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

	2014	2013
CHF m		
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	Switzer-land	UK	Other	Weighted	Switzer-land	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:

Plan assets	2014				2013			
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:

				2014				2013
Net liabilities 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:

				2014				2013
Recognized gains and losses 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

CHF m	31.12.2014	31.12.2013
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	Move-ment 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	Movement 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	Move-ment 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	Move-ment 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	Reto Tognina
Audit expert	Audit expert
Auditor in charge	

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

Name and function	Shares	Options[1] 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

Name and function	Shares	Options[3] 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