Ltd.	Derbyshire	D	GBP	17,262,001	100%			H
Forbo-Nairn Ltd.	Derbyshire		GBP	8,000,000	100%			H
Forbo Siegling (UK) Ltd.	Dunkinfield		GBP	50,774	100%		S	
Forbo UK Ltd.	Derbyshire		GBP	49,500,000	100%			H
Westbond Ltd.	Derbyshire		GBP	400,000	100%			H
USA								
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, 2014
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 shareholders' equity, consolidated cash flow statement and notes (pages 94 to 145), for the year ended December 31, 2014.

Board of Directors' responsibility

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

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, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

PricewaterhouseCoopers AG

Daniel Ketterer
Audit expert
Auditor in charge

Reto Tognina
Audit expert

Zurich, March 11, 2015

Consolidated income statements 2010 – 2014

	2014	2013	2012	2011	2010
CHF m					
Net sales	**1,226.8**	**1,199.7**	**1,201.1**	**1,203.8**	**1,291.2**
Cost of goods sold	– 765.8	– 747.3	– 761.2	– 745.1	– 785.6
Gross profit	**461.0**	**452.4**	**439.9**	**458.7**	**505.6**
Development costs	– 16.5	– 16.4	– 16.3	– 16.0	– 17.6
Marketing and distribution costs	– 196.6	– 197.1	– 194.0	– 192.5	– 213.3
Administrative costs	– 94.2	– 90.7	– 96.6	– 96.6	– 103.9
Other operating expenses	– 13.2	– 19.3	– 25.3	– 17.8	– 12.1
Other operating income	8.9	6.8	63.8	13.1	10.0
Operating profit	**149.4**	**135.7**	**171.5**	**148.9**	**168.7**
Financial income	5.9	10.9	5.7	30.1	44.3
Financial expenses	– 1.0	– 5.7	– 11.2	– 11.7	– 15.0
Group profit before taxes	**154.3**	**140.9**	**166.0**	**167.3**	**198.0**
Income taxes	– 30.9	– 30.7	– 35.9	– 29.9	– 48.8
Group profit for the year from continuing operations	**123.4**	**110.2**	**130.1**	**137.4**	**149.2**
Group profit for the year from discontinued operations after taxes	**0.2**	**7.4**	**83.2**	**9.1**	**14.1**
Group profit for the year	**123.6**	**117.6**	**213.3**	**146.5**	**163.3**

Consolidated balance sheets 2010 – 2014

	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Assets					
CHF m					
Non-current assets	**418.5**	**408.2**	**410.4**	**536.4**	**743.9**
Property, plant, and equipment	234.9	232.3	233.8	359.8	450.2
Intangible assets	146.1	146.4	149.2	153.5	270.4
Deferred tax assets	37.2	29.3	27.2	21.9	17.6
Investments in associates and other non-current assets	0.3	0.2	0.2	1.2	5.7
Current assets	**677.1**	**718.8**	**802.9**	**965.5**	**750.3**
Assets held for sale				361.4	
Inventories	230.6	213.4	218.6	219.6	260.9
Trade receivables	150.6	148.8	150.2	159.2	220.8
Other receivables	24.0	29.2	28.9	24.8	28.4
Deferred income and prepaid charges	17.3	18.3	11.8	8.0	21.4
Other current financial instruments	49.5	68.1	142.1	0.1	47.4
Cash and cash equivalents	205.1	241.0	251.3	192.4	171.4
Total assets	**1,095.6**	**1,127.0**	**1,213.3**	**1,501.9**	**1,494.2**

	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Shareholders' equity and liabilities					
CHF m					
Shareholders' equity	**738.8**	**786.8**	**729.2**	**815.3**	**729.7**
Share capital	0.2	0.2	0.3	0.3	0.3
Treasury shares	– 0.1	– 0.1	– 0.1	– 0.1	– 0.1
Reserves and retained earnings	738.7	786.7	729.0	815.1	729.5
Non-current liabilities	**112.6**	**99.1**	**105.0**	**276.2**	**360.8**
Non-current financial debt	1.4	1.2	2.6	144.5	196.5
Employee benefit obligations	60.5	51.8	51.1	42.7	74.7
Non-current provisions	24.2	26.1	35.8	39.5	35.3
Deferred tax liabilities	26.5	20.0	15.5	49.5	54.3
Current liabilities	**244.2**	**241.1**	**379.1**	**410.4**	**403.7**
Trade payables	86.5	87.2	84.7	86.1	135.7
Current provisions and accrued expenses	108.2	105.8	112.9	125.0	140.3
Current financial debt	0.6	0.7	132.5	47.5	65.9
Current tax liabilities	18.9	14.5	26.6	27.6	31.0
Other current liabilities	30.0	32.9	22.4	26.6	30.8
Liabilities directly associated with assets held for sale				97.6	
Total liabilities	**356.8**	**340.2**	**484.1**	**686.6**	**764.5**
Total shareholders' equity and liabilities	**1,095.6**	**1,127.0**	**1,213.3**	**1,501.9**	**1,494.2**

FINANCIAL REPORT

Income statement for Forbo Holding Ltd

		2014	2013
Income			
CHF	Note		
Financial income:			
From investments in and advances to Group companies	2	153,150,197	60,692,036
From securities and current investments		30,976	65,132
Other income	3	9,587,448	1,383,828
Total income		**162,768,621**	**62,140,996**

		2014	2013
Expenses			
CHF	Note		
Administrative expenses		2,697,828	4,715,876
Financial expenses:		2,697,569	8,790,210
From investments in and advances from Group companies	4	2,697,569	7,685,713
From securities and current investments	5	0	1,104,497
Taxes		– 56,399	– 668,068
Total expenses		**5,338,998**	**12,838,018**
Net profit for the year		**157,429,623**	**49,302,978**

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

		31.12.2014	31.12.2013
Assets			
CHF	Note		
Non-current assets		**328,326,487**	**475,500,490**
Investments in Group companies	6	315,156,221	385,089,092
Advances to Group companies	7	13,170,266	90,411,398
Current assets		**185,148,257**	**158,913,180**
Other receivables from Group companies		1,053,586	1,006,558
Other receivables from third parties		8,402	14,602
Deferred income and prepaid expenses		821,813	851,802
Marketable securities	8	172,713,635	96,372,683
Cash and cash equivalents	9	10,550,821	60,667,535
Total assets		**513,474,744**	**634,413,670**

		31.12.2014	31.12.2013
Shareholders' equity and liabilities			
CHF	Note		
Shareholders' equity		**475,781,440**	**418,574,519**
Share capital	10	215,000	225,000
Statutory reserves:			
General reserves	13	15,600,000	15,600,000
Capital contribution reserves	13	73,636,128	102,225,080
Reserves for treasury shares	12	186,616,651	117,957,511
Available earnings:			
Retained earnings		42,284,038	133,263,950
Net profit for the year		157,429,623	49,302,978
Liabilities		**37,693,304**	**215,839,151**
Other liabilities to Group companies	14	30,571,400	204,694,758
Current liabilities to third parties		20,450	20,422
Accrued expenses		7,101,454	11,123,971
Total shareholders' equity and liabilities		**513,474,744**	**634,413,670**

Notes to the financial statements for Forbo Holding Ltd

1 Accounting

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until December 31, 2012.

2 Financial income from investments in and advances to Group companies

Income from investments in and advances to Group companies amounting to CHF 153.2 million (2013: CHF 60.7 million) consisted mainly of dividend income, which came to CHF 140.9 million (2013: CHF 56.6 million) as well as interest income and realized price gains on loans.

3 Other income

The item 'Other income' includes the release of impairments on loans to subsidiaries in the reporting year, since the loans were repaid in full. In the previous year, this item included mainly proceeds from the sale of shareholdings and brand rights belonging to the industrial adhesives activity, including synthetic polymers.

4 Financial expenses from investments in and advances from Group companies

The item financial expenses includes losses on foreign currency accounts and interest expense for liabilities to Group companies.

5 Financial expenses from securities and current investments

In the previous year, the item 'Financial expenses from securities and current investments' primarily consisted of an unrealized loss due to a change in valuation of treasury shares.

6 Investments in Group companies

In order to simplify the Group's structure, some foreign subsidiaries were transferred within the Group in the year under review. In this connection, holdings in Forbo Finanz II AG, Forbo Floorcoverings Pty. Ltd., Forbo Flooring AS, and Forbo Invest Ltd. were transferred to the subsidiary Forbo Finanz AG in 2014.

As at December 31, 2014, 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 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 Flooring AB	SE-Gothenburg	Sales	SEK	8,000	100%
Forbo Floors UK Ltd.	UK-Derbyshire	Services	GBP	17,262	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 Participations S.A.S.	FR-Reims	Holding/Services	EUR	5,000	100%
Forbo Project Vinyl AB	SE-Gothenburg	Services	SEK	50,000	100%
Forbo Siegling (Thailand) Co. Ltd.	TH-Bangkok	Sales	THB	9,000	99.8%

7 Advances to Group companies

Advances to Group companies are denominated in Swiss francs and foreign currencies.

8 Marketable securities

The item 'Marketable securities', amounting to CHF 172.7 million (2013: CHF 96.4 million), includes treasury shares in Forbo Holding Ltd. This item is valued at cost of acquisition since December 31, 2013. The change in valuation resulted in a loss in the previous year which was recognized in 'Financial expenses from securities and current investments'.

9 Cash and cash equivalents

This item consists of bank deposits and cash equivalents with initial maturities of up to 3 months.

10 Share capital

As at December 31, 2014, the share capital of Forbo Holding Ltd totaled CHF 215,000 (2013: CHF 225,000), divided into 2,150,000 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.

At the Ordinary General Meeting of Forbo Holding Ltd held on April 25, 2014, the shareholders approved a capital reduction from CHF 225,000 to CHF 215,000 by cancellation of the shares acquired in connection with the share buyback program approved at the Ordinary General Meeting of November 5, 2012, and the corresponding amendment to the Articles of Association.

Following the legally mandatory notice to creditors, the capital reduction was entered in the Commercial Register on July 4, 2014. The Board of Directors was furthermore authorized to buy back the company's own shares, over a period of three years, for the purpose of subsequent cancellation of the share certificates, up to a maximum of 10% of the share capital. In the framework of this new share buyback program approved at the Ordinary general meeting of Forbo Holding Ltd on April 25, 2014, 158,467 shares had been repurchased by the end of the year under review.

11 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 Annual 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, 2014, remained unchanged against the previous year at CHF 16,645.

12 Reserve for treasury shares

The 'Reserve for treasury shares' in Forbo Holding Ltd amounting to CHF 186.6 million on the balance sheet date corresponds to the value of all treasury shares valued at cost. The treasury shares held by Forbo Holding Ltd and its subsidiaries developed as follows over the reporting year:

Treasury shares	Cost CHF	Number of registered shares
As at January 1, 2014	117,957,511	217,297
Additions	148,939,934	158,997
Disposals	– 80,280,794	– 115,144
As at December 31, 2014	**186,616,651**	**261,150**

13 General reserves

General reserves totaled CHF 89.2 million (previous year: CHF 117.8 million) and consist of general reserves (CHF 15.6 million) and general capital contribution reserves (CHF 73.6 million).

14 Other liabilities to Group companies

'Other liabilities to Group companies' as at December 31, 2014, included in particular advances from Forbo Finanz AG in connection with its cash pool.

15 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 8.2 million at year-end (2013: CHF 7.5 million), of which CHF 2.8 million (2013: CHF 2.6 million) was utilized.

16 Significant shareholders

According to 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 Swiss Code of Obligations as at the reporting date:

	Number of shares	As percentage
Michael Pieper, Hergiswil, and Artemis Beteiligungen I AG, Hergiswil	616,779	28.69%
Forbo Holding Ltd, Baar, together with its two subsidiaries Forbo International SA, Baar, and Forbo Finanz AG, Baar	261,150	12.15%

Shareholdings

IN 2014

As at December 31, 2014, 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:

Shareholdings 2014

	Shares	Options[1]
Name and function		2012 series 1:1[2]
This E. Schneider, Executive Chairman[3]	64,981	
Michael Pieper, Vice Chairman	616,779	
Dr. Peter Altorfer, Vice Chairman[4]	1,032	
Claudia Coninx-Kaczynski[5], member	36	
Dr. Reto Müller, member	456	
Vincent Studer, member	695	
Total Board of Directors	**683,979**	
Stephan Bauer, Chief Excecutive Officer	538	
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	1,500	3,051
Andreas Spreiter, Chief Financial Officer	570	
Jean-Michel Wins, Executive Vice President Movement Systems	92	
Total Executive Board	**2,700**	**3,051**

1) Following the amendment of the MIP, all the sums paid into it are invested in shares of Forbo Holding Ltd starting as of January 1, 2013. As of the 2013 business year, no further options were issued in connection with the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and revised in 2012.

2) Subscription ratio.

3) The share portion for the Executive Chairman of the Board of Directors amounts to 19,483 shares from the employment contract for the period from May 1, 2013 to December 31, 2016. The shares are subject to lock-up periods of three, four, and five years. The last third of the shares will be available on May 1, 2018 at the earliest.

4) Vice Chairman since the 2014 Ordinary General Meeting (previously member).

5) New member of the Board of Directors since the 2014 Ordinary General Meeting.

IN 2013
As at December 31, 2013, the current and former members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2013

	Shares	Options[3]		
Name and function		2012 series 1:1[1]	2011 series 1:1[1]	2010 series 1:1[1]
Dr. Albert Gnägi, Chairman	5,162			
Michael Pieper, Vice Chairman	681,719			
Dr. Peter Altorfer, member	955			
Vincent Studer, member	631			
Dr. Reto Müller, member	403			
Non-executive members of the Board of Directors	**688,870**			
This E. Schneider, Delegate of the Board of Directors and CEO[2]	86,368			
Total Board of Directors	**775,238**			
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	2,310	3,051	2,033	565
Andreas Spreiter, Chief Financial Officer	56			
Jean-Michel Wins, Executive Vice President Movement Systems	0			
Total Executive Board	**2,366**	**3,051**	**2,033**	**565**

1) Subscription ratio.
2) The compensation to the Delegate of the Board of Directors and CEO is disclosed separately and shown in the line Board of Directors.
3) Following the amendment of the MIP, all the sums paid into it will be fully invested in shares of Forbo Holding Ltd starting on January 1, 2013. As of the 2013 business year, no further options were issued in connection with the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and revised in 2012.

17 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 35 'Risk assessment and financial risk management' to the consolidated financial statements.

18 Events after the balance sheet date

On January 15, 2015, the Swiss National Bank announced that it was discontinuing its minimum exchange rate of CHF 1.20 per euro. The changes in the exchange rates after December 31, 2014 are not reflected in the present financial statements. A strengthening of the Swiss franc will mainly have a negative translation effect on the value of and income from investments in Group companies.

The changes in the exchange rates after December 31, 2014 did not cause any price gains or losses at the time the annual financial statements were approved.

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:

	2014	2013
CHF		
Net profit	157,429,623	49,302,978
Retained earnings	42,284,038	133,263,950
Release of general capital contribution reserves[1)]	30,221,600	29,080,184
Total at the shareholders' meeting's disposal	**229,935,261**	**211,647,112**

be appropriated as follows:

	2014	2013
CHF		
Withholding tax-free distribution[2)]	30,221,600	29,080,184
To be carried forward	199,713,661	182,566,928
Total at the shareholders' meeting's disposal	**229,935,261**	**211,647,112**

1) The definitive amount to be distributed depends on the amount of the tax-free distribution as described below in footnote 2).

2) At the Ordinary General Meeting of April 24, 2015, the Board of Directors will propose a dividend payment of CHF 16 (2013: CHF 14) per registered share out of the capital contribution reserves, with the exception of the treasury shares held by Forbo Holding Ltd or a subsidiary thereof, 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 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 156 to 163), for the year ended December 31, 2014.

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

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, 2014 comply with Swiss law and the company's articles of incorporation.

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

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

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

PricewaterhouseCoopers AG

Daniel Ketterer Audit expert Auditor in charge	Reto Tognina Audit expert

Zurich, March 11, 2015

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Our Annual Report appears in **German** language and in **English** translation and can be downloaded from our website www.forbo.com. The printed German version is authoritative.

All statements in this report that do not refer to historical facts are forward-looking statements which are no guarantee of future performance. They are based on assumptions and involve risks and uncertainties as well as other factors beyond the control of the company.

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