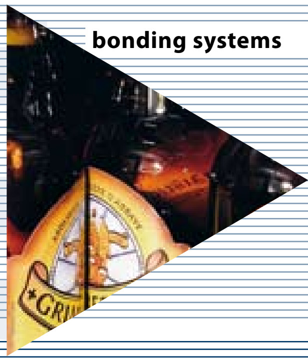
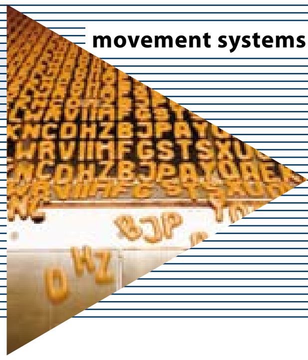
Forbo Annual Report **2009**

flooring systems



bonding systems



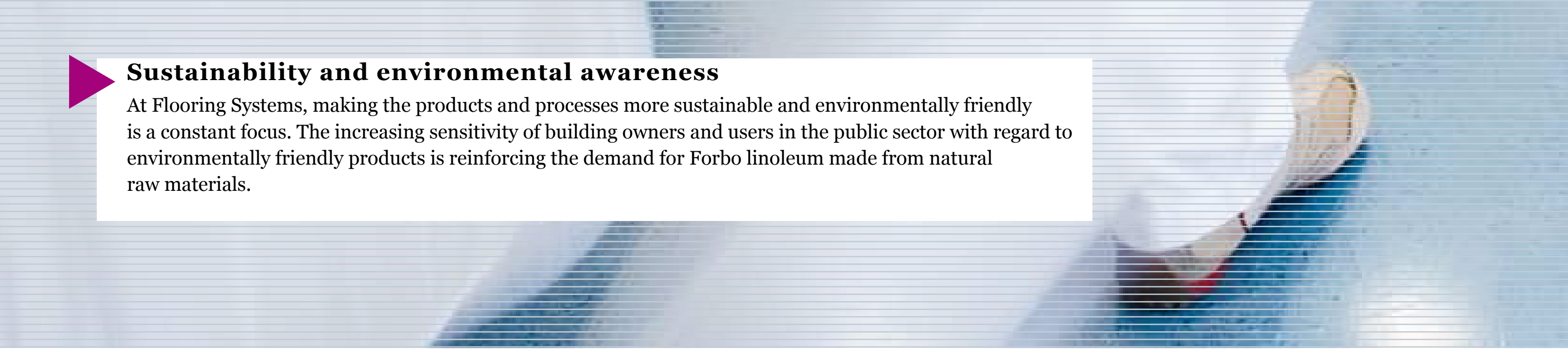
movement systems

flooring. bonding. movement.

forbo

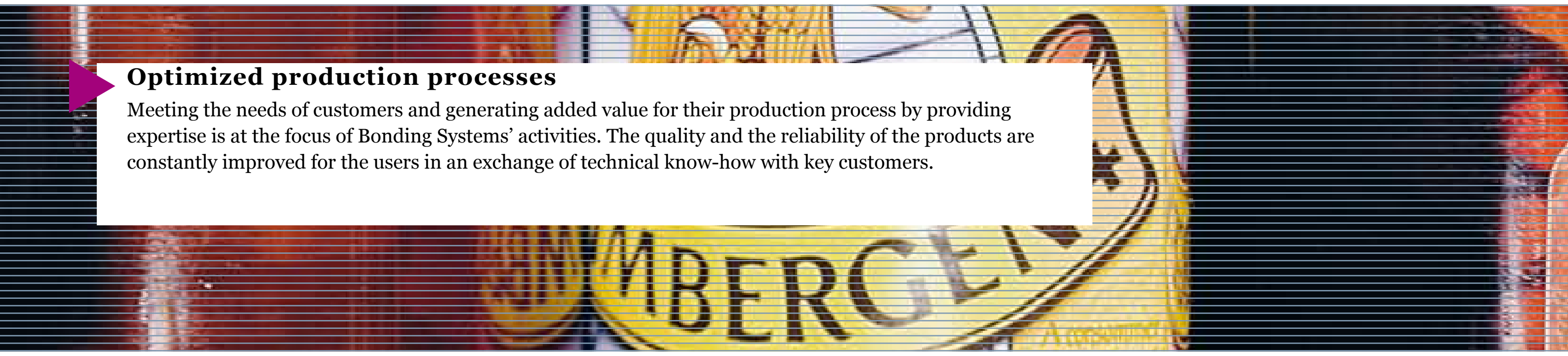
Sustainability and environmental awareness

At Flooring Systems, making the products and processes more sustainable and environmentally friendly is a constant focus. The increasing sensitivity of building owners and users in the public sector with regard to environmentally friendly products is reinforcing the demand for Forbo linoleum made from natural raw materials.



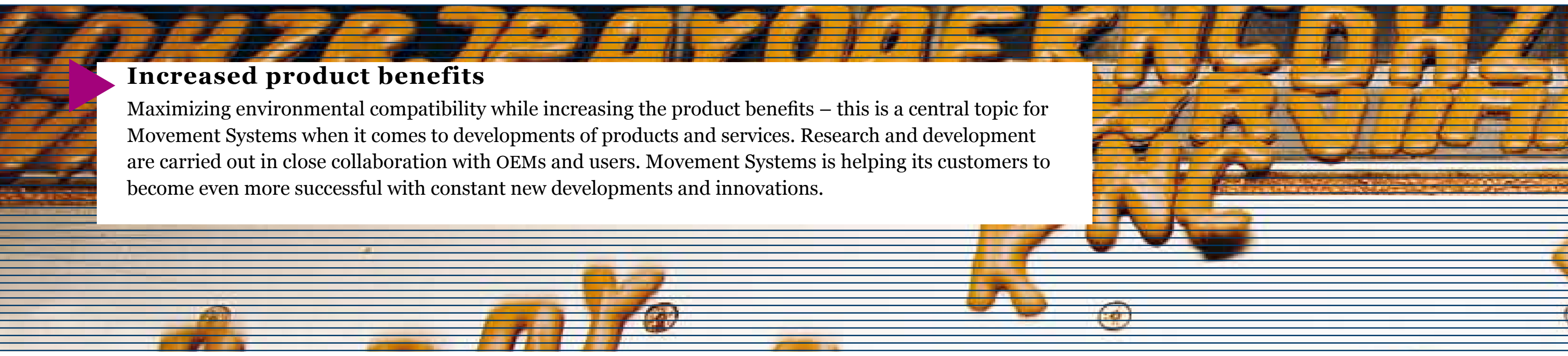
Optimized production processes

Meeting the needs of customers and generating added value for their production process by providing expertise is at the focus of Bonding Systems' activities. The quality and the reliability of the products are constantly improved for the users in an exchange of technical know-how with key customers.



Increased product benefits

Maximizing environmental compatibility while increasing the product benefits – this is a central topic for Movement Systems when it comes to developments of products and services. Research and development are carried out in close collaboration with OEMs and users. Movement Systems is helping its customers to become even more successful with constant new developments and innovations.



Forbo at a glance

Contents

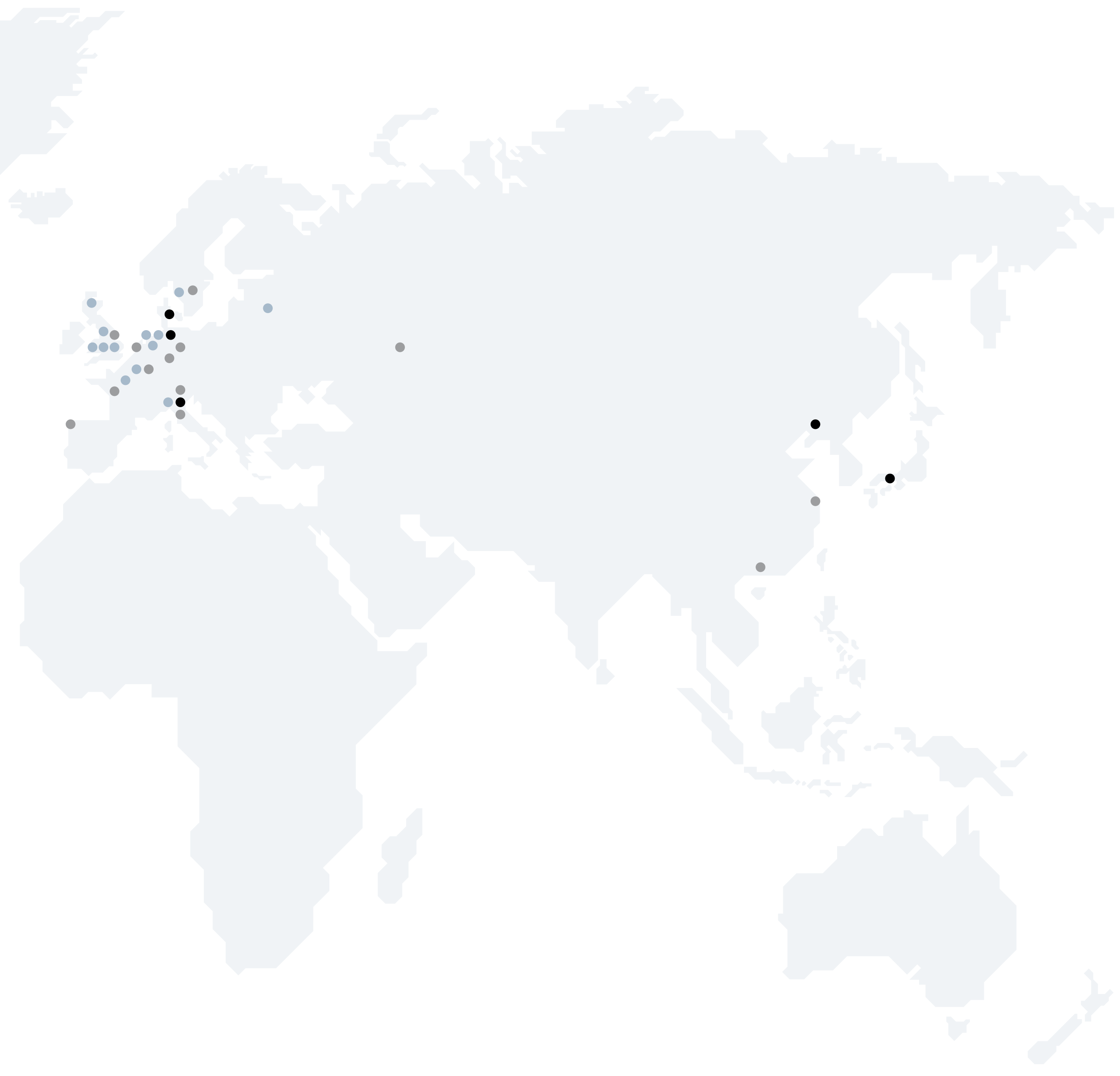
Forbo is a leading producer of flooring systems, adhesives, as well as power transmission and conveyor belt solutions. The company employs some 6,000 people and has an international network of 44 sites with production and distribution as well as 47 pure sales organizations in a total of 35 countries worldwide. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

2009 at a glance

Forbo operates worldwide. Its three divisions supply many industries that are crucial for the economy such as the construction industry, plant engineering, the machine tool industry and consumer goods manufacturers. Like many other companies, Forbo was affected by the global economic crisis in the year under review, but nevertheless achieved gratifying results with a lower sales volume.

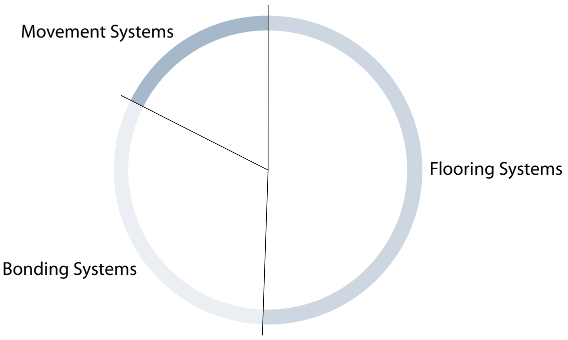
- **Flooring Systems**
  14 production facilities in 7 countries and sales companies in over 20 countries
- **Bonding Systems**
  20 production facilities in 12 countries and sales companies in over 20 countries
- **Movement Systems**
  9 production facilities in 8 countries and sales companies in over 25 countries

Net sales	CHF 1,782.4 m
EBIT	CHF 121.8 m
EBIT margin	6.8 %
Group profit	CHF 76.1 m



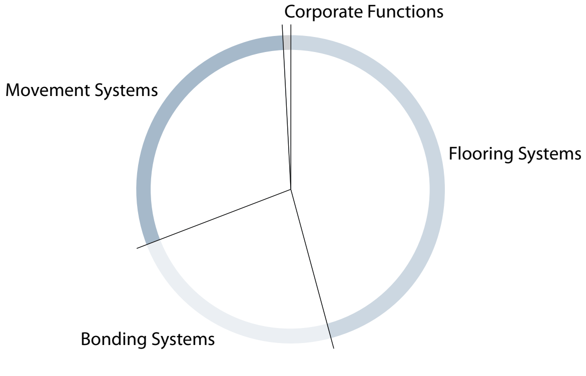
Net sales by division

CHF m	2009	Change on previous year in %	Change on previous year in local currencies in %	in %
Flooring Systems	904.4	+ 1.3	+ 8.5	50.8
Bonding Systems	567.5	– 13.3	– 9.7	31.8
Movement Systems	310.5	– 16.4	– 14.6	17.4
Total	**1,782.4**	**– 7.1**	**– 2.2**	**100.0**



Employees by division

Number	2009	Change on previous year in %	in %
Flooring Systems	2,748	– 9.8	46.1
Bonding Systems	1,376	– 1.0	23.1
Movement Systems	1,793	– 14.0	30.1
Corporate Functions	41	0.0	0.7
Total	**5,958**	**– 9.2**	**100.0**



Financial overview – Group

Income statement	2009 CHF m	2008 CHF m	2009 EUR m[1]	2008 EUR m[1]
Net sales	1,782.4	1,918.7	1,177.7	1,209.0
Flooring Systems	904.4	892.9	597.6	562.6
Bonding Systems	567.5	654.6	375.0	412.5
Movement Systems	310.5	371.2	205.2	233.9
EBITDA	188.6	205.8	124.6	129.7
EBIT	121.8	117.1	80.5	73.8
Group profit	76.1	16.0	50.3	10.1

Balance sheet	CHF m	CHF m	EUR m[1]	EUR m[1]
Total assets	1,745.4	1,837.8	1,153.3	1,158.0
Operating assets	1,419.7	1,516.2	938.1	955.4
Shareholders' equity	679.6	584.4	449.1	368.2
Net debt	255.1	404.5	168.6	254.9

Cash flow statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Cash flow from operating activities	213.3	159.8	140.9	100.7
Cash flow from investing activities	– 23.8	– 406.1	– 15.7	– 255.9
Free cash flow	189.5	– 246.3	125.2	– 155.2

Key ratios	%	%		
ROS (EBITDA / net sales)	10.6	10.7		
ROA (EBIT / operating assets)	8.6	7.7		
Equity ratio (shareholders' equity / total assets)	38.9	31.8		
Gearing (net debt / shareholders' equity)	37.5	69.2		

Employees (as at December 31)	Number	Number		
Employees	5,958	6,563		

Ratios per share	CHF	CHF	EUR[1]	EUR[1]
Earnings (undiluted)	33.67	6.86	22.25	4.32
Equity	300.7	249.6	198.7	157.3
Dividend / reduction in par value	6.0[2]	3.9[3]	4.0	2.5

Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[1]	EUR m[1]
Stock market capitalization	770.6	435.0	509.2	274.1

1) Euro value translated at the annual average rate of CHF 1.5134 / 1 EUR (2009) and CHF 1.587 / 1 EUR (2008).
2) The Board of Directors proposes to the Ordinary General Meeting on April 23, 2010 distributing a dividend of CHF 6.00 per registered share.
3) Approval of a par value reduction of CHF 3.90 per registered share at the Ordinary General Meeting on April 24, 2009.

Financial calendar

Ordinary General Meeting:	April 23, 2010
Letter to shareholders:	August 17, 2010
Media release on the results for the first half of 2010:	August 17, 2010

Contents Annual Report 2009

Forbo Group Financial Report

Financial Statements for Forbo Holding Ltd

Dr. Albert Gnägi
Chairman of the
Board of Directors

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

'The particular challenge in the year 2009 was to respond fast and very flexibly to market developments. After this intensive year, we have to be prepared for the upturn when it comes.'

To our shareholders

Dear Ladies and Gentlemen,

As expected, we had to face some major challenges in the year 2009. The problems were triggered by the global financial and economic crisis, which led to a significant drop in demand among many Forbo customers, with the severity depending on the region and the industry. The weak demand in turn impacted on the sales of Forbo. All divisions and many geographic regions were affected by the downturn, though to varying degrees.

Forbo had already made adjustments to its structures at the end of the third quarter 2008 and thus responded promptly and forcefully to the economic downturn. As a result, despite the extremely difficult global economic conditions, our performance in the 2009 business year was on the whole satisfactory. The investments Forbo has made in growth markets in recent years and its long-term innovation policy were critical factors in this achievement.

Sales performance hampered by weak demand

Strong Swiss franc reduces net sales additionally

The three divisions reported differing sales performance depending on the customer segments and markets. While Flooring Systems posted slightly higher sales owing to the acquisition of Bonar Floors in fall 2008, the other two divisions recorded an appreciable decline in sales. In the Movement Systems division in particular, some customers in the plant engineering segment in Germany, Italy and Japan reported dramatic sales slumps, which in turn impacted on sales at Forbo.

Consolidated net sales in Swiss francs came to CHF 1,782.4 million (previous year: CHF 1,918.7 million), which is equivalent to a decline of CHF 136.3 million or 7.1 %. The acquisitions of Bonar Floors and Transtex Belting lifted sales by 8.3 %, while the strength of the Swiss franc against the currencies in our main markets reduced net sales by 4.9 %.

Operating profit stronger despite crisis

A further increase in margins

The Group reported a significant improvement in its EBIT margin owing to the success of its structural adjustments, higher-margin products and improved efficiency. Bonding Systems additionally benefited from lower prices for raw materials although the cost of integrating Bonar Floors into Flooring Systems and charges for structural adjustments at Movement Systems reduced profitability in these two divisions.

On balance, however, Forbo lifted its EBIT margin from 6.1 % to 6.8 %.

Operating profit (EBIT) improved

The improvement in operating profit at Bonding Systems more than offset the lower operating profit reported by both Flooring Systems and Movement Systems.

Operating profit (EBIT) for the entire Forbo Group therefore rose from CHF 117.1 million to CHF 121.8 million despite the drop in sales. Operating profit before depreciations and amortizations (EBITDA) came to CHF 188.6 million (previous year: CHF 205.8 million).

Higher return on invested capital

The return on invested capital increased from 7.7 % to 8.6 % owing to an improvement in operating profit and a significant reduction in invested capital.

Jump in earnings owing to improved operating profit and elimination of exceptional charges

Group profit up substantially

The improvement in operating profit, coupled with the elimination of exceptional charges, resulted in a marked increase in Group profit to CHF 76.1 million (previous year: CHF 16.0 million after exceptional charges).

Large reduction in net debt

Financing structure optimized

At mid-year, Forbo opted to refinance and extend its existing credit lines early and successfully issued a CHF 150 million four-year bond on July 6, 2009. At the end of November 2009, Forbo repaid a further portion of the US private placement and related derivatives. The repayment, totaling CHF 173 million, was made using cash and existing credit lines.

These measures together further improved and diversified the company's financing structure, substantially extended maturities and optimized the timings.

The existing credit facilities and the new bond have significantly increased Forbo's financial flexibility and have assured the Group's financing and growth for the next few years.

Further decrease in debt

Shareholders' equity at the end of December 2009 stood at CHF 679.6 million, corresponding to an equity ratio of 38.9 %. In addition, as at December 31, 2009, Forbo had cash and securities amounting to CHF 298.4 million. Net debt was significantly reduced down to CHF 255.1 million (previous year: CHF 404.5 million).

In addition, Forbo holds treasury shares which were valued at around CHF 152 million as at year-end 2009.

Proposal for cash distribution

Dividend of CHF 6.00

In the previous year, the cash distribution was cut back to CHF 3.90 per share owing to the downturn in earnings. This year, the Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend of CHF 6.00 per share for the 2009 business year.

Outlook for 2010 business year

Visibility still poor

The signs of a gradual recovery of the global economy are multiplying in the wake of the severe economic downturn, but it is still unclear whether the recovery will be sustainable. We therefore do not expect to see any long-term impetus for growth. The economic stimulus programs are being phased out, government debt has risen steeply and a change in interest rate policies is in the offing. The impact of all this is difficult to estimate.

Furthermore, we believe that trends will vary significantly in the different regions and industries.

These uncertainties make it difficult to make forecasts for 2010. Forbo has therefore decided to refrain from making any statement at the present moment on sales and earnings trends for the 2010 business year. If the economic conditions remain constant, operating profit should improve in the absence of integration and restructuring costs.

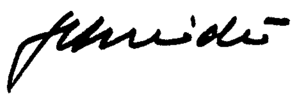
Thank you

A word of thanks to our employees, customers, partners, and investors

2009 was an exceptional and very intense year, in which all Forbo employees faced real challenges. On behalf of the Board of Directors and the Executive Board, we would like to thank all our employees for their tireless efforts and the flexibility they have consistently shown in their work. Their skills and know-how have been instrumental in strengthening the trust of our business partners.

We also wish to express our gratitude to our customers, suppliers, and other business partners for the confidence they have placed in us over the past year and to you, our shareholders, for your loyalty to our company.

Baar, March 2010



Dr. Albert Gnägi	This E. Schneider
Chairman of the Board of Directors	Delegate of the Board of Directors and CEO

Forbo Group: overall improvement in operating results

As expected, Forbo had to face major challenges in the year under review. The economy in most regions of the world went into decline. Many customers felt the impact of a drop in demand – often massive – and this in turn affected sales at Forbo.

Despite these circumstances, the Group succeeded in improving its performance further through the systematic implementation of special measures. According to the conditions in specific regions and industries, Forbo gradually adjusted its capacities and costs to reflect the fall in demand, while optimizing processes and its product portfolios. It was thus able to increase operating profit by 4 percent over the previous year. The improved operating profit plus the elimination of exceptional charges resulted in a significant increase in Group profit, which rose to CHF 76.1 million (previous year: CHF 16.0 million after exceptional charges).

In the reporting year, various measures further improved and diversified the company's financing structure, substantially extended maturities and optimized timings. Net debt fell an impressive 37 percent.

Strong Swiss franc reduces net sales

Group net sales in Swiss francs came to CHF 1,782.4 million in the year under review (previous year: CHF 1,918.7 million), equivalent to a decline of 7.1 %, or 2.2 % in local currencies. The organic reduction in sales was 10.5 %. The acquisitions made by Flooring Systems and Movement Systems in the summer and fall of 2008 added 8.3 % to net sales. Negative currency movements shaved 4.9 % off sales, the main reason being the strength of the Swiss franc against the US dollar, the euro, and the pound sterling.

The Flooring Systems division saw net sales advance CHF 11.5 million to CHF 904.4 million, which is equivalent to an increase of 1.3 %, or 8.5 % in local currencies. Bonar Floors, which was acquired in fall 2008, was the main growth driver, adding 16.8 %, while currency fluctuations had a negative effect of 7.2 %. However, the organic reduction in sales was 8.3 %.

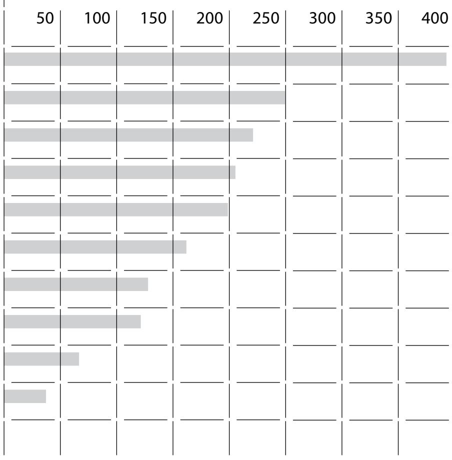
Bonding Systems generated sales of CHF 567.5 million, down CHF 87.1 million on the previous year. This is equivalent to a decline of 13.3 %, of which currency fluctuations accounted for 3.6 %. In local currencies, sales were down by 9.7 %.

The Movement Systems division posted sales of CHF 310.5 million, a decline of CHF 60.7 million on the previous year. Sales fell by 16.4 %, or 14.6 % in local currencies year-on-year. The Transtex Belting acquisition in the summer of 2008 had a positive effect of 2.3 %, which was slightly higher than the negative currency effect of 1.7 %. The organic reduction in sales was 16.9 %.

The sales increases reported for France, Great Britain and Ireland in the following table 'Net sales by geographic area' are due mainly to the acquisition of Bonar Floors. The sales increase in Asia / Australia / Africa was driven primarily by the investments in growth markets made in recent years.

Net sales by geographic area

	%	Change on previous year in %	Change on previous year in local currencies in %	CHF m 2009
North, Central and South America	22.1	–8.7	–8.0	392.5
France	14.0	+6.2	+11.3	249.4
Benelux	12.4	–9.1	–4.7	221.0
Germany	11.5	–9.3	–4.8	205.4
Asia / Australia / Africa	11.1	+3.0	+3.7	198.7
Great Britain / Ireland	9.1	+38.3	+61.2	161.9
Southern Europe	7.2	–22.5	–18.1	127.9
Scandinavia	6.8	–22.4	–12.4	121.5
Eastern Europe	3.7	–38.4	–31.9	66.7
Switzerland	2.1	–16.0	–16.0	37.4



Overall improvement in operating result

Operating profit before depreciations and amortizations (EBITDA) came to CHF 188.6 million in the reporting year (previous year: CHF 205.8 million). This decline of CHF 17.2 million was due mainly to the business performance of Movement Systems, where the slump in demand had an especially big impact on EBITDA. Depreciations and amortizations in the reporting year came to CHF 66.8 million. The CHF 7.3 million increase year-on-year stemmed primarily from depreciations and amortizations on tangible and intangible assets acquired the previous year. In addition to ordinary depreciations and amortizations amounting to CHF 59.5 million, the figure for 2008 also included non-recurring impairments of CHF 29.2 million. Accordingly, Forbo increased operating profit (EBIT) by CHF 4.7 million to CHF 121.8 million, an increase of 4.0 %. In light of the economic circumstances, this was on the whole a gratifying performance, which can be ascribed primarily to the prompt measures taken to counteract the impact of the economic downturn. The EBIT margin came to 6.8 %, compared with 6.1 % the previous year.

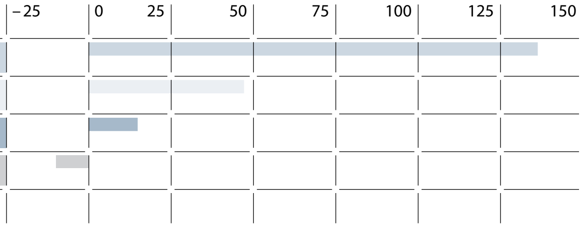
The Flooring Systems division saw operating profit before depreciations and amortizations (EBITDA) decrease slightly by CHF 1.3 million to CHF 136.4 million compared to the previous year (CHF 137.7 million). The profit contributed by Bonar Floors, acquired in 2008, was not sufficient to offset the lower contribution from sales declines in the core business, the additional costs arising from the integration of Bonar Floors and the costs of restructuring.

The Bonding Systems division improved operating profit before depreciations and amortizations (EBITDA) by CHF 8.9 million to CHF 47.2 million (previous year: CHF 38.3 million). This significant improvement was due to the easing of raw material prices and the marketing of higher-margin products.

At Movement Systems, the slump in demand in an organization geared to manufacturing and spare part services had an especially strong impact on operating profit. Accordingly, operating profit before depreciations and amortizations (EBITDA) fell by CHF 26.5 million year-on-year to CHF 14.9 million (previous year: CHF 41.4 million). The structural adjustments undertaken by the division began to bite especially in the second half of 2009.

EBITDA by division

	CHF m 2009	Change on previous year in %
Flooring Systems	136.4	– 0.9
Bonding Systems	47.2	+ 23.2
Movement Systems	14.9	– 64.0
Headquarters / Consolidation	– 9.9	– 14.7



Taxes and financial income

The effective tax rate in the year under review was unchanged at 25 %.

Despite a slightly lower interest rate level in 2009, net financial expenses increased by CHF 3.9 million to CHF 20.4 million (previous year: CHF 16.5 million). This increase stemmed from higher average net debt owing to the acquisition of Bonar Floors in the second half of 2008, the purchase of the stake in Rieter shares and the share buyback program.

Marked increase in free cash flow

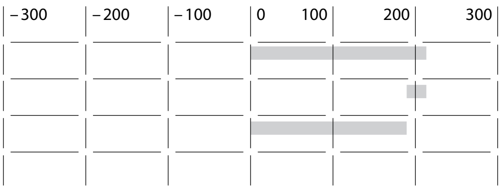
Cash flow from operating activities came to CHF 213.3 million in the year under review. The increase of CHF 53.5 million year-on-year can be ascribed mainly to the success of the measures taken to reduce working capital.

The cash flow from investing activities came to CHF 23.8 million in 2009 (previous year: CHF 406.1 million) and encompasses mainly investments in production plant, minus the proceeds from property sales. The item in the 2008 accounts also included the cash outflow from acquisitions (CHF 212.8 million) and the build-up in the shareholding in Rieter Holding AG. Investment in property fell by a substantial 28 % on the previous year.

Free cash flow came to CHF 189.5 million in the year under review (previous year: CHF – 246.3 million).

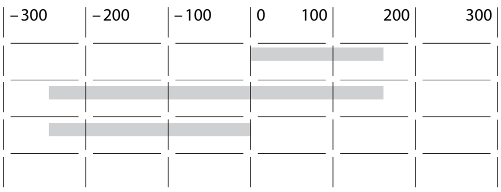
Free cash flow 2009

	CHF m
Cash flow from operating activities	213.3
Cash flow from investing activities	– 23.8
Free cash flow	189.5



Free cash flow 2008

	CHF m
Cash flow from operating activities	159.8
Cash flow from investing activities	– 406.1
Free cash flow	– 246.3



Significantly stronger balance sheet

Total assets as at December 31, 2009 stood at CHF 1,745.4 million (previous year: CHF 1,837.8 million). Total assets were down CHF 92.4 million on the previous year, mainly as a result of changes in working capital and the sale of property and buildings.

Net debt at year-end 2009 was reduced substantially to CHF 255.1 million thanks to the higher free cash flow generated by the Group. Shareholders' equity increased in the same period to CHF 679.6 million, equivalent to an equity ratio of 38.9 % (previous year: 31.8 %).

Gearing (net debt / equity) at the end of December 2009 stood at 37.5 % (previous year: 69.2 %).

Return on operating assets (ROA) increased from 7.7 % to 8.6 %. This was the result of the CHF 4.7 million increase in operating profit (EBIT) to CHF 121.8 million (previous year: CHF 117.1 million) and the CHF 96.5 million decrease in operating assets, which fell sharply to CHF 1,419.7 million (previous year: CHF 1,516.2 million).

Investments adjusted to reflect economic conditions

Owing to the economic downturn, Forbo focused its investment in the year under review on the most important activities and projects. Accordingly, investments in fixed assets in 2009 came to CHF 38.9 million, a decrease of CHF 19.1 million year-on-yer (previous year: CHF 58.0 million). In the reporting period, Flooring Systems invested CHF 17.1 million, CHF 12.3 million less than the previous year (CHF 29.4 million). The investment was earmarked for new manufacturing processes designed to expand the product range, for the modernization of production plant and for efficiency gains. At Bonding Systems, investments in 2009 came to CHF 9.3 million against CHF 10.5 million in 2008. The funds were used mainly for the initial phase of production expansion in China, for general measures to boost efficiency and for market developments. At Movement Systems, investments came to CHF 12.1 million, which was also lower than the previous year (CHF 17.1 million). The investments were employed primarily to modernize production plant, increase productivity, and expand into new markets and segments.

Capital investment 2005 – 2009

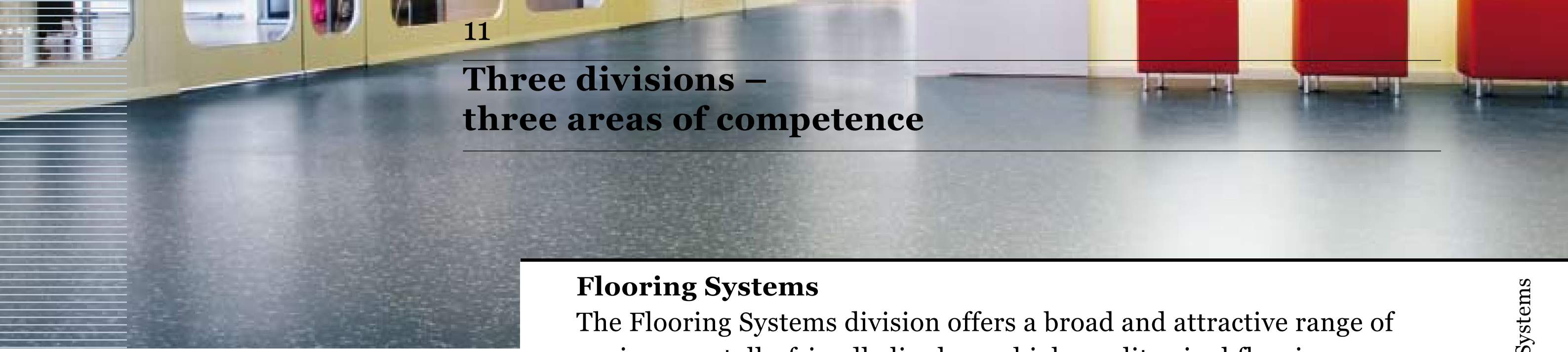
	Flooring Systems CHF m	Bonding Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2009	17	9	12	1	39
2008	29	11	17	1	58
2007	26	21	14	1	62
2006	18	31	13	3	65
2005	15	19	14	1	49

Headcount

At the end of the year, Forbo employed 5,958 people. This is down 605 employees on the previous year, largely due to capacity adjustments linked to the economic downturn.

Employees by geographic area

	%	Change on previous year in %	2009
Benelux	18.1	– 8.9	1,076
North, Central and South America	14.2	– 10.5	845
Germany	13.2	– 5.9	788
Asia / Australia / Africa	13.0	+ 2.8	776
Great Britain / Ireland	11.7	– 13.5	699
France	11.1	– 10.6	664
Eastern Europe	5.8	– 16.3	345
Scandinavia	4.6	– 13.5	276
Southern Europe	4.4	– 15.1	264
Switzerland	3.8	– 11.1	225



Three divisions – three areas of competence

Flooring Systems

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

Bonding Systems

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

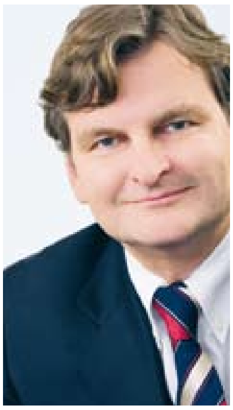
Movement Systems

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

Forbo Flooring Systems: position strengthened as system supplier for commercial market segment

'Despite the difficult circumstances, we pursued our strategy of strengthening and expanding our position as a leading system supplier for the commercial market segment in the year under review. We forged ahead with the integration of Bonar Floors, which was acquired in fall 2008, while the launch of an innovative linoleum collection in spring 2009 enhanced our global market leadership in the linoleum segment. The fall in demand in many regions made cost-cutting measures and structural adjustments unavoidable in order to limit the impact of the economic downturn. The rapid integration process and our response to changed market conditions enabled us to consolidate our reputation among our business partners as a powerful and reliable system provider.'

The Flooring Systems division generated net sales of CHF 904.4 million in 2009 (previous year: CHF 892.9 million). The division therefore grew by 1.3 % on the previous year. The bulk of the growth (16.8 %) came from Bonar Floors, which was acquired in fall 2008, while currency fluctuations shaved 7.2 % off the total figure. In local currencies, sales growth came to 8.5 %. The division's contribution to Group sales was 50.8 %. North America and France reported positive sales trends, but the other markets failed to match the previous year owing to the slump in demand. The costs of the accelerated integration of Bonar Floors and a substantial downturn in demand ate into earnings despite cost-cutting efforts and structural adjustments. Operating profit (EBIT) fell to CHF 100.8 million (previous year: CHF 111.6 million).



Tom Kaiser
Executive Vice President
Flooring Systems

Market situation: strong position in environmentally-friendly products pays off in difficult market conditions

The market in Eastern Europe, which for many years has been an important growth region for Forbo flooring products, collapsed as new construction virtually came to a standstill. Sales in the key Scandinavia and Benelux regions also dropped significantly because of the crisis. Fortunately, large orders from the public sector in the United Kingdom offset the impact of widespread weak demand at Flooring Systems.

As sustainability is also becoming increasingly important in product decisions in the construction sector, linoleum sales increased in key markets such as Germany, France and North America.

Measures and investments: focus on production and market expansion

With an eye to future developments, in 2009, Flooring Systems again invested in measures to boost productivity, expand capacity in the linoleum sector and in new manufacturing processes designed to enlarge the product range. Investments were also made in IT infrastructure systems as part of the integration process and in sales distribution management.

In view of future needs, the division prepared the ground in France, Sweden and the Netherlands for consolidating the European production capacity for vinyl floorings.

The new manufacturing plant for vinyl commercial floorings began operations in Kaluga, Russia in March 2009. A new service center in Shanghai means Flooring Systems is now able to deliver to customers in Asia much more quickly. In India and New Zealand, Forbo is now for the first time marketing its flooring products through own local distribution organizations.

Products: balanced product portfolio for commercial market segment

Flooring Systems launched 12 new flooring collections in order to underscore its position as a system provider for the commercial market segment. Customers have been particularly impressed by the excellent potential for combining products for different applications within a single building. Worthy of particular mention are the extensive and environmentally-friendly linoleum collection Global 3, which is made from sustainable raw materials; Flotex, a heavy-duty and low-maintenance vinyl flooring; Tessera carpet tiles for commercial offices; Coral entrance matting systems, for use in the entrance areas of all building types; and floorings for passenger transport.

With this balanced product range, as a leading system supplier in the commercial market segment, Forbo has again substantially increased the added value it provides for its customers and users.

Business trend: environmentally-friendly linoleum in demand in public sector

The integration of Bonar Floors was virtually complete within one year. Task forces from the two companies worked efficiently at all levels and in all areas to successfully complete the integration projects despite the difficult economic conditions. Through the acquisition of Bonar Floors and the associated expansion of the product range, Flooring Systems has reinforced its strategy as a system provider for the commercial market segment.

Despite the difficult market conditions, demand for the major new linoleum collection was gratifying as a result of very high levels of customer acceptance. With users in the public sector increasingly conscious of the environmental impact of products, demand for eco-friendly floor coverings has grown in most markets.

The opposite was true for sales of carpet tiles, which are mainly used in UK banks and offices. Faced with marked falls in sales, the division had to make far-reaching capacity cuts. Flooring product groups for the residential market segment also saw a substantial drop in demand.

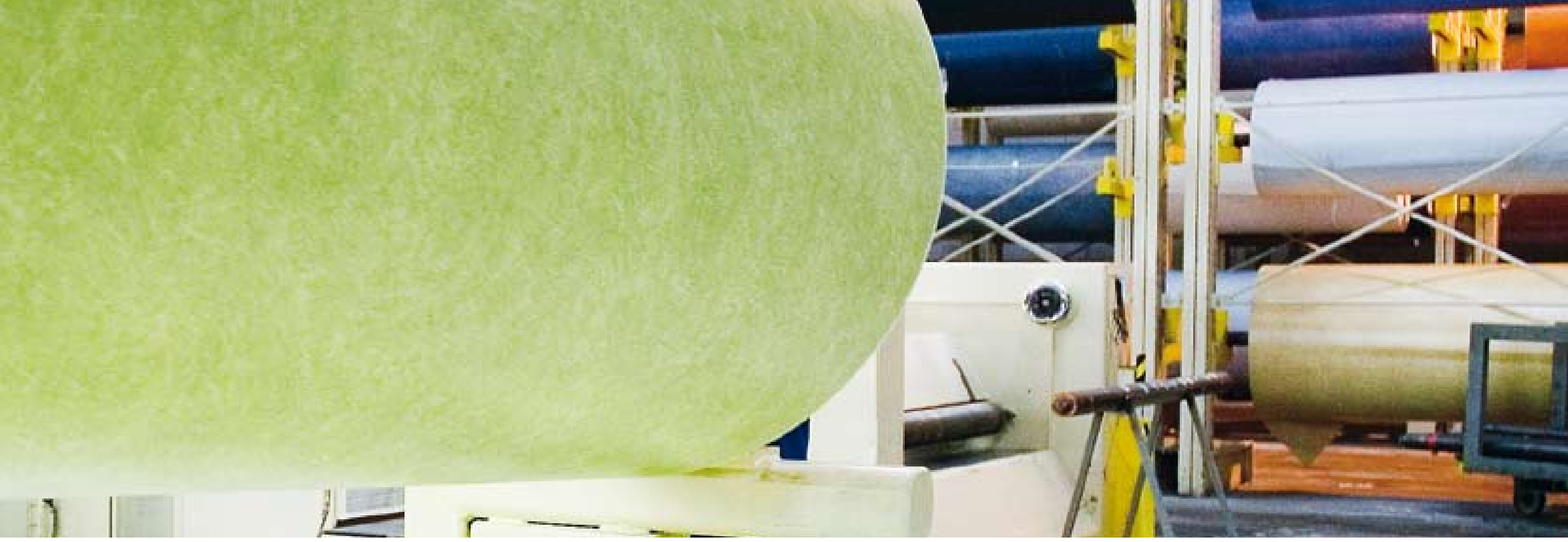
Outlook: healthy basis for further growth

As a reliable and powerful partner for the global commercial market segment, Flooring Systems will be focusing on marketing its comprehensive and attractive new product range in 2010.

Flooring Systems has recorded exceptional charges in the year under review, but in 2010 it expects a substantial improvement in profitability as integration costs will no longer be a consideration and as synergies start to kick in. This forecast is based on the assumption that the economic situation will stabilize at the current level.

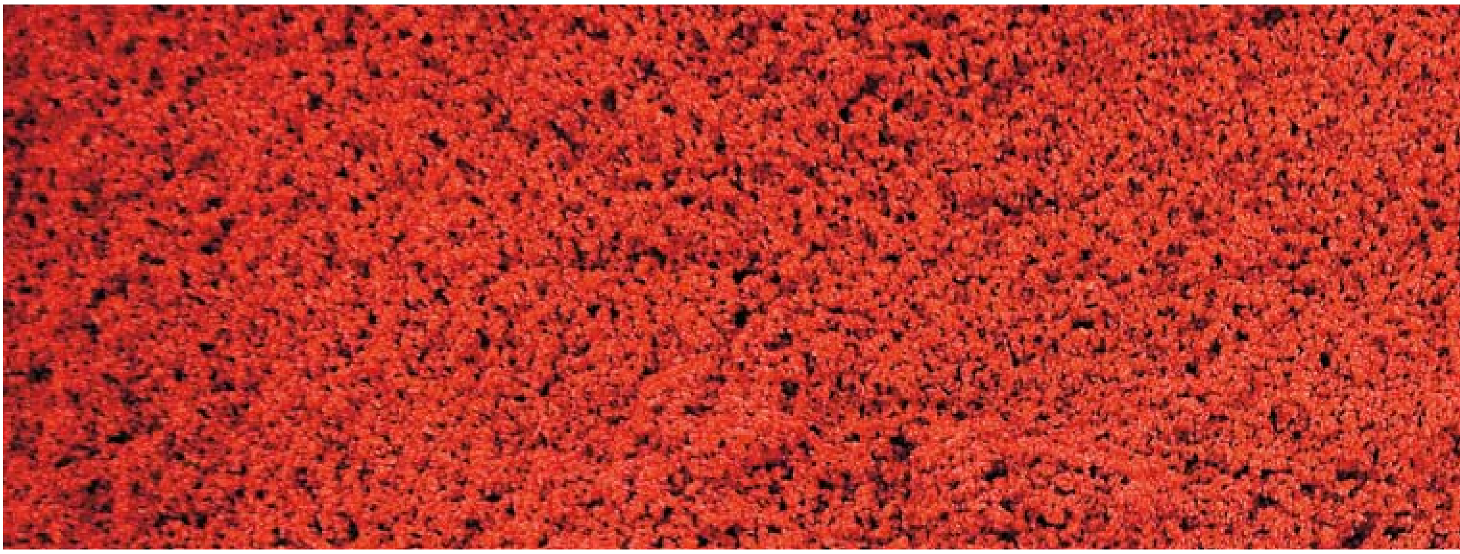
Floors create spaces and determine usage, ambience and comfort. The more specialized the use, the higher the demands placed on the flooring properties. The right choice transforms abstract space into a personalized living space. This is the art of architecture and interior design, an art in which the use of the right materials is essential.

Forbo therefore works very closely with professionals in these areas. When creating its product collections, Forbo designers are also inspired by nature, art and the latest design trends.



When considering new buildings and renovations, decision-makers take design and aesthetic aspects into account but are also increasingly influenced by two key long-term factors: maintenance costs, i.e. the best functionality combined with low costs, and ecological sustainability.

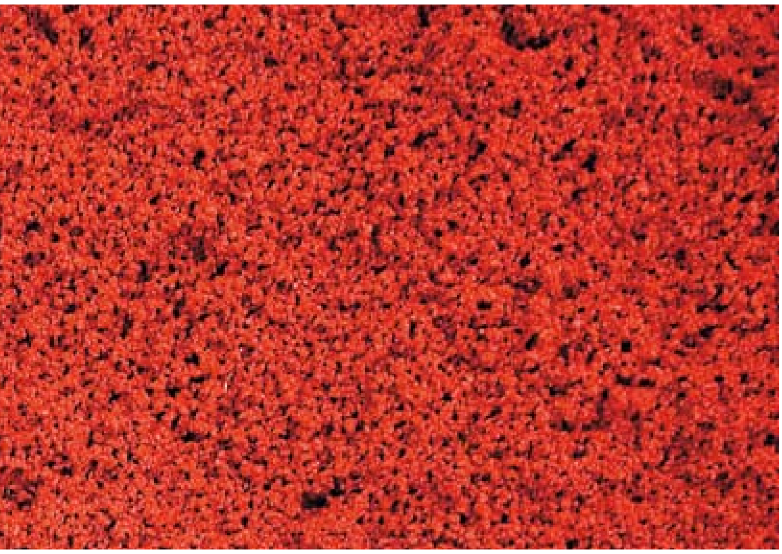
Forbo satisfies these demanding product requirements with its fund of manufacturing know-how, life cycle analysis and new and innovative trends and materials that meet the diverse needs of its customers. Environmental impact is also gaining in prominence. Linoleum is a pure natural product that is manufactured from linseed oil, resin, wood flour, limestone, jute and natural pigments.



Innovation focused on sustainability and environmental awareness

Every modernization and innovation at Flooring Systems is focused on making the products and processes more sustainable and environmentally friendly. As well as building on internal expertise, Forbo makes use of the options offered by the market and society as a whole. In 2009, for example, Forbo converted all production plants in the Netherlands and the UK to renewable energies. Similar measures are planned for other countries.

Products and processes were also renewed and improved in the reporting period: in Russia, vinyl flooring production has been modernized, water-based dyes introduced and several waste reduction measures implemented. Another new feature is carpet backing made entirely from recycled materials. This environmentally-friendly innovation is the distinguishing feature of the new Westbond carpet tile collection in pure wool. The Flotex range – a very hard-wearing and easy-to-clean flocked special floor covering – now also contains recycled material.



creating better environments

Great emphasis is also placed on recycling and reuse at Flooring Systems when producing linoleum and vinyl floorings for the commercial market segment. The Dutch production plant in Coevorden actively collects waste material from other Forbo plants and other market participants which it uses to produce vinyl floorings for the commercial market segment. This process makes use of to the new hi-tech calendar line.

Forbo is a market leader in resilient floor covering production when it comes to processing of natural and rapidly-renewable materials. Much of its approach builds on over one hundred years of natural linoleum production experience. This expertise now feeds into all of the products in the Flooring Systems product portfolio.

Sustainability plays an important role even beyond the manufacturing stage. Any environmental impact assessment must be based on an assessment of the product life cycle. The analysis examines the entire life cycle of a product from development through to disposal. Forbo builds on reliable and professional testing by independent experts. One strategic goal for Flooring Systems is the integration of life cycle assessments for its products. This sustainable approach shapes future product development and ensures continuous improvements and innovation.

Forbo Bonding Systems: strengthening strategic segments

'The economic crisis that started in late 2008 spread from North America to Europe in the year under review. Most market segments were affected by the downturn in demand, and as a result our customers' production volumes declined sharply. Bonding Systems responded rapidly and adapted its cost structures to reflect the altered circumstances. This response, along with lower prices for raw materials, resulted in a marked improvement in operating results. At the same time, we focused on developing strategic market segments by strengthening international activities for key accounts in order to serve our customers even better. We took targeted measures to reinforce the organizations in growth markets.'

Michel Riva
Executive Vice President
Bonding Systems

The Bonding Systems division generated net sales of CHF 567.5 million in 2009 (previous year: CHF 654.6 million). This is equivalent to a decline of 13.3 %, or 9.7 % in local currencies, of which currency fluctuations accounted for 3.6 %. The division's contribution to Group sales totaled 31.8 %. North America was unable to completely bounce back from the slump towards the end of the previous year. The markets in Europe experienced a marked decline in demand during the entire year and Asia improved steadily throughout 2009 after a modest start. Despite the downturn in sales, Bonding Systems considerably lifted operating profit (EBIT) to CHF 32.6 million (previous year: CHF – 5.7 million) owing to lower prices for raw materials and systematic changes to cost structures.

Market situation: Asia least affected by slump in demand

The global economic crisis had different effects on the three business activities of Bonding Systems. The industrial adhesives business suffered from weaker demand in many customer segments in North America during the year under review. Manufacturers of consumer durables such as cars, textiles and furniture in particular maintained low production levels. Europe felt the impact of the fall in demand at the start of the year, with Italy and Spain hit especially hard. The impact on France and the United Kingdom was less pronounced. Smaller markets such as Turkey and the Middle East were even able to improve on the previous year's sales. After a slow start in 2009, the Asia region performed well, especially in the second half, supported by customer segments such as automotive, packaging and non-wovens (applications such as hygiene products, outdoor wear and medical apparel).

The building and construction adhesives business activity was less seriously affected by the decline in demand. The downtrend impacted the construction industry in the Netherlands in particular, which accounts for the lion's share of sales. With local production in Eastern Europe and the related market development activities, after an initial flat period, sales grew at a low level, especially in the second half.

The synthetic polymers business activity continued to feel the repercussions of the economic crisis in North America and the resulting market overcapacities.

Measures and investments: focus on cost-cutting measures and targeted investments

After the challenges of 2008, Bonding Systems set itself two main goals in 2009: continued efforts to adjust structures and to reduce costs, and a focus on profitable segments. The cost structures in Europe and North America were adapted to reflect the changed conditions in the first quarter of 2009. Owing to the rapid and systematic implementation of these measures, Bonding Systems succeeded in boosting earnings.

At the same time, the division made targeted investments in innovative products to benefit our major customers. A new production line for metallocene-based hotmelts was installed in France, while in the Netherlands, in the building and construction adhesives business acitvity, the division invested in a unique leveling compound production process which generates less dust. In Guangzhou in Southern China, work began on the construction of a new facility for industrial adhesives. The facility is expected to be operational by mid-2010.

Bonding Systems strengthened its organization in its strategic segments and expanded global account management for key customers. This enabled the division to gain new customers and capture market share in a difficult environment. Targeted efforts were made to strengthen the organization in growth markets such as China, Vietnam, India, Turkey, Russia and the Middle East.

Products: focus on value added for customers and reducing environmental impact

In the year under review, a number of new applications were developed in close cooperation with Forbo customers. These applications are superior in terms of their environmental impact and generate value added for its manufacturing partners. For the manufacture of interior trim parts for motor vehicles, Bonding Systems has developed reactive polyurethane-based hotmelts. This innovative technology has impressed customers because it reduces the number of production steps, speeds up processes, and in some cases eliminates drying time. All of which serves to reduce capital investment.

In close cooperation with external partners over an extended period of time, Forbo has developed a universal water-based primer which is an environmentally-friendly alternative to solvent-based primers. It can be used for manufacturing plastic furniture edges, for example.

Business trend: demand for consumer goods adhesives still strong

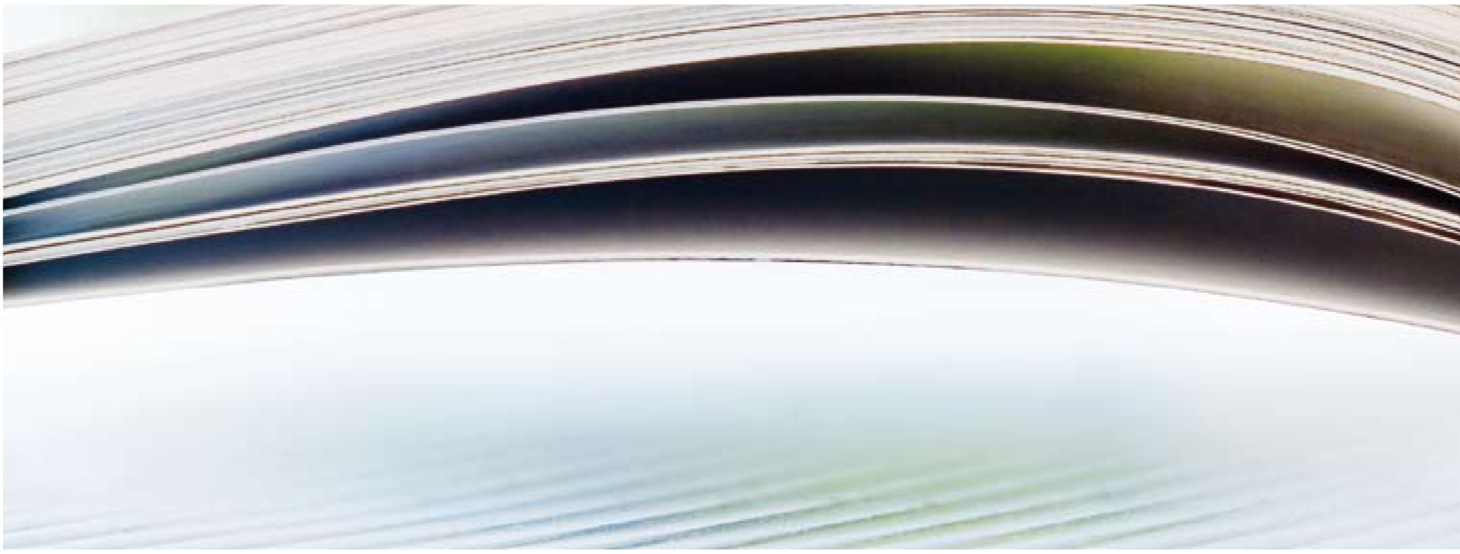
In a challenging marketplace, the market segments packaging, labeling and converting (book-binding, tissues, kitchen roll and toilet paper) market segements generally maintained sales at the previous year's level. The various kinds of adhesives that are supplied mainly to these industries – in particular synthetic, water-based adhesives and hotmelts – also performed well.

The market segments that were hit hardest by the global downturn were wood processing and the automotive industry. However, the automotive sector recovered gradually in the second half of the year on the back of government stimulus programs.

Outlook: continued focus on strengthening high-margin segments

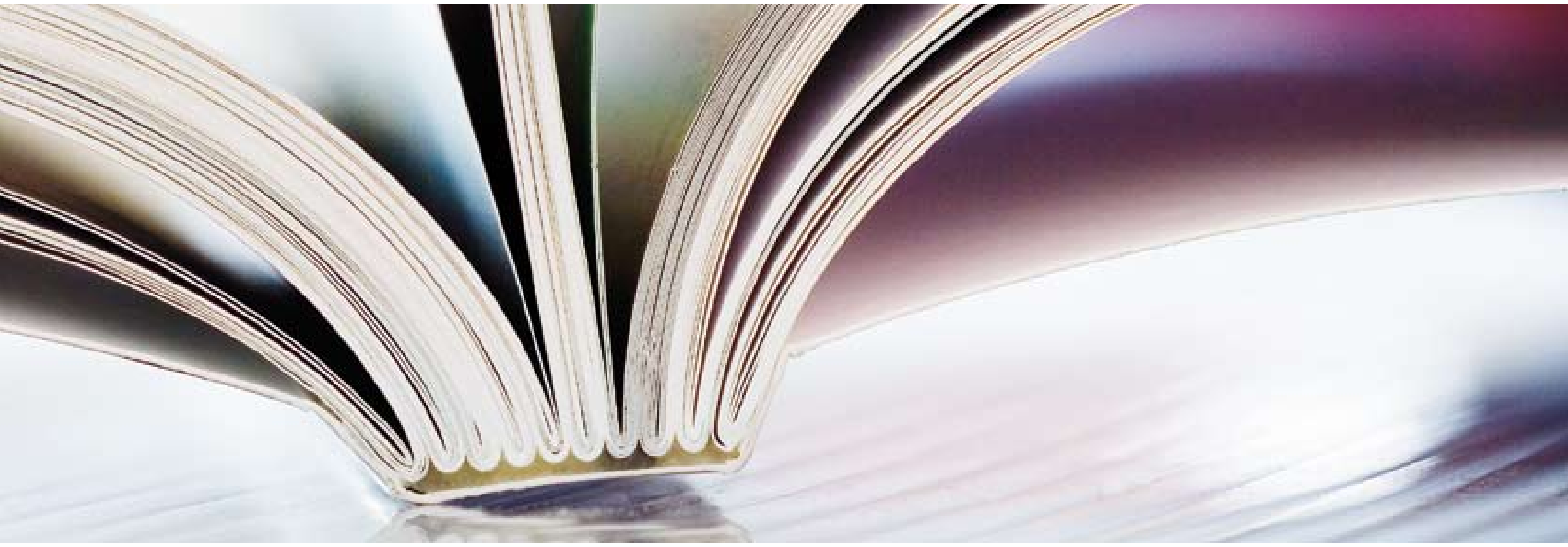
Generally speaking, Bonding Systems does not expect any significant improvement in market conditions in the 2010 business year. After an extended period of weak demand in North America and Europe, the markets are expected to stabilize to some extent. Forbo sees potential, albeit modest, primarily in growth markets such as Asia and the Middle East.

Raw material prices will be critical for Bonding Systems again in 2010 since raw materials account for the lion's share of adhesive production costs. At the end of the year under review, raw material prices were rising, and this trend is likely to continue into 2010. One of the major challenges will be to offset these price rises as far as possible through further increases in efficiency and by providing higher-margin special products.



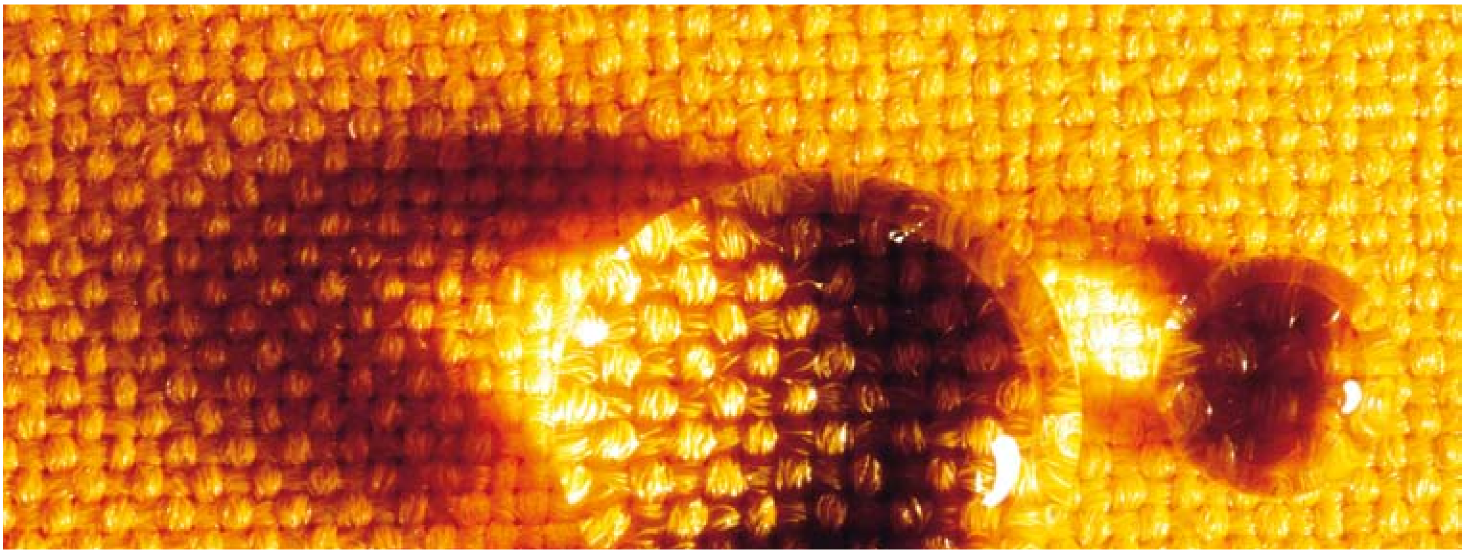
Adhesives are an age-old human invention that have developed into complex systems. Nowadays, adhesive systems are invisible yet omnipresent in everyday life.

They provide stability and comfort in sports shoes, make furniture solid and textiles watertight, bind pages together to make a book, fix wooden elements securely and durably in place in bridges, keep tiles on the wall, attach flooring, join different materials in vehicle interiors, ensure odor-free packaging and keep the packaging stable.



Synthetic polymer emulsions are a building block used in the adhesives, varnish, paint and construction industries. Forbo is a long-standing business partner for many manufacturers; Bonding Systems works with those manufacturers to improve the quality of existing products and develop new ones. The worldwide success of Forbo adhesives is based on the technological sophistication of the processes and products and the durability of the adhesive systems.

Dynamic international customers need a partner with a global presence and many years experience, who understands what customers need and works together with them to develop new approaches and solutions. The wide range of applications is the result of intensive research and development and is the basis of Forbo's technological leadership.



creating lasting connections

Within the framework of its activities for key customers, Bonding Systems has developed a complete range of synthetic adhesives for labeling glass bottles in order to avoid the use of traditional adhesives, which contain dairy proteins. The expanded product portfolio now covers virtually all customer requirements and represents a genuine leap forward.

Labeling at high speed, processing cold, wet or hot bottles, excellent resistance to ice and condensation water, biodegradability – all of this is now possible without having heating up the adhesive. Probably the most impressive advantage of the swift®tak 3000 series is the low consumption rate, particularly compared with conventional products, but also compared with other products available on the market.

Tests have shown that the new series requires up to 40 percent less adhesive than other products used for labeling glass bottles.

For the textile industry, Bonding Systems has developed an innovative reactive polyurethane hotmelt with chemical and physical characteristics that ensure outstanding and durable adhesion on surfaces which have already been fluorocarbon-treated to make them water-repellent.

Optimized production processes using innovative adhesives

When used on textiles, this fluorocarbon treatment makes the fabrics water-repellent enough to increase breathability and wearer comfort. Textiles treated in this way are used in outdoor, sports and leisure wear, occupation-specific clothing and military apparel.

The newly-developed reactive hotmelt is more flexible for manufacturing purposes. Benefits include allowing customers to opt for fluorocarbon-treated materials, when purchasing textile components around the world, thereby reducing production lead times and making it much easier to handle the material.

In addition, the material can be more consistently and durably impregnated due to the higher temperatures used in heat treatment.

Forbo Movement Systems: successfully adjusted structures

'The 2009 business year was marked by a significant drop in demand worldwide, primarily in the capital goods industry, which is crucial for Movement Systems. Europe and Japan were hardest hit by the recession in the reporting year, so adapting structures to the lower sales volumes was unavoidable. At the same time, the division launched innovative new products in the food and logistics segments, generating substantial value added for its customers worldwide. This proved to be a valuable support in challenging times.'

The Movement Systems division generated net sales of CHF 310.5 million in the year under review (previous year: CHF 371.2 million), equivalent to a decline of 16.4 %. In local currencies, the decrease was 14.6 %. The Transtex Belting acquisition in the summer of 2008 had a positive effect of 2.3 %, which was slightly higher than the negative currency effect of 1.7 %. The division's contribution to Group sales was 17.4 %. Sales declined in all regions. The crisis left its mark in North America as early as the second half of 2008, but in 2009 it was Europe and Japan that were primarily responsible for the drop in sales. The structural adjustments that were initiated began to have a real effect especially in the second half of 2009 and lifted operating profit (EBIT), which was negative in the first half, into the black. EBIT for the year was CHF 0.5 million (previous year: CHF 24.6 million).

Matthias P. Huenerwadel
Executive Vice President
Movement Systems

Market situation: Europe in the eye of the storm

Traditionally, Movement Systems has a broad spread across all industrial production processes and all geographic regions. It generates about two-thirds of its sales in spare parts and services and about one-third in the OEM business for the plant engineering and machine tool sectors. Sales in America, mainly an end-customer market, had already weakened considerably in the second half of 2008, touching bottom in the first quarter of 2009. Sales in this market stabilized at a low level in the reporting year. In Europe, the impact of the crisis was felt as of early 2009, with the European machine tool industry reporting a steep drop in sales. Since Movement Systems in this region is geared mainly to the new plant business, Forbo also saw its sales plummet. The markets that bore the brunt of the crisis were Germany and Italy, where the proportion of capital goods for export abroad is high. The trend in Asia was similar, especially in Japan, where the market is driven primarily by plant engineering for the export industry. Markets in which end customers account for a large proportion of business also reported a drop in sales because customer production capacity had to be reduced overall and maintenance budgets cut. This trend affected the spare parts business, too.

The various customer segments did not emerge unscathed, with the global economic crisis impacting here in the form of declining sales. Only the food and tobacco processing sectors turned in a satisfactory performance overall as a result of successful international launches of various new and innovative products in the food segment and major projects in the tobacco segment in Asia.

Measures and investments: focus on strategic business activities

In these challenging times, Movement Systems altered its structures to suit the changed circumstances and lower volumes as far as possible and concentrated on implementing strategic projects more rapidly. The new, five-meter-wide coating machine in the Transilon center of excellence for conveyor and processing belts in Germany promises even better quality for technically-demanding applications such as the food industry. It will be fully operational by the first quarter of 2010. Another area of intensive development activity was plastic modular belts. This is a promising product group for applications as diverse as meat and poultry processing, ski lifts and manufacturing belts in the automotive industry. The manufacturing and logistics center for the Asia-Pacific region began operations in Shanghai at the end of 2008. It has been outfitted with next-generation production equipment, guaranteeing first-class Forbo quality. The range of unti-tear and abrasion-resistant lightweight PVC conveyor belts from Transtex Belting, a company acquired in 2008, was integrated rapidly and successfully in the year under review.

The division made intensive efforts to advance the global introduction of SAP, with the aim of having a standard SAP version in place at all Forbo locations by the end of 2010. The customer relationship management system already in use in Europe was successfully rolled out in America.

Products: innovation means value added and savings for customers

In the past year, Forbo again launched a variety of new product developments that generate value added for customers. For the bakery industry, for instance, Forbo has developed belts with greatly improved anti-stick properties. The low friction of these belts is achieved with a special polyurethane coating with a silky-smooth surface structure, which reduces flour loss by up to 50 percent. This saving, however, is not the only advantage for bakeries: cleaning time is substantially reduced because less flour is required and the bred also tastes better.

The Amp Miser product range launched in 2008 continues to enjoy global success in the logistics industry and has already been adopted as the standard by numerous companies. Long-term tests have convinced many large customers that they can substantially reduce their energy consumption by up to 37 percent because of reduced friction on the underside of the belt. This belting also considerably reduces noise levels.

Business trend: structures adjusted for new realities

The steep drop in sales in all markets in the wake of the global economic crisis seriously impacted Movement Systems in the year under review. The division had to permanently adjust its structures and processes to the new situation, while maintaining its extremely broad range of products and services for all markets and customers. The long-term segmentation strategies, the use of new technologies and enhancing long-standing customer relationships provided valuable support especially in challenging times.

Forbo continued to expand geographically, establishing its own business in India in fall 2009 in order to benefit more from this fast-growing market with considerable potential going forward.

Outlook: customer requirements are the ultimate goal

Movement Systems believes that sales in 2010 will remain at more or less the same level as in 2009, though individual markets may experience a partial recovery. Following a period in which the division reacted and adjusted to difficult external circumstances, Forbo now has to refocus on the way forward. More than ever, satisfying customers is at the core of its business – supporting its customers as they find their footing in the new situation.

By focusing on processes and the expansion of the global IT systems that support these processes, furthermore, Movement Systems intends to increase the transparency and efficiency of the organization.

Movement Systems sees growth opportunities in the development of new products through improved innovation processes, in the expansion of the plastic modular belt business activity and in further expansion in growth markets such as India and China.

Global markets today require maximum mobility and flexibility in all areas of business. Though not always visible, Forbo is nonetheless present almost everywhere, ensuring optimum process reliability.

High-quality conveyor and processing belts in the food industry ensure that fresh products are processed efficiently and under hygienic conditions. Treadmill belts in fitness centers keep sports enthusiasts on the move. Conveyor belts and flat belts are key components in paper manufacturing and processing machines. They are crucial for printing daily newspapers, magazines and journals.

Conveyor belts provide smooth baggage handling at airports and an efficient flow in the distribution of letters and packages in logistics centers with state-of-the-art equipment. Forbo's timing belts are very widely used as a component in modern drive and handling technology and are synonymous with cost-effectiveness, precision and reliability.

As markets become more globalized, industry needs innovative concepts for production, material flows and logistics, in which conveyor, processing and flat belts often play a crucial role. Leading industrial companies the world over therefore depend on the know-how of Movement Systems' expertise as a professional partner in developing sector-specific, forward-looking solutions for drives, transport and manufacturing.

New developments create value added for customers

With innovative developments in the food segment, Movement Systems was able to generate value added for its customers during the reporting period. In collaboration with a well-known provider of bakery machines, Forbo developed a completely new belt which is ideal for processing dough, as the dough does not stick to the belt. This is due to its special polyurethane coating with a silky-smooth surface texture which also reduces flour loss by up to 50 percent.

As much less flour is needed for production, the belt not only reduces costs, but also means that the machinery and equipment can be cleaned more quickly and easily.

For conveyor and processing belts with unsealed edges, a new design was developed in the form of Frayfree, which minimizes fraying at the belt edge.

A special type of fabric, a special weave and an optimized fiber length improves the hold of the fibers in the weave. State-of-the-art technology also ensures that the individual weave fibers are securely bonded to the coating material. The belt edges are thus more resistant to mechanical wear and tear, are suitable for all types of conveyor belt designs and type programs, and are easy to clean.

Siegling – total belting solutions

These belts are ideal for the production transport of packed and unpacked food such as confectionary and baked goods.

The energy-saving conveyor belt Amp Miser™, launched towards the end of 2008, has successfully established itself in the logistics segment. The lower drive power required means that the good can be conveyed further with just a single drive.

The innovative coating of the woven backing leads to up to 37% less energy consumption depending on the load, and thus generates less CO_2 emissions and substantially reduces operating costs. Another positive effect is the reduction in noise emissions by around 3 dB compared with conventional conveyor belts. Typical application areas include large logistics and distribution centers as well as airports.

Group structure

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

Tom Kaiser
- Flooring Systems
- Sales and Marketing
- Supply Chain and Resilient Operations
- Innovation and Textile Operations
- Services

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

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

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

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

Executive Board

Tom Kaiser	Michel Riva	Matthias P. Huenerwadel	This E. Schneider	Jörg Riboni	Daniel Keist
Flooring Systems	Bonding Systems	Movement Systems	Delegate of the Board of Directors and CEO	Corporate Finance	Corporate Center

Executive Board

This E. Schneider

Delegate of the Board of Directors and CEO

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

Tom Kaiser

Executive Vice President Flooring Systems

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

Michel Riva

Executive Vice President Bonding Systems

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

Matthias P. Huenerwadel

Executive Vice President Movement Systems

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

Jörg Riboni

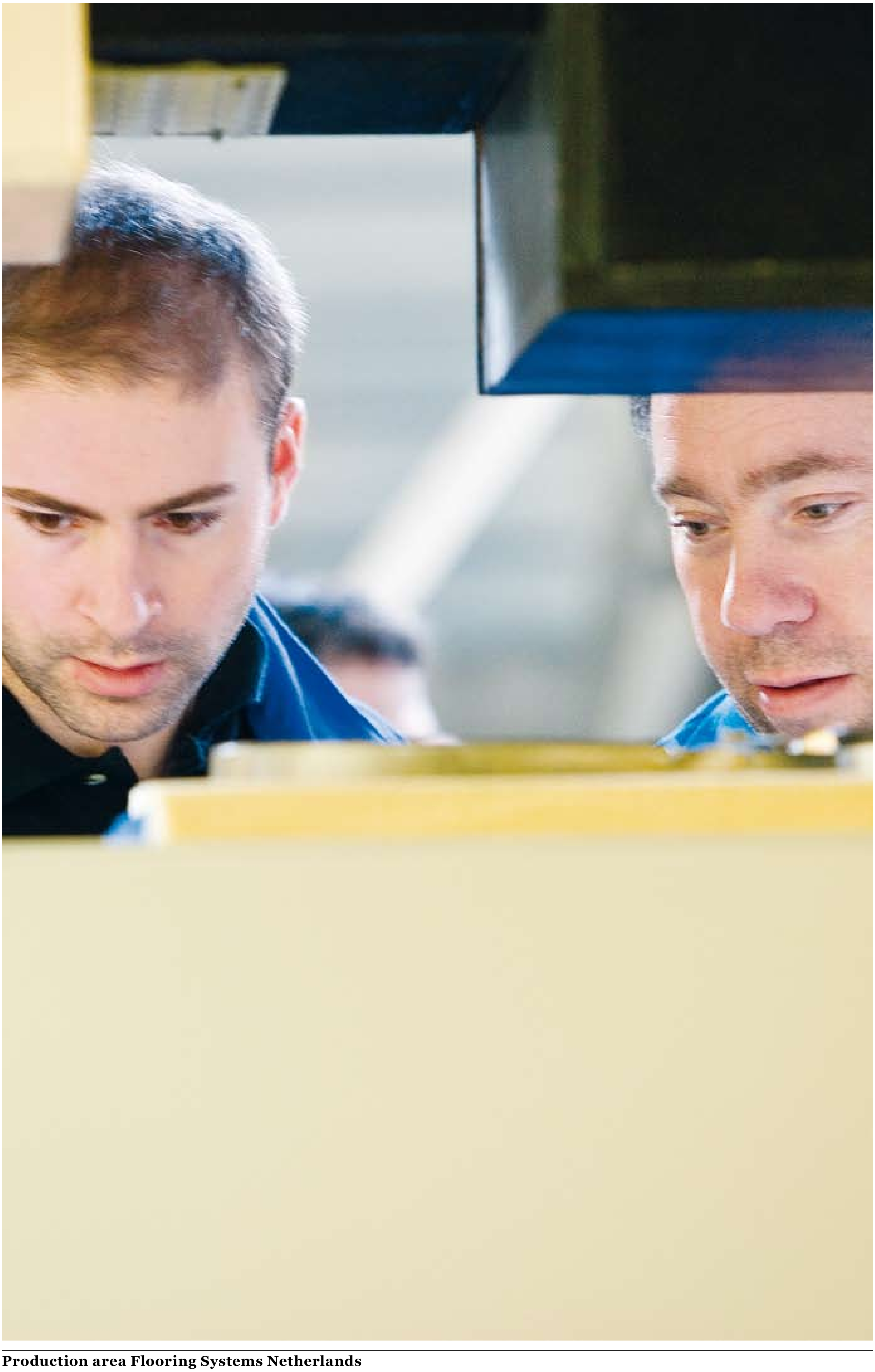
Chief Financial Officer, Executive Vice President

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

Daniel Keist

Head Corporate Center, Executive Vice President

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



Production area Flooring Systems Netherlands

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

Group structure and shareholders

Group structure

Forbo Holding Ltd, domiciled at Lindenstrasse 8, 6340 Baar, is a limited company under Swiss law. The holding company holds all companies, directly or indirectly, that belong to the Forbo Group. The operational structure of the Group is shown in the organizational chart on page 30. The scope of consolidation of Forbo Holding Ltd does not include any listed companies. The unlisted companies within the scope of consolidation of Forbo Holding Ltd are listed under 'Group companies' starting on page 114 of the financial report. The company name and domicile, share capital and percentage of participation along with information relating to the allocation of the Group companies to the Group's divisions can also be found in this list.

Significant shareholders

As of December 31, 2009, 2,023 shareholders were listed in the share register of Forbo Holding Ltd, or 118 (6 %) more than in the previous year. At December 31, 2009, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3 %:

	31.12.2009
	As a percentage (%)
Michael Pieper[1)]	31.45
Forbo Holding Ltd[2)]	16.46
This E. Schneider	6.39

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.
2) – 1st trading line: 8.60 %; 2nd trading line 7.86 %.
– Forbo Holding Ltd holds its interest directly and indirectly through Forbo International SA and Forbo Finanz AG.

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

Tweedy, Browne Company LLC reported on November 18, 2009, that it had fallen below the threshold of 3 %. No other disclosures were made in 2009.

For further information on significant shareholders or shareholder groups, we refer the reader to the above table or to page 127 of the financial report (duty of disclosure pursuant to Article 663c, Swiss Code of Obligations).

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

Capital structure

Share capital
As of December 31, 2009, Forbo Holding Ltd had a fully paid up share capital of CHF 271,315.20, which was divided into 2,713,152 listed registered shares, each with a par value of CHF 0.10. Of this amount:

– 67.94 % were registered in the name of 1,979 shareholders with voting rights
– 24.60 % were shares of banks respectively the SIX SIS AG pending registration of transfer
– 7.46 % were registered in the share register without voting rights

The shares of Forbo Holding Ltd (security number 000354151 / ISIN CH0003541510) are listed on SIX Swiss Exchange. No different categories of shares exist. Each share entitles the owner to one vote. Further information on the Forbo share can be found on pages 54 and 55. Further information on the rights of participation associated with the share can be found on pages 49 and 50 of this Annual Report.

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

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

There is no authorized capital.

Changes in capital

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

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

The Ordinary General Meeting of Forbo Holding Ltd on April 27, 2007 decided, based on the special audit report of a specially appointed auditor, to reduce the ordinary share capital of the company by CHF 16,278,912 from CHF 54,263,040 to CHF 37,984,128 by reducing the par value of the shares from CHF 20 to CHF 14. It was further decided to pay out the difference of CHF 6 per share to the shareholders and to amend the Articles of Association accordingly.

Participation certificates and 'Genussscheine' (non-voting equity securities)

Forbo Holding Ltd has neither participation certificates nor non-voting equity securities.

Limitations on transferability and nominee registrations

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

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

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

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

Convertible bonds and warrants / options

Forbo Holding Ltd has no outstanding convertible bonds nor has it issued any marketable warrants / options. Information on the option program available to the Executive Board can be found on pages 47 until 49, as well as on pages 96 and 97 of this Annual Report.

Board of Directors

Members of the Board of Directors

The cutoff date for the following information is December 31, 2009.

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

Dr. Albert Gnägi, Chairman

Albert Gnägi, born in 1944, is a Swiss citizen. He studied law at the Universities of Zurich and Rome and holds a doctorate in law (Dr. iur.). He practices law in Zurich, specializing in commercial, company and inheritance law. He was Chairman of the Board of Selecta Group from the IPO in 1997 until the takeover by the British company Compass Group in early 2001. From 1982 to 1997, he was a member and Chairman of the Board of Directors of Immuno International AG, a manufacturer of biological pharmaceuticals, which went public in Zurich in 1989. Since 1980, Albert Gnägi has been a member of the Board of Trustees of the Sanitas Hospital in Kilchberg, and its president since 2002. He has been Chairman of the Board of Directors of SAM Group Holding AG, Zurich, since 2007. He holds additional board memberships in other companies and foundations. He has been Chairman of the Board of Directors of Forbo Holding Ltd since March 2005.

Michael Pieper, Vice Chairman

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

This E. Schneider, Delegate and CEO

For the curriculum vitae of This E. Schneider, please see page 32 of this report.

Dr. Peter Altorfer

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

Vincent Studer

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

Board of Directors of Forbo Holding Ltd at December 31, 2009

	First elected	Elected until OGM	AFC	HRC
Chairman				
Dr. Albert Gnägi	2005	2010	M	C
Non-executive director				
Vice Chairman				
Michael Pieper	2000	2010	–	M
Non-executive director				
Members				
This E. Schneider	2004	2011	–	–
Delegate of the Board of Directors and executive director				
Dr. Peter Altorfer	2005	2011	M	M
Non-executive director				
Vincent Studer	2009	2012	C	–
Non-executive director				
Secretary of the Board				
Nicole Häfeli				
Non-member				

AFC: Audit and Finance Committee
HRC: Committee for Human Resources and Remuneration
C: Chair
M: Member

Production area Bonding Systems China

Elections and terms of office

The members are elected by the General Meeting for a term of three years. A year is defined as the period between two Ordinary General Meetings. The first term of office after the first election of a member of the Board of Directors is designed so that every year about one third of all members have to be elected or re-elected. Members may be re-elected several times. At the Ordinary General Meeting on April 24, 2009, Vincent Studer was elected as a new member of the Board for a term of three years in a single vote. He replaced Dr. Rudolf Huber. Further details on the terms of office of the other members of the Board of Directors are contained in the table on page 39. In accordance with the Organizational Regulations of Forbo Holding Ltd, members who have reached the age of 70 resign from the Board of Directors at the Ordinary General Meeting of the following year. The average age of the incumbent members of the Board is around 58. In determining the composition of the Board of Directors, importance is attached to the election of independent individuals with international experience in industrial companies as well as in the financial and consultancy sectors.

Internal organizational structure

The allocation of tasks within the Board of Directors and the composition of the two Board committees are shown in the table on page 39.

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

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

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

The Delegate of the Board of Directors is also CEO and as such is responsible for the operational management of the Group and for the tasks delegated to him by the Board of Directors. The members of the Executive Board report to him for the exercise of this function.

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

The Board of Directors meets on being convened by the Chairman, as often as business requires but at least four times a year. When the Board is convened, the items on the agenda must be notified at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2009, the Board of Directors met six times, the meetings usually lasting a full day.

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

Audit and Finance Committee

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

The AFC convenes as often as business requires, but at least twice a year. In the 2009 business year, two meetings were held, each lasting about half a day. The external auditors were present at selected items on the agenda of the meeting of the AFC on the annual financial statements, while the Ernst & Young representatives responsible for internal auditing attended the discussion on the internal audit reports at both meetings of the AFC.

Committee for Human Resources and Remuneration

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

The HRC convenes as often as business requires. In the 2009 business year, two meetings were held, each lasting about half a day.

Areas of responsibility

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

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

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

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

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

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

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

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

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

Information and control instruments vis-à-vis management

The Executive Board meets as often as business requires, normally once a month. In the 2009 business year, eleven meetings were held, each lasting from half a day to a full day.

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

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

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

The Delegate of the Board, who is at the same time CEO, conducts the meetings of the Executive Board. For details concerning the participation of members of the Executive Board in meetings of the Board of Directors and its committees, see the sections on internal organization, the AFC and the HRC on pages 41 and 42.

The Board of Directors furthermore fulfils its supervisory and monitoring obligations by means of financial reporting and its role in the planning cycle. The internal and external auditors also assist the Board in this task. Neither the external auditors nor the internal auditors, however, were invited to any meetings of the Board of Directors in 2009 as there were no special incidents or discoveries.

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

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

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

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

The audits are conducted in accordance with an annual plan approved by the AFC. The following types of audit are distinguished: full scope audits, limited reviews, follow-up reviews, compliance audits und special engagements. The risks and weaknesses identified in these audits are, where necessary, minimized or eliminated by measures adopted by management and are constantly monitored.

In 2009 a total of seven full scope audits, one follow-up review and one special engagement audit were conducted. The full scope audits were limited to individual business processes. Internal Audit included in its review of audited Group companies any key controls that had been defined in the framework of the internal control system (ICS). Internal audits, furthermore, involve various compliance reviews related to these processes. Lastly, additional risks and controls in connection with the above-mentioned business processes were analyzed in the audit. At least one company in each division was audited in the course of the full scope audits.

By means of walk-through tests, the implementation and reliability of the controls introduced with ICS were examined on a random basis.

Risk management

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

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

As regards business risks, Forbo addresses both strategic risks and market and financial risks. In the area of market risks, interest and currency risks are monitored centrally and hedged in certain cases. The liquidity and financing of subsidiaries are also monitored centrally. Please also refer to pages 110 to 112 of the financial report.

With regard to the risk management process pursuant to Article 663b section 12 of the Swiss Code of Obligations, the reader is referred to the relevant explanations on page 131 (note 18 on 'Risk assessment') and on pages 109 to 113 (note 37 on 'Risk assessment and financial risk management') of the financial report.

Logistics area Movement Systems North America

Executive Board

Members of the Executive Board, activities and vested interests

The members of the Executive Board, their nationality, function, training and professional career as well as other activities and vested interests are set out on pages 32 and 33 of this Annual Report.

Management contracts

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

Compensations, shareholdings and loans

Content and methodology of determining the compensation and the shareholding programs

Board of Directors

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

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

The amount of the remuneration for each Board member in the year under review, along with the details of the valuation of the shares, can be found on pages 108, 109 and 128 of the financial report.

Executive Board

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

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

The variable component (performance-related bonus) is tied to financial (quantitative) and qualitative targets which are defined in accordance with the operational responsibility of the Executive Board member in question. The qualitative targets are geared to the company's long-term sustainable development and may account for between 15 % and 40 % of the total variable component; the remaining portion of the variable component depends on the achievement of the financial (quantitative) targets. Depending on the function of the Executive Board member in question, these may be Group and / or divisional objectives and refer in particular to net sales, EBITDA, EBIT, current assets and net income. The variable component may be as much as 120 % of the fixed remuneration, depending on the individual's target achievement.

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

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

As per the balance-sheet date December 31, 2009, the Executive Board held the following options:

Allocation	No.	Term	Vested until	Subscription ratio	Strike price CHF
2005	* 2,650	15.06.2005 – 14.06.2010	14.06.2008	1:1	235.00
2006	6,294	19.04.2006 – 19.04.2011	20.04.2009	1:1	370.00
2007	5,250	15.03.2007 – 15.03.2012	15.03.2010	1:1	564.69
2008	5,446	19.03.2008 – 19.03.2013	19.03.2011	1:1	822.00
2009	7,028	2.04.2009 – 2.04.2014	3.04.2012	1:1	214.63

* Including the options held by the Delegate of the Board of Directors and CEO.

The amount of the remuneration for the Executive Board in the year under review, along with the details of the valuation and distribution of the shares and options, can be found on pages 108, 109, 128 as well as 130 of the financial report. This compensation consists of the base salary, a performance-related bonus, private use of the company car, employer contributions to the pension funds, AHV / ALV (old-age and unemployment insurance) and accident and company sick payment insurance.

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

Delegate of the Board of Directors and CEO

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

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

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

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

The relevant figures for this compensation model are found on pages 108 and 128 of the financial report.

Shareholders' participation

Voting right restriction and representation

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

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

Statutory quorums

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

Convening of the General Meeting

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

Agenda

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

Entry in the share register

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

Changes in control and defense measures

Duty to make an offer

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

Clause in changes of control

As per year-end 2009, one member of the Executive Board is entitled to claim a severance payment due to a change in the controlling shareholder in the event that certain conditions arise. This severance payment corresponds to one annual salary at most.

Auditors

Duration of the mandate and term of office of the head auditor

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

Auditing fees

The auditing fees levied by the Group's auditors for auditing the consolidated financial statements, including the statutory audit of the individual financial statements of the holding company and the consolidated subsidiaries, amounted to CHF 1.4 million in the year under review.

Additional fees

For the year 2009, the auditing company invoiced additional consulting fees of CHF 0.7 million. Of this amount, CHF 0.6 million was for tax advice, and CHF 0.1 million for transaction advisory services.

Informational instruments pertaining to the external audit

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

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

Information policy

Transparency for investors

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

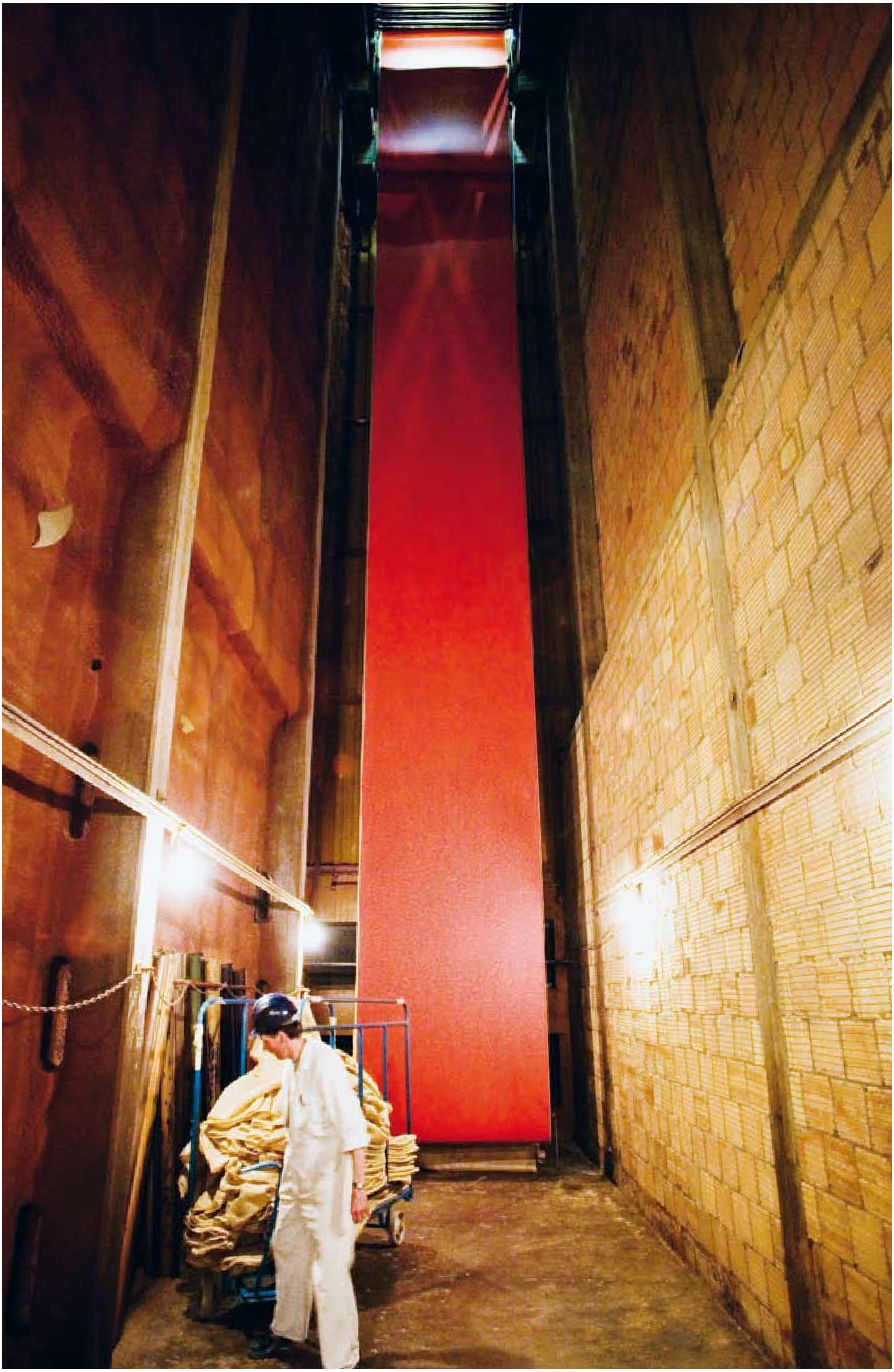
Shareholders receive summary reports on the business year as well as half-year reports. The Annual Report, like all other published documents, is available in printed form as well as on the Internet at www.forbo.com. The Ordinary General Meeting is an additional platform for the exchange of information.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

Ad hoc communication

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

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

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



Linoleum drying room Flooring Systems Netherlands

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

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The Forbo share

The serious financial crisis in 2008 spilled over into the real economy in 2009. Consumer demand faltered, world trade fell into a slump, and companies were caught in a deepening credit crunch. As a result, the equity markets went into a tailspin in the first quarter of 2009. On March 13, 2009 the Forbo share touched bottom at CHF 140, 28 % below the level it had been trading at a year previously.

In the second quarter of 2009, the tireless efforts of the world's central banks plus various government stimulus packages and rescue measures helped prevent the world economy from going into free fall. The fears that had virtually paralyzed the capital markets earlier in the year were allayed.

In the third and fourth quarters of 2009, market players began to feel more confident that the crash that had stunned the markets in the first quarter was unlikely to recur in the near future. The restoration of calm on the equity markets along with low interest rates combined to give market players an incentive to invest in risky assets again, with the result that the markets bounced back strongly.

The Forbo share, which had underperformed the market in 2008 because of its cyclical nature, began to rally in the second quarter of 2009. The Forbo share staged an increasingly dynamic upturn in the third and fourth quarters. The company had succeeded in convincing the market that it would manage the turnaround despite the difficult circumstances. The successful placement of a CHF 150 million bond on the Swiss capital market in July 2009 also had a positive effect.

The Forbo share outperformed the Swiss Performance Index (SPI) by a wide margin in 2009, closing the year at CHF 340. This was 74 % higher than the year-end price in 2008, whereas the SPI gained about 23 % in the same period.

The Forbo share in comparison to the SPI

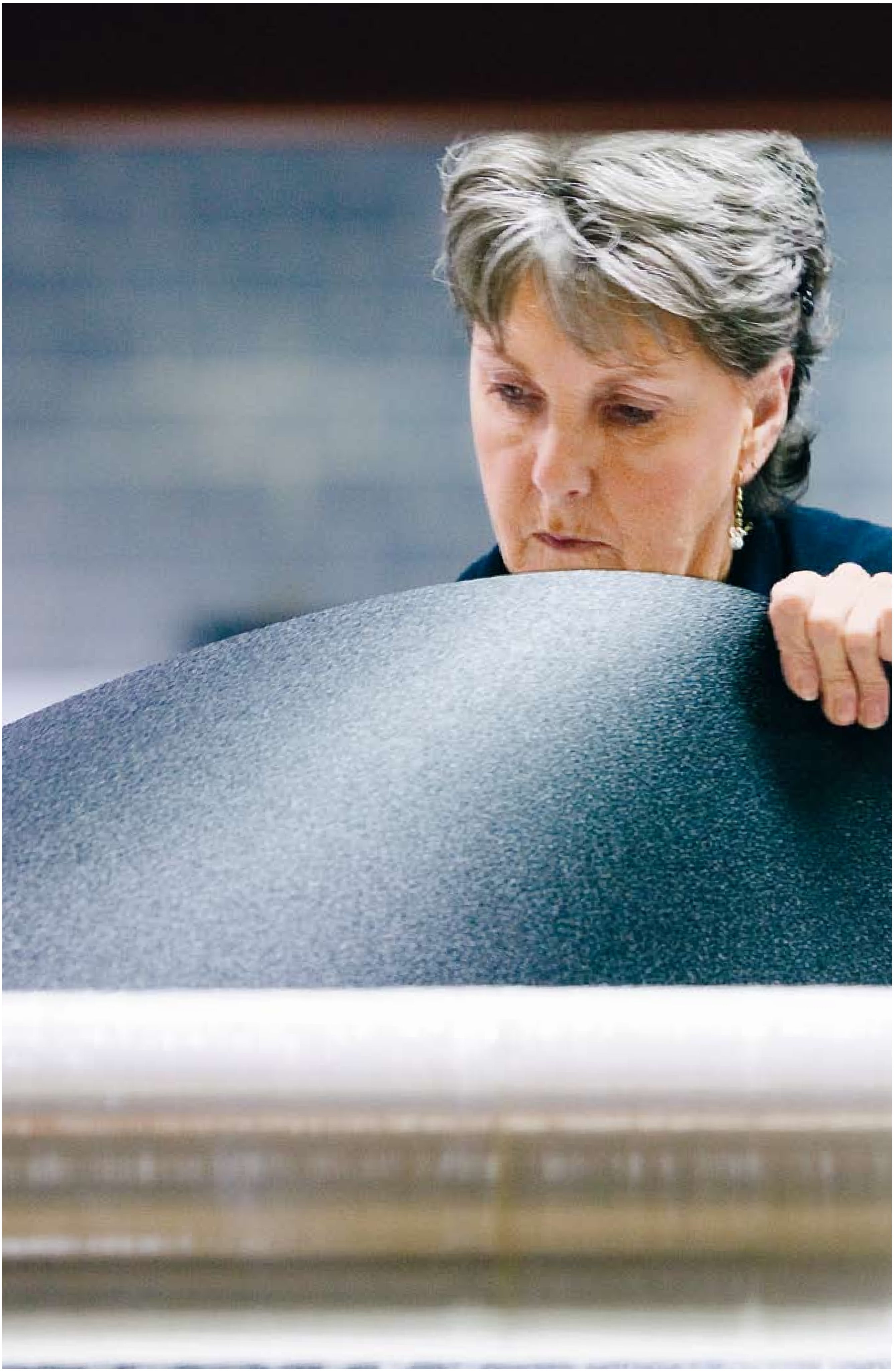
Share capital		2009 Number	2008 Number	2007 Number	2006 Number	2005 Number
Issued registered shares[1]		2,713,152	2,713,152	2,713,152	2,713,152	2,713,152
Thereof:						
Shares outstanding		2,266,593	2,230,729	2,453,379	2,577,198	2,634,849
Share buyback second line		213,152	213,152	-	-	-
Other treasury shares		211,988	247,852	238,354	114,535	56,884
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital		CHF	CHF	CHF	CHF	CHF
Total		271,315	10,852,608	37,984,128	54,263,040	54,263,040
Thereof:						
Shares outstanding		226,659	8,922,916	34,347,306	51,543,960	52,696,980
Share buyback second line		21,315	852,608	-	-	-
Other treasury shares		21,199	991,408	3,336,956	2,290,700	1,137,680
Reserve shares (without dividend rights)		2,142	85,676	299,866	428,380	428,380

Data per share		CHF	CHF	CHF	CHF	CHF
Shareholders' equity Group[7]		301	250	281	246	212
Group profit[2][7]		33.7	6.9	44	24	– 17
Gross dividend and cash distribution		6.0[3]	3.9	10	6	0
Gross dividend yield (in %)	High	1.8[5]	0.6[4]	1.4[4]	1.2[4]	0
	Low	4.3[5]	2.1[4]	2.2[4]	2.1[4]	0
Payout ratio[6] (in %)		18	57	23	25	0

Stock market statistics		CHF	CHF	CHF	CHF	CHF
Share prices	High	343	705	722	490	285
	Low	140	188	447	291	233
	Year-end	340	195	700	486	285
Market capitalization (m)[7]	High	777	1,573	1,770	1,263	751
	Low	317	420	1,097	750	614
	Year-end	771	435	1,717	1,253	751

1) Nominal value per share 2009: CHF 0.10, 2008: CHF 4, 2007: CHF 14, 2005 and 2006: CHF 20.
2) Read also in the financial report, notes financial statements, page 88, earnings per share.
3) Proposal of the Board of Directors to the Ordinary General Meeting.
4) Calculated on the basis of a cash distribution in the form of a reduction in par value.
5) Calculated on the basis of a cash distribution in the form of a dividend payment.
6) Gross cash distribution as a percentage of Group profit.
7) Based on shares outstanding.



Fabrication area Movement Systems North America

Financial Report

Content

Consolidated balance sheet

Assets		31.12.2009	31.12.2008
CHF m	Note		
Non-current assets		**885.7**	**928.7**
Property, plant and equipment	16	549.9	586.3
Intangible assets	17	309.1	311.7
Deferred income tax assets	14	20.5	28.8
Investments in associates and other non-current assets	18	6.2	1.9
Current assets		**859.7**	**909.1**
Inventories	19	261.0	298.3
Trade receivables	20	237.1	265.8
Other receivables		33.1	32.2
Prepaid expenses and deferred charges		30.1	23.6
Marketable securities	21	100.2	73.6
Cash and cash equivalents	22	198.2	215.6
Total assets		**1,745.4**	**1,837.8**

Shareholders' equity and liabilities			
CHF m			
Shareholders' equity		**679.6**	**584.4**
Share capital		0.3	10.9
Treasury shares		– 0.1	– 2.0
Reserves and retained earnings		679.4	575.5
Non-current liabilities		**720.2**	**676.6**
Non-current financial debt	26	550.1	512.4
Employee benefit obligations	27	68.6	58.6
Non-current provisions	28	38.8	37.0
Deferred income tax liabilities	14	62.7	68.6
Current liabilities		**345.6**	**576.8**
Trade payables	29	123.3	144.5
Current provisions	28	32.9	18.6
Accrued expenses	30	125.3	130.4
Current financial debt	31	3.4	181.3
Current tax liabilities		24.7	25.3
Other current liabilities		36.0	76.7
Total liabilities		**1,065.8**	**1,253.4**
Total shareholders' equity and liabilities		**1,745.4**	**1,837.8**

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

Consolidated income statement

CHF m	Note	2009	2008
Net sales	6	**1,782.4**	**1,918.7**
Cost of goods sold		– 1,200.4	– 1,325.0
Gross profit		**582.0**	**593.7**
Development costs	7	– 27.9	– 29.9
Marketing and distribution costs		– 270.0	– 282.7
Administrative costs	8	– 128.3	– 137.9
Other operating expenses	9	– 46.4	– 50.0
Other operating profit	10	12.4	23.9
Operating profit		**121.8**	**117.1**
Financial income	12	4.3	9.2
Financial expenses	13	– 24.7	– 104.9
Group profit before taxes		**101.4**	**21.4**
Income taxes	14	– 25.3	– 5.4
Group profit for the year		**76.1**	**16.0**
CHF			
Basic earnings per share	15	33.67	6.86
Diluted earnings per share	15	33.67	6.84

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

Comprehensive income statement

CHF m	2009	2008
Group profit for the year	**76.1**	**16.0**
Income and expenses directly recognized in shareholders' equity:		
Translation differences	– 8.9	– 129.5
Changes in fair value of financial instruments available-for-sale	21.2	– 79.2
Impairment on financial instruments available-for-sale	-	79.2
Revaluation of land and buildings	-	143.3
Release of provisions reported directly in equity in connection with revaluation of land and buildings	-	3.8
Actuarial loss on pension liabilities	– 7.8	– 46.6
Fair value adjustments of cash flow hedges	6.8	– 1.1
Fair value adjustments of net investment hedges	10.1	8.1
Other comprehensive income for the year, net of tax	**21.4**	**– 22.0**
Total comprehensive income	**97.5**	**– 6.0**

The positions reported in 'other comprehensive income for the year, net of tax' include the income tax effects that are explained in note 14.

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

Consolidated shareholders' equity

2009

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

2008

CHF m	Share capital	Treasury shares	Reserves	Revaluation reserve	Reserve for AFS financial assets	Reserves from cash flow hedges	Reserves from net investment hedges	Translation differences	Total
December 31, 2007	**38.0**	**– 4.0**	**821.3**	**-**	**-**	**– 5.9**	**– 7.7**	**– 128.6**	**713.1**
Group profit for the year			16.0						16.0
Other comprehensive income for the year, net of tax		-	– 42.8	143.3	-	– 1.1	8.1	– 129.5	– 22.0
Total comprehensive income	**-**	**-**	**– 26.8**	**143.3**	**-**	**– 1.1**	**8.1**	**– 129.5**	**– 6.0**
Share-based payments		0.1	4.9						5.0
Treasury shares		– 2.8	– 102.5						– 105.3
Reduction in par value	– 27.1	4.7							– 22.4
December 31, 2008	**10.9**	**– 2.0**	**696.9**	**143.3**	**-**	**– 7.0**	**0.4**	**– 258.1**	**584.4**

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

Consolidated cash flow statement

	2009	2008
Cash flow from operating activities		
CHF m		
Group profit for the year	76.1	16.0
Tax expense	25.3	5.4
Group profit before taxes	**101.4**	**21.4**
Net financial expenses	20.4	16.5
Depreciation and impairment on property, plant and equipment	58.9	81.5
Amortization and impairment on intangible assets	7.9	7.2
Impairment on available-for-sale financial assets	-	79.2
Profit from disposal of property, plant and equipment	– 3.5	– 7.0
Share-based payments	4.5	5.0
Income tax paid	– 33.8	– 37.2
Increase / decrease (–) in provisions and employee benefit obligations	10.4	– 12.7
Increase / decrease (–) in current liabilities	4.5	– 12.9
Decrease in working capital[1)]	42.6	18.8
Net cash generated from operating activities	**213.3**	**159.8**
Cash flow from investing activities		
CHF m		
Acquisition of subsidiaries, net of cash acquired	-	– 212.8
Purchase of non-current assets	– 39.8	– 55.4
Proceeds from sale of property, plant and equipment	13.2	12.1
Purchase of available-for-sale financial assets	– 0.6	– 237.2
Sale of available-for-sale financial assets	3.4	83.8
Dividends received	-	3.4
Net cash used in investing activities	**– 23.8**	**– 406.1**
Cash flow from financing activities		
CHF m		
Decrease (–) / increase in current debt	– 2.0	0.9
Decrease (–) / increase in non-current debt	– 178.2	496.6
Repayment of debt of the acquiree to the seller	-	– 43.0
Interest paid	– 22.9	– 22.4
Interest received	1.3	5.3
Purchase of treasury shares	– 3.8	– 105.6
Proceeds from sale of treasury shares	5.7	0.3
Reduction of par value	– 8.8	– 22.4
Net cash generated from financing activities	**– 208.7**	**309.7**
Change in cash and cash equivalents		
CHF m		
Decrease (–) / increase in cash and cash equivalents	– 19.2	63.4
Translation differences on cash and cash equivalents	1.8	– 25.3
Total cash and cash equivalents at beginning of year	215.6	177.5
Total cash and cash equivalents at year-end	**198.2**	**215.6**

1) Excluding cash and cash equivalents.

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, adhesives, and drive and conveyor technology. The Group has a global network of locations with production and distribution plus pure sales companies.

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

These financial statements were approved by the Board of Directors on March 10, 2010 and released for publication on March 15, 2010. The Report is subject to approval by the Ordinary General Meeting on April 23, 2010.

2 Summary of significant accounting policies

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

Basis of preparation

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

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

Scope and principles of consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

Associates are all entities over which the Group has significant influence but not control, generally accompanied by a shareholding of between 20 % 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, net of any accumulated impairment loss.

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

The subsidiaries included in the group of consolidated companies are listed under 'Group companies'.

Foreign currency translation

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

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

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

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

			Income statement (Average exchange rates for the year)		Balance sheet (Year-end exchange rates)	
			2009	2008	**2009**	2008
Currency						
CHF						
Euro countries	EUR	1	**1.51**	1.59	**1.49**	1.50
Sweden	SEK	100	**14.20**	16.52	**14.46**	13.75
United Kingdom	GBP	1	**1.70**	2.00	**1.66**	1.57
USA	USD	1	**1.09**	1.08	**1.03**	1.07
Canada	CAD	1	**0.95**	1.02	**0.98**	0.88
Japan	JPY	100	**1.16**	1.05	**1.12**	1.19

Maturities

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

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

Segment information

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

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

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

Net sales and revenue recognition

Sales revenue 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. Sales revenue is reported net of sales tax, returns, discounts and rebates, as well as after elimination of intra-Group sales.

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

Research and development

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

Share-based payments

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

Income taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

Impairment of non-financial assets

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

Financial assets

Classification

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

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

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

(c) Financial assets available-for-sale

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

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

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

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

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

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

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

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

– hedges of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge),
– hedges of a specific risk of fluctuation payment flows (cash flow) associated with a recognized asset or liability (cash flow hedge), or
– hedges of a net investment in a foreign operation (net investment hedge).

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

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

(a) Fair value hedge
Changes in the fair value of derivatives that are designated as and qualify as fair value hedges of a recognized asset or a commitment are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only uses fair value hedges to the hedge fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps taken up to hedge fixed rate borrowings is recognized in the income statement within the 'financial result'. The gain or loss relating to the ineffective portion is recognized in the income statement under the ’financial result’. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognized in the income statement under the 'financial result'.

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

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

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

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

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the effective portion of the hedging instrument is recognized in equity; the gain or loss relating to the ineffective portion is recognized directly in the income statement. Gains or losses accumulated in equity are transferred to the income statement when the foreign operation is sold off in full or in part.

(d) Derivatives valued at fair value through profit or loss
Certain derivative financial instruments are not suitable for hedge accounting. Changes in the fair value of such derivatives are recognized directly in the income statement.

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

Inventories

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

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

Trade receivables

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

Marketable securities

Marketable securities are mainly available-for-sale financial assets. Initial recognition and subsequent measurement are described separately under 'financial assets' on page 70 onwards of this report.

Cash and cash equivalents

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

Shareholders’ equity

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

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

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

Current and non-current financial debt

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

Financial debt is assigned to current debt, unless the Group has to settle the obligation 12 months after the balance due date at the earliest or the Group 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 / insurance plans or by recognition of the pension plan liabilities in the financial statements of the respective companies.

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

For defined benefit plans, the pension liabilities are calculated annually by independent actuaries according to the projected unit credit method. They 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 recognized in the income statement on a straight-line basis over the remaining average period until an active employee acquires a vested pension right, or are immediately charged to the income statement if the employee has already retired. Profits resulting from pension plan reductions or compensations are immediately taken to the income statement.

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

Provisions

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

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

Trade payables

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

Other current liabilities

With regard to the previous year, other current liabilities include derivative financial instruments measured at market value in connection with the cash flow hedge for the US private placement.

3 Changes in accounting principles

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

IFRS 7 – 'Financial instruments: disclosures' (amendment) – effective as of January 1, 2009.
The changes enhance disclosures about fair value and liquidity risk. Essentially, they introduce a three-level hierarchy for fair value measurement. The IFRS 7 amendments result solely in additional disclosures.

IFRS 8 – 'Operating segments' (new) – effective as of January 1, 2009.
IFRS 8 replaces the current standard IAS 14 'Segment reporting'. The new standard calls for a management approach in which the data in the segment reports determined pursuant to IFRS 8 are determined according to internal accounting policies. Internal reporting to the Executive Board and the Board of Directors is based on the three business units and Corporate and on the same recognition and valuation principles as those used in the consolidated financial statements. The application of IFRS 8 does not entail any significant adjustments, except for additional disclosures for the full year and the fact that Corporate is defined as an reportable segment.

IAS 1 – Presentation of financial statements' (revised) – effective as of January 1, 2009.
The main changes compared with the previous version are the following: a) All non-owner changes in equity are required to be presented in one statement of comprehensive income or in two statements. b) A company must show a statement of financial position (balance sheet) at the beginning of the earliest comparative period as part of a complete statement if it applies an accounting policy retrospectively or makes a retrospective restatement of items. c) A company must disclose income tax relating to each component of other comprehensive income. d) A company must state reclassification adjustments relating to components of the other comprehensive income. The Group presents changes in equity that do not arise from owner changes separately in the statement of comprehensive income. The information for the previous year has been restated so that it meets the requirements of the revised standard.

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

IFRS 1 – 'First-time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements under IFRS' (amended).
According to the amended standard, a company may, in the IFRS opening balance sheet of its separate financial statement, state the cost of an investment in a subsidiary, jointly controlled entity or association as the fair value of the investment at the entity's date of transition to IFRS or as a carrying amount determined according to previously used accounting principles at the entity's date of transition to IFRS. In IAS 27, the definition of the cost method is eliminated and replaced by the requirement that dividends are to be presented as income in the separate financial statement of the parent company.

IFRS 2 – 'Share-based payments' (amended).
The amendment of the standard is concerned with the definition of vesting conditions and cancellations. It clarifies that the definition of vesting conditions now only encompasses service conditions and performance conditions.

IAS 23 – 'Borrowing costs' (revised).
The revised IAS 23 'Borrowing costs' eliminates the choice in the applicable standard as regards the immediate expensing of borrowing costs that can be directly attributed to a qualifying asset. According to the revised version of IAS 23, these borrowing costs must be capitalized as part of acquisition or production costs.

IAS 32 – 'Financial instruments: presentation' (amended).
The amendment states that puttable financial instruments and instruments or parts of instruments that contain a contractual obligation to deliver a pro rata portion of the net asset value of the company to another party only in the event of liquidation qualify as equity provided that the financial instruments have specific features and meet specific criteria.

IFRIC 13 – 'Customer loyalty programs' (new).
IFRIC 13 clarifies that sales of goods or services in connection with a customer loyalty program are to be considered as multiple-element arrangements. The consideration received by the customer is to be allocated to the individual elements of the agreement on the basis of the fair value of the credits.

IFRIC 15 – 'Agreements for the construction of real estate' (new).
IFRIC 15 standardizes accounting practices across jurisdictions for the recognition of revenue among real estate developers from the sale of units, such as apartments or houses, 'off plan', i.e. before construction is complete.

IFRIC 16 – 'Hedges of a net investment in a foreign operation' (new).
IFRIC 16 covers accounting for hedges of net investments. IFRIC 16 now clarifies that only the risk of foreign exchange differences between the functional currency of the foreign operation and the functional currency of a parent company (but not the presentation currency in the consolidated statements) can be hedged. It is of no importance, therefore, at which level in the corporate chain the higher-level company is situated. The requirements of IAS 21 – 'The effects of changes in foreign exchange rates' are not applicable to hedging instruments.

IAS 39 'Financial instruments: recognition and measurement' / IFRIC 9 'Reassessment of embedded derivatives' (revised).
IAS 39 / IFRIC 15 allows entities, in accordance with the reclassification amendment, to reclassify particular financial instruments out of the 'fair value through profit or loss' category in special circumstances. These amendments to IFRIC 9 and IAS 39 clarify that, on reclassification from 'fair value through profit or loss', all embedded derivatives must be reassessed and, if necessary, separately accounted for in individual financial statements.

Various adjustments to the standards have been published as part of the annual improvement project. Since these have little or no influence on the financial statements, we have refrained from listing these changes in detail.

4 Management assumptions and estimates

The application of the measurement and accounting principles requires that circumstances and estimates be assessed and assumptions be made with respect to the carrying amount of assets and debts. The estimates and the underlying assumptions are based on past experience and on factors deemed to be relevant. The actual values may deviate from the estimates.

The following is a description of the main areas in which, as a result of the uncertainty surrounding estimates, there is a risk that a significant restatement of the reported assets and debts could be needed within the next business year.

Impairment of non-financial assets

Along with the regular periodic review of goodwill, the carrying amounts of fixed and intangible assets 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 value in use or the higher expected net sales price. If this is less than the current carrying amount, the value is impaired to the recalculated figure. This impairment is recognized in expenses in the income statement.

If the asset itself does not generate any independent cash flow, the impairment test for a cash-generating unit is to be performed. As a rule, the Group defines the cash-generating units on the basis of geographically cohesive markets, i.e. generally speaking an individual country. Important assumptions in these calculations include growth rates, margins, estimates and management's experience of the future development of net current assets, and discount rates. The actual cash flows may deviate significantly from the planned discounted future values. Likewise, the useful lives may be shortened or investment assets impaired in the event of a change in the use of buildings, machinery and facilities, change or abandonment of locations or lower than expected revenues over the medium term. The carrying amounts of the respective property, plant and equipment and intangible assets is shown in notes 16 and 17.

Employee pension schemes

Various employee pension plans and schemes exist for employees at the Group. In order to measure liabilities and costs, it is first of all necessary to determine whether a plan is a defined contribution or a defined benefit plan by applying the principle of substance over form. In the case of defined benefit plans, actuarial assumptions are made to estimate future developments. These include assumptions and estimates relating to the discount rate, the expected return on plan assets in individual countries, and future wage trends. In their actuarial calculations for determining employee benefit obligations, the actuaries also use statistical information such as mortality tables and staff turnover rates. If these parameters change owing to a change in the economic situation or market conditions, the subsequent results may deviate considerably from the actuarial reports and calculations. These deviations may have a significant medium-term effect on expenses and revenues from the employee pension schemes and on equity. The carrying amounts of the plan assets and liabilities carried in the balance sheet are set out in note 27.

Provisions

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

Income taxes

The measurement of current tax liabilities is subject to the interpretation of tax regulations in the relevant countries. The adequacy of this interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This may result in material changes to tax expense. Furthermore, determining whether tax losses carried forward can be capitalized requires a critical estimate of the probability that they can be offset against future profits. This assessment depends on a number of different factors and developments. An analysis of the income taxes is set out in note 14.

5 Standards approved but not yet applied

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

Standard / Interpretation		Date effective	Planned application
IAS 24 (revised) – 'Related party disclosures'	*	January 1, 2011	2011 business year
IAS 32 (revised) – 'Financial instruments: Presentation'	*	February 1, 2010	2011 business year
IFRS 2 (amended) – Share-based payment	*	January 1, 2010	2010 business year
IFRS 3 (revised) – Business combinations and derived supplements to IAS 27, Consolidated and separate financial statements under IFRS, IAS 28 Investments in associates and IAS 31 Interests in joint ventures	**	July 1, 2009	2010 business year
IFRS 5 (revised) – Non-current assets held for sale	*	January 1, 2010	2010 business year
IFRS 9 (new) – 'Financial instruments'	*	January 1, 2013	2013 business year
IFRIC 14 / IAS 19 (revised) – 'The limit on a defined benefit asset, minimum funding requirements and their interaction'	*	January 1, 2011	2011 business year
IFRIC 17 (added) – Distributions of non-cash assets to owners	*	July 1, 2009	2010 business year
IFRIC 18 (new) – Transfers of assets from customers	*	July 1, 2009	2010 business year
IFRIC 19 (new) – 'Extinguishing financial liabilities with equity instruments'	*	July 1, 2010	2011 business year

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

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

6 Segment reporting

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

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

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

Segment information on the reportable segments for the reporting period:

2009

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

Segment information on the reportable segments for the previous year:

2008

CHF m	Flooring Systems	Bonding Systems	Movement Systems	Corporate	Elimination	Total
Total net sales	893.6	677.8	371.2	-	– 23.9	1,918.7
Inter-segment sales	– 0.7	– 23.2	-	-	23.9	-
Net sales to third parties	892.9	654.6	371.2	-	-	1,918.7
Operating profit (EBIT)	111.6	– 5.7	24.6	– 13.4	-	117.1
Operating assets	779.1	403.6	290.1	43.4	-	1,516.2
Number of employees (December 31)	3,047	1,390	2,085	41	-	6,563

Management reporting and controlling are based on the same accounting principles as external reporting.

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

Sales between the divisions are effected at market prices. The reportable segments apply the same accounting principles as the Group. Sales to third parties, as they are reported to the Chief Executive Officer, are identical to the sales reported in the income statement.

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

CHF m	2009	2008
Operating profit (EBIT)	**121.8**	**117.1**
Net financial expense	– 20.4	– 95.7
Group profit before taxes	**101.4**	**21.4**

CHF m	31.12.2009	31.12.2008
Operating assets	**1,419.7**	**1,516.2**
Non-operating assets	325.7	321.6
Total assets	**1,745.4**	**1,837.8**

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

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

CHF m	2008 Third-party sales	31.12.2008 Operating assets
Switzerland (domicile)	44.6	107.7
France	234.8	195.5
Benelux	243.1	284.2
Germany	226.5	146.1
Great Britain / Ireland	117.0	239.1
Southern Europe	165.0	110.0
Scandinavia	156.6	59.0
Eastern Europe	108.3	52.1
Europe	**1,295.9**	**1,193.7**
North, Central and South America	**430.1**	**212.9**
Asia / Australia / Africa	**192.7**	**109.6**
Total net sales with third parties and operating assets	**1,918.7**	**1,516.2**

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

7 Development costs

Development costs, which mainly include product development, amounted to CHF 27.9 million (2008: CHF 29.9 million).

8 Administrative costs

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

9 Other operating expenses

'Other operating expenses' includes expenditure in connection with the integration of acquired companies, ongoing restructuring programs, legal costs, extraordinary maintenance costs, warranties, costs for consulting and auditing, and insurance costs.

10 Other operating profit

'Other operating profit' consists of, among other items, insurance payments received and proceeds from the sale of properties and of waste for recycling purposes.

11 Personnel expenses

CHF m	2009	2008
Salaries and wages	370.2	387.4
Social security contributions	94.6	94.2
Total personnel expenses	**464.8**	**481.6**

As at December 31, 2009, the Group had 5,958 employees (2008: 6,563). The average headcount over the year was 6,130 (2008: 6,092). Salaries and wages include share-based payments worth CHF 4.5 million (2008: CHF 5.1 million).

About 120 managers participate in a bonus plan, which is linked to the achievement of financial targets set for the Group, the divisions and individually determined objectives.

12 Financial income

CHF m	2009	2008
Income from sale of shareholder options / dividend income	2.1	3.4
Interest income[1)]	1.6	5.4
Gains on sale of available-for-sale financial assets	0.6	-
Gains on financial assets or liabilities at fair value through profit or loss	-	0.4
Total financial income	**4.3**	**9.2**

1) This consists in particular of interest accruing from cash and cash equivalents.

13 Financial expenses

CHF m	2009	2008
Impairment on available-for-sale financial assets	-	79.2
Loss on sale of available-for-sale financial assets	0.2	1.2
Interest expenditure from financial liabilities valued at amortized cost	25.6	23.5
Gains from derivative financial instruments used in hedging	– 1.9	– 2.8
Loss on financial assets or liabilities at fair value through profit or loss	0.3	-
Amortization of issuance costs for private placements / bonds	0.5	0.3
Currency translation losses, net	0.4	7.1
Currency translation gains from derivative financial instruments used in hedging	– 1.6	– 1.3
Currency translation losses / gains (–) on financial assets or liabilities at fair value through profit or loss	1.2	– 2.3
Total financial expenses	**24.7**	**104.9**

The average interest rate on interest-bearing debt (private placements, bonds, and long- and short-term bank loans) in 2009 was 3.6 % (2008: 4.5 %).

14 Income taxes

CHF m	2009	2008
Current income taxes	32.4	24.7
Deferred income taxes	– 7.1	– 19.3
Total income taxes	**25.3**	**5.4**

Analysis of tax expense

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

CHF m	2009	2008
Group profit before taxes	101.4	21.4
Tax expense at the expected tax rate	**– 23.6**	**– 2.2**
Tax effects of:		
Non-tax-deductible expenses and tax-exempt income	– 4.0	– 1.1
Recognition of tax-effective items not included in Group profit	-	22.8
Tax losses and temporary differences for which no deferred tax assets have been recognized	– 0.3	– 31.1
Write-off of deferred tax assets	– 11.5	-
Recognition / utilization of tax losses not capitalized in prior years	11.9	8.1
Prior-year and other positions	2.2	– 1.9
Total income taxes	**– 25.3**	**– 5.4**

Since the Group operates in various countries with different tax laws and rates, the expected and effective tax expense depends every year on the country-specific origin of the revenues or losses. The expected tax expense is the sum of the expected, individual tax income / tax expense of all foreign subsidiaries. The expected, individual tax income / tax expense in a single country results from the multiplication of the individual profit / loss by the tax rate applicable in the country concerned. The expected tax rate in the financial year 2009 was 23.3 % (2008: 10.5 %). In the previous year, the expected tax rate was lower than expected, mainly because of losses in some countries with a high tax rate. In 2009, these losses were considerably reduced, with the result that the expected tax rate increased accordingly.

Unused tax loss carry forwards capitalized or uncapitalized as deferred tax receivables, broken down by maturity:

2009

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

2008

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	2.7	-	2.7
2 years	1.7	-	1.7
3 years	118.0	-	118.0
4 years	0.4	-	0.4
5 years	0.5	-	0.5
More than 5 years	304.2	86.1	390.3
Total tax loss carry forwards	**427.6**	**86.1**	**513.7**

In 2009, CHF 1.5 million (2008: CHF 2.7 million) of unused operating tax loss carry forwards expired.

Deferred income tax assets and liabilities are offset when they relate to the same tax jurisdiction, 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:

CHF m	31.12.2009	31.12.2008
Deferred tax assets	20.5	28.8
Deferred tax liabilities	– 62.7	– 68.6
Deferred tax liabilities, net	**– 42.2**	**– 39.8**

Deferred tax assets and tax liabilities as well as tax credits and tax charges from deferred taxes:

Deferred tax assets CHF m	Inventories	Property, plant and equipment	Provisions	Loss carry forwards	Other	Total
As at December 31, 2008	**12.7**	**16.3**	**33.6**	**18.7**	**9.3**	**90.6**
Increase / decrease (–) deferred tax assets	– 2.5	– 4.0	5.3	– 8.4	1.6	– 8.0
As at December 31, 2009	**10.2**	**12.3**	**38.9**	**10.3**	**10.9**	**82.6**

Deferred tax liabilities CHF m	Inventories	Property, plant and equipment	Provisions	Loss carry forwards	Other	Total
As at December 31, 2008	**– 2.9**	**– 69.2**	**– 12.3**	**-**	**– 46.0**	**– 130.4**
Decrease / increase (–) deferred tax liabilities	0.4	7.9	– 0.6	– 0.4	– 1.7	5.6
As at December 31, 2009	**– 2.5**	**– 61.3**	**– 12.9**	**– 0.4**	**– 47.7**	**– 124.8**
Deferred tax assets / liabilities (–), net as at December 31, 2008	9.8	– 52.9	21.3	18.7	– 36.7	– 39.8
Deferred tax assets / liabilities (–), net as at December 31, 2009	7.7	– 49.0	26.0	9.9	– 36.8	– 42.2

Change in deferred tax assets / liabilities (–), net	**– 2.4**
Of which addition to group of consolidated companies	-
Of which recognized in equity	– 9.5
Of which recognized in the income statement	7.1

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

	2009			2008		
CHF m	Before tax	Tax expense (–) / income	After tax	Before tax	Tax expense (–) / income	After tax
Change in fair value:						
Financial instruments available-for-sale	26.7	– 5.5	21.2	-	-	-
Land and buildings	-	-	-	194.6	– 51.3	143.3
Release of provisions	– 1.3	1.3	-	5.1	– 1.3	3.8
Actuarial losses on pension obligations	– 3.6	– 4.2	– 7.8	– 61.4	14.7	– 46.6
Cash flow hedges	6.8	-	6.8	– 1.1	-	– 1.1
Net investment hedges	10.1	-	10.1	8.1	-	8.1
Translation differences	– 7.8	– 1.1	– 8.9	– 129.5	-	– 129.5
Other comprehensive income	**30.9**	**– 9.5**	**21.4**	**15.8**	**– 37.9**	**– 22.1**

15 Earnings per share

Undiluted earnings per share is 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 held.

Diluted earnings per share additionally takes into account the potential dilution effects which would result if all share options in the money were exercised.

	2009	2008
Group profit for the year (CHF m)	76.1	16.0
Weighted average number of outstanding shares	2,259,839	2,341,187
Undiluted earnings per share (CHF)	33.67	6.86
Adjustment amount of shares for stock option plans	578	4,597
Weighted average number of outstanding shares used to calculate the diluted profit / loss	2,260,417	2,345,784
Diluted earnings per share (CHF)	33.67	6.84

16 Property, plant and equipment

Cost or valuation

CHF m	Land and buildings	Machinery and equipment	Other property, plant and equipment	Assets under construction	Total property, plant and equipment
As at December 31, 2007	**507.8**	**981.7**	**168.3**	**25.8**	**1,683.6**
Net effects of the introduction of the revaluation model[1]	– 94.6	-	-	-	– 94.6
Additions	6.7	20.9	5.0	25.4	58.0
Disposals	– 4.6	– 10.8	– 6.7	-	– 22.1
Change in scope of consolidation	19.0	17.7	0.5	9.5	46.7
Transfers	5.7	20.9	0.1	– 34.3	– 7.6
Exchange differences	– 35.1	– 126.0	– 16.1	– 3.0	– 180.2
As at December 31, 2008	**404.9**	**904.4**	**151.1**	**23.4**	**1,483.8**
Additions	3.6	11.4	3.1	20.8	38.9
Disposals	– 23.3	– 5.3	– 4.3	-	– 32.9
Transfers[2]	0.9	6.8	12.5	– 20.6	– 0.4
Exchange differences	– 3.3	0.6	– 0.3	– 0.6	– 3.6
As at December 31, 2009	**382.8**	**917.9**	**162.1**	**23.0**	**1,485.8**

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, 2007	**284.3**	**825.2**	**150.4**	**-**	**1,259.9**
Net effects of the introduction of the revaluation model for land and buildings[1]	– 284.3	-	-	-	– 284.3
Depreciation	8.1	34.5	7.9	0.5	51.0
Impairments	-	21.2	-	-	21.2
Reversal of impairments	– 7.7	-	-	-	– 7.7
Disposals	-	– 10.5	– 6.3	-	– 16.8
Transfers	-	– 2.1	– 2.4	1.3	– 3.2
Translation differences	-	– 107.7	– 14.6	– 0.3	– 122.6
As at December 31, 2008	**0.4**	**760.6**	**135.0**	**1.5**	**897.5**
Depreciation	15.5	35.1	8.3	-	58.9
Disposals	– 10.7	– 4.9	– 4.0	-	– 19.6
Transfers[2]	-	– 6.8	6.3	-	– 0.5
Translation differences	– 2.2	0.1	1.7	-	– 0.4
As at December 31, 2009	**3.0**	**784.1**	**147.3**	**1.5**	**935.9**

Net carrying amount					
As at December 31, 2008	404.5	143.8	16.1	21.9	586.3
As at December 31, 2009	379.8	133.8	14.8	21.5	549.9

1) The item 'Net effects of the introduction of the revaluation model for property and buildings' includes all effects arising out of the revaluation. The item at cost is made up as follows: value increase of CHF 184.5 million less the accumulated depreciations and impairments as at January 1, 2008 of CHF 284.3 million and the accumulated depreciations for the first half of 2008 amounting to CHF 6.1 million plus the exchange rate effects in the first half of 2008 amounting to CHF 11.3 million.

2) The item 'Transfers' includes, among other items, the reclassification of IT equipment to 'Other tangible assets' as part of the integration of the companies acquired in the 2008 financial year.

Property and buildings were last valued by independent valuers on July 1, 2008. In the revaluation in 2008, the methods used were market value, capitalized value and cost-oriented valuation. In applying the capitalized value method, the fair value was ascertained by means of the discounted cash flow (DCF) method. In applying the cost-oriented valuation, the fair value was ascertained by means of the depreciated replacement cost method. The increase in net value was recognized in the revaluation reserve in equity, taking into account deferred taxes.

If land and buildings were carried at amortized costs / manufacturing costs, the figures would be as follows:

CHF m	2009	2008
Cost	468.1	471.1
Cumulative depreciations	– 260.2	– 253.0
Net carrying amount	**207.9**	**218.1**

Property, plant and equipment also include leased assets with a net carrying amount of CHF 0.3 million (2008: CHF 0.5 million).

The sum assured for buildings, machinery, equipment and inventories was CHF 2,178 million (2008: CHF 2,321 million).

Maintenance and repair costs amounted to CHF 29.9 million (2008: CHF 35.5 million). The depreciation expense of CHF 58.9 million (2008: CHF 57.1 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs' and 'Administrative costs'.

The Group reviewed the recoverable amount of its machinery and equipment in the second half of 2008. It was found that owing to the changed economic circumstances the actual recoverable free cash flows from the use of certain assets were significantly poorer than originally assumed. The review resulted in an impairment charge of CHF 21.2 million during the previous year, which was recognized in the income statement. These are assets used in the Bonding Systems division, more specifically in production plants in the United States (CHF 20.0 million) and Russia (CHF 1.2 million). The recoverable value of the assets involved was ascertained on the basis of their value in use. These impairment tests were conducted over a planning period of five years by means of discounted free cash flows expected in future. The discount rate used to determine the value in use was 9 % per annum.

The impairments and appreciations in value are carried in the income statement under 'Other operating expenses'.

17 Intangible assets

Cost

CHF m	Goodwill	Trade-marks / tech-nologies	Other intangible assets	Total
As at December 31, 2007	**137.6**	**54.7**	**15.4**	**207.7**
Additions	1.2	-	2.3	3.5
Disposals	-	-	– 1.8	– 1.8
Change in scope of consolidation	90.7	50.9	59.8	201.4
Transfers	– 0.1	– 0.1	7.8	7.6
Translation differences	– 19.4	– 11.4	– 14.4	– 45.2
As at December 31, 2008	**210.0**	**94.1**	**69.1**	**373.2**
Additions	-	-	1.0	1.0
Disposals	-	-	– 1.2	– 1.2
Transfers	-	– 30.4	30.8	0.4
Translation differences	– 0.8	0.4	4.3	3.9
As at December 31, 2009	**209.2**	**64.1**	**104.0**	**377.3**

Accumulated amortization and impairment

CHF m	Goodwill	Trade-marks / tech-nologies	Other intangible assets	Total
As at December 31, 2007	**10.9**	**33.0**	**11.9**	**55.8**
Amortization	-	-	2.3	2.3
Impairment	3.7	-	1.2	4.9
Disposals	-	-	– 1.8	– 1.8
Transfers	-	-	3.1	3.1
Translation differences	– 1.2	– 0.2	– 1.4	– 2.8
As at December 31, 2008	**13.4**	**32.8**	**15.3**	**61.5**
Amortization	-	-	7.9	7.9
Disposals	-	-	– 1.2	– 1.2
Transfers	-	-	0.5	0.5
Translation differences	– 1.1	– 0.2	0.8	– 0.5
As at December 31, 2009	**12.3**	**32.6**	**23.3**	**68.2**

Net carrying amount				
As at December 31, 2008	196.6	61.3	53.8	311.7
As at December 31, 2009	196.9	31.5	80.7	309.1

As part of the annual review of the amortization period, the useful life of the technologies linked to the acquisition of Bonar Floors was set at 30 years (previously indefinite). Accordingly, the acquired technologies totaling CHF 30.4 million were reclassified as at January 1, 2009 in the category 'Other intangible assets', which includes all intangible assets with a finite useful life.

Intangible assets with an indefinite useful life (goodwill and trademarks) are subject to an impairment test every year on the basis of the cash generating unit. The test is carried out using a standardized method with discounted cash flow to calculate the value in use. The cash flows for the first 5 years are estimated by management. Growth of 1 % is generally assumed for the subsequent years. The discount rate corresponds to the weighted cost of capital before taxes including an average risk charge, which is estimated by management and is between 8.5 % and 15 %.

The goodwill item as at December 31, 2009, mainly comprises goodwill from the Swift acquisition in 2002 and the goodwill acquired in connection with the acquisition of Bonar Floors in 2008 (see note 35). As at December 31, 2009, trademarks mainly refer to the trademarks linked to the acquisition of Swift and Bonar Floors.

The annual impairment test of goodwill from the Bonar Floors acquisition yielded a value in use that was significantly higher than the carrying amount. The discount rate applied was 8.5 %. The intangible asset items also underwent impairment testing by means of sensitivity analyses. The cash-generating unit underlying the goodwill impairment test is the Flooring Systems division. The cash-generating units underlying the impairment testing of trademarks are the companies which generate sales using these trademarks. The discount rate applied in the impairment tests for trademarks is 12.6 %.

The impairment test of goodwill and trademarks from the Swift acquisition in 2002 yielded a value in use that was higher than the carrying amount. The cash-generating units underlying the impairment test are the companies acquired by the Bonding Systems division. The discount rate applied in the impairment test is 8.5 %. The intangible assets also underwent impairment testing by means of sensitivity analyses. Even an increase in the discount rate and the use of a defensive business plan would not result in an impairment of goodwill.

18 Investments in associates and other non-current assets

CHF m	31.12.2009	31.12.2008
Other investments in associates	1.5	1.5
Other non-current assets	4.7	0.4
Total investments in associates and other non-current assets	**6.2**	**1.9**

19 Inventories

CHF m	31.12.2009	31.12.2008
Raw materials and supplies	62.5	87.8
Work in progress	66.6	79.2
Finished goods	162.1	161.7
Provisions for inventory	– 30.2	– 30.4
Total inventories	**261.0**	**298.3**

The provisions for inventories amount to CHF 30.2 million (2008: CHF 30.4 million). Provisions totaling CHF – 0.2 million (2008: CHF 1.6 million) were recognized in 'Cost of goods sold'.

20 Trade receivables

CHF m	31.12.2009	31.12.2008
Accounts receivable	223.2	248.9
Notes receivable	35.0	37.2
Allowance for doubtful trade receivables	– 21.1	– 20.3
Total trade receivables	**237.1**	**265.8**

Trade receivables after deduction of the allowance for doubtful trade receivables amounting to CHF 21.1 million (2008: CHF 20.3 million) came to CHF 237.1 million (2008: CHF 265.8 million).

As a rule, no default interest is charged for receivables past due. As regards the trade receivables for which no allowance has been made or which are past due, there is no indication, as of the reporting date, that the debtors will not meet their payment obligations. Allowances are made in the form of a specific allowance for losses. A specific allowance is required if the debtor is unable to pay, the debt has been past due for more than 90 days or the debtor has given notice of payment difficulties. Allowances take due account of default risks. In addition to the specific allowance, a portfolio allowance may be made. For this purpose, trade receivables for which an additional allowance may potentially be necessary are grouped together on the basis of similar risk characteristics and reviewed. Where appropriate, an allowance is made. The decision as to whether to make a portfolio allowance in addition to a specific allowance is determined by whether past loss experience supports a potential valuation allowance.

Trade receivables capitalized at the balance sheet date:

CHF m	31.12.2009	31.12.2008
Total trade receivables, gross	**258.2**	**286.1**
Of which not due	205.4	224.6
Of which past due for:		
Less than 30 days	26.7	31.8
Between 31 and 90 days	10.7	14.4
Between 91 and 180 days	4.9	6.6
Between 181 days and 1 year	8.1	5.8
Over 1 year	2.4	2.9
Allowance for doubtful trade receivables	– 21.1	– 20.3
Total trade receivables	**237.1**	**265.8**

As at December 31, 2009, CHF 36.3 million in trade receivables for which no allowance has been made, were past due; an allowance has been made and a reserve established for trade receivables totaling CHF 27.0 million.

Gross value of trade receivables by currencies:

CHF m	31.12.2009	31.12.2008
CHF	1.2	0.9
EUR	143.6	165.7
GBP	21.2	20.7
JPY	15.7	18.8
SEK	9.0	8.3
USD	34.1	30.6
Other	33.4	41.1
Total trade receivables, gross	**258.2**	**286.1**

Changes in allowances for doubtful trade receivables during the financial year:

CHF m	2009	2008
As at January 1	**–20.3**	**–18.5**
Additions	–5.5	–7.1
Release	1.1	3.8
Use	3.5	1.0
Change in scope of consolidation	-	–0.9
Translation differences	0.1	1.4
As at December 31	**–21.1**	**–20.3**

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

21 Marketable securities

'Marketable securities' mainly comprises registered shares of Rieter Holding AG, valued at the closing price on the SIX Swiss Exchange on the last day of trading in the 2009 business year.

22 Cash and cash equivalents

CHF m	31.12.2009	31.12.2008
Cash	0.2	0.3
Bank accounts	177.0	201.8
Short-term deposits with banks	21.0	13.5
Total cash and cash equivalents	**198.2**	**215.6**

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

23 Pledged or assigned assets

There are no significant pledged or assigned assets.

24 Share capital

After the CHF 3.90 reduction in par value from CHF 4.00 to CHF 0.10 per registered share, the share capital of Forbo Holding Ltd stood at CHF 271,315 as at December 31, 2009 (2008: CHF 10,852,608) and is divided into 2,713,152 registered shares with a par value of CHF 0.10 each. Of these, 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors. Consequently, 2,691,733 registered shares were eligible for dividends as at December 31, 2009.

Changes in shares in circulation:

	31.12.2009	Change	31.12.2008
	Number	Number	Number
Total shares outstanding	**2,713,152**	**-**	**2,713,152**
Treasury shares			
Shares with dividend rights:			
Treasury shares	211,988	– 35,864	247,852
Share buyback 2008	213,152	-	213,152
Shares with no dividend rights	21,419	-	21,419
Total treasury shares	**446,559**	**– 35,864**	**482,423**
Total shares in circulation	**2,266,593**	**35,864**	**2,230,729**

At the Ordinary General Meeting of Shareholders of Forbo Holding Ltd on April 24, 2009, the Board of Directors was authorized to sell or to use for acquisitions or for securing convertible or option rights the 213,152 shares that were the subject of the second trading line share buyback program adopted by the Ordinary General Meeting on April 25, 2008. In so far as these shares have not been sold or used for acquisitions or for securing convertible or option rights by the date of the Ordinary General Meeting in 2011, the Board of Directors shall propose to the 2011 Ordinary General Meeting that the share certificates be destroyed.

25 Stock Option Plan

Members of the Board of Directors (up to 2004) and members of the Executive Board were granted stock options under a Stock Option Plan (SOP). The stock options constitute both a recognition of past performance and an insentive to perform well in the future. The underlying share price and strike price used for the allocation of the stock options is determined by the closing price on the fifth trading day after payment of the dividend. The options issued usually have a term of five years and a vesting period of three years.

With effect from March 15, 2006, the Board of Directors approved the introduction of the Management Investment Plan (MIP). The SOP was discontinued after the introduction of the MIP. The Board of Directors does not participate in the MIP. Under the MIP, participants receive at least 50 % of the variable component of their compensation in the form of shares and options. The equity-settled part of the variable compensation is recognized at fair value and entered as a corresponding increase in equity. The shares are issued at the average market price for the first 14 trading days in January of the current year. The options are issued on the basis of a valuation by an independent bank. The valuation is based on the average market price of the shares in the first 14 trading days in January of the current year. Equities and options are subject to a three-year vesting period. The term of the options is 5 years. Shares and options issued within the framework of the MIP are equity-settled.

Options

The changes in the number of outstanding equity-settled options and their weighted average strike price are as follows:

	2009		2008	
	Weighted average strike price	Number of options	Weighted average strike price	Number of options
Options outstanding as at January 1	**499**	**24,206**	**383**	**19,212**
Granted	215	8,117	822	6,044
Forfeited	-	-	-	-
Exercised	220	– 1,500	235	– 1,050
Expired	-	-	-	-
Options outstanding as at December 31	**438**	**30,823**	**499**	**24,206**

Of the 30,823 outstanding options (2008: 24,206), 10,894 were exercisable as at December 31, 2009 (2008: 5,200). The exercise of 1,500 options (2008: 1,050) resulted in the issue of 2,500 Forbo Holding shares (2008: 1,050) at a weighted average strike price of CHF 220 (2008: CHF 235). The weighted average share price on the delivery date was CHF 254 (2008: CHF 466). The expense for equity-settled options charged to the income statement in application of IFRS 2 amounted to CHF 0.3 million (2008: CHF 0.6 million).

Information on the outstanding options as at December 31, 2009:

Series	Strike price (CHF)	Number of outstanding options	Average remaining term (years)	Number of exercisable options
2005	235	3,700	0.5	3,700
2006	370	7,194	1.3	7,194
2007	565	5,768	2.2	-
2008	822	6,044	3.3	-
2009	215	8,117	4.3	-
Total options outstanding as at December 31		**30,823**	**2.6**	**10,894**

In the year under review, a total of 8,117 equity-settled options (2008: 6,044) were granted under the MIP. The fair value of these options amounted to CHF 34.8 (2008: CHF 43.2). The options were valued in accordance with the Black-Scholes model using the following input factors: share price at issue date CHF 172 (2008: CHF 520), strike price CHF 215 (2008: CHF 822), volatility 35.8 % (2008: 27.4 %), expected remaining term of 4.1 years (2008: 4.1 years), dividend yield 2.3 % (2008: 1.5 %) and risk-free interest rate 1.8 % (2008: 2.8 %). The expected volatility is based on adjusted historical market data for a period comparable to the expected option term. The expected useful life applied in the calculation model has been adjusted using the best possible estimate to reflect the restrictions on exercise rights and potential behavior patterns.

Shares

The number of shares of Forbo Holding Ltd issued under the MIP in the year under review was 1,643 (2008: 1,283). The share price value date was CHF 169 (2008: CHF 520).

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

In the year under review, the amount charged to the income statement in application of IFRS 2 for shares issued to the Executive Board and Board of Directors came to CHF 4.2 million (2008: CHF 4.5 million).

26 Non-current financial debt

CHF m	31.12.2009	31.12.2008
Outstanding private placements / bonds	201.6	184.7
Unamortized issuance cost	– 1.4	– 0.5
Total outstanding private placements and bonds	**200.2**	**184.2**
Bank debt	349.0	458.8
Lease obligations	1.3	1.7
Less current portion	– 0.4	– 132.3
Total non-current financial debt	**550.1**	**512.4**

Maturities of non-current financial debt

CHF m	31.12.2009	31.12.2008
After 1 year	183.4	349.0
After 2 years	218.0	110.2
After 3 years	150.1	53.7
After 5 and more years	-	-
Unamortized costs	– 1.4	– 0.5
Total maturities of non-current financial debt	**550.1**	**512.4**

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

Derivatives transactions:

Financial derivatives	Number of contracts	Gross value hedged CHF m	Unrealized gain / loss CHF m
Derivative financial instruments as at December 31, 2008	15	132.0	– 42.2
Derivative financial instruments as at December 31, 2009	24	15.8	0.4

Financial derivatives are valued at fair value in accordance with IAS 39. The positive replacement value (total of all positive and negative fair values) as at December 31, 2009 was CHF 0.4 million (2008: CHF – 42.2 million).

The private placement and bond are measured at amortized cost using the effective interest method.

Outstanding private placements and bonds as at 31.12.2009

Company	Currency	m	Term	Interest rate
Private placement: Forbo NL Holding B.V. (guaranteed by Forbo Holding AG)	USD	50.0	2002 – 2012	6.290 %
Bond: Forbo Holding AG	CHF	150.0	2009 – 2013	4.125 %

Financial covenants

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

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

27 Employee benefit obligations

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

Pension costs for defined benefit plans:

CHF m	2009	2008
Current service cost, net	12.0	12.4
Interest costs	35.1	35.2
Expected return on plan assets	– 22.9	– 37.9
Curtailments and settlements	– 0.6	– 0.2
Actuarial net periodic pension costs	**23.6**	**9.5**

Changes in defined benefit obligations under the defined benefit plans:

CHF m	2009	2008
As at January 1	**575.1**	**734.9**
Current service cost, net	12.0	12.4
Employee contributions	4.9	4.8
Interest costs	35.1	35.2
Benefits paid	– 24.9	– 35.3
Actuarial gains / losses (–)	30.6	– 23.6
Inclusion of new pension plans	-	1.1
Curtailments and settlements	– 4.8	– 33.2
Translation differences	7.5	– 121.2
As at December 31	**635.5**	**575.1**

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

CHF m	2009	2008
As at January 1	**516.5**	**750.5**
Expected return on plan assets	22.9	37.9
Employer contributions	14.8	16.6
Employee contributions	4.9	4.8
Actuarial gains / losses (–)	27.0	– 96.9
Benefits paid	– 24.9	– 35.3
Curtailments and settlements	– 4.2	– 33.0
Translation differences	9.9	– 128.1
As at December 31	**566.9**	**516.5**

The actual investment return on plan assets came to CHF 49.9 million (2008: expense of CHF 59.1 million).

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

CHF m	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Present value of defined benefit obligation	635.5	575.1	734.9	807.2	789.6
Fair value of plan assets	– 566.9	– 516.5	– 750.5	– 761.4	– 688.5
Net liabilities / assets (–)	**68.6**	**58.6**	**– 15.6**	**45.8**	**101.1**
Net assets not recognized in the balance sheet	-	-	12.5	-	-
Net liabilities / assets (–) recognized in the balance sheet	**68.6**	**58.6**	**– 3.1**	**45.8**	**101.1**

Actuarial gains and losses and experience adjustments for past used for valuing the defined benefit plan assets and liabilities:

Experience adjustments CHF m	2009	2008	2007	2006	2005
Plan liabilities					
Actuarial gains	8.8	0.6	0.3	15.5	26.2
Percentage of plan liabilities	1.5 %	0 %	0 %	2.0 %	3.7 %
Plan assets					
Actuarial losses (–) / gains	27.0	– 96.9	– 26.6	6.6	55.3
Percentage of plan assets	5.2 %	– 12.9 %	– 3.5 %	1.0 %	9.3 %

Actuarial gains and losses are recognized in the balance sheet under 'Pension liabilities' and presented directly in shareholders' equity.

Most of the pension plans are financed in full or in part via outsourced funds. Pension liabilities amounting to CHF 38.7 million (2008: CHF 38.7 million) of a total of CHF 635.5 million (2008: CHF 575.1 million) are not financed via a fund.

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

CHF m	2009	2008
Net assets (–) / liabilities as at January 1	**58.6**	**– 3.1**
Total pension expenses included in personnel expenses	23.6	9.5
Employer contributions	– 14.8	– 16.6
Actuarial losses / gains (–)	3.6	61.4
Inclusion of new pension plans	-	1.1
Translation differences	– 2.4	6.3
Net liabilities as at December 31	**68.6**	**58.6**

Actuarial gains and losses of defined benefit plans are presented in shareholders' equity through other comprehensive income:

Cumulative recognized gains and losses CHF m	2009	2008
Actuarial losses (–) / gains as at January 1	**– 0.6**	**67.4**
Actuarial gains (–) in the current period	– 3.6	– 61.4
Translation differences	1.3	– 6.6
Total actuarial losses (–) as at December 31	**– 2.9**	**– 0.6**

The actuarial loss in 2009 is made up of gains of CHF 35.8 million (2008: CHF 93.6 million loss) due to experience adjustments, losses of CHF 39.4 million (2008: CHF 23.0 million gain) due to changes in assumptions and a nil gain (2008: CHF 12.0 million gain) from changes in the asset ceiling.

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

%	2009	2008
Discount rate	5.4	5.9
Expected return on plan assets	4.4	5.0
Future salary increases	3.0	3.0
Inflation	2.3	2.2

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

The weighted average distribution of the defined benefit plan assets by asset category as at December 31:

%	2009	2008
Shares	27.0	23.0
Bonds	71.0	76.0
Real estate	1.0	1.0
Cash and other investments	1.0	-
Total plan assets as at December 31	**100.0**	**100.0**

The estimate for expected contributions in the subsequent year is based on the current year amounts.

The cost of the contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 5.3 million in 2009 (2008: CHF 5.4 million).

28 Provisions

CHF m	Warranty provisions	Environ-mental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total 2009	Total 2008
As at January 1	**5.8**	**0.5**	**19.8**	**11.5**	**18.0**	**55.6**	**49.7**
Additions	1.5	-	5.5	9.0	16.9	32.9	21.0
Used during the year	– 2.8	-	– 0.5	– 1.1	– 2.3	– 6.7	– 6.5
Reversed during the year	– 2.4	– 0.6	– 7.2	– 0.1	– 0.1	– 10.4	– 9.9
Change in scope of consolidation	-	-	-	-	-	-	3.7
Translation differences	0.1	0.1	0.1	– 0.1	0.1	0.3	– 2.4
As at December 31	**2.2**	**-**	**17.7**	**19.2**	**32.6**	**71.7**	**55.6**
of which current provisions	1.5	-	0.2	15.9	15.3	32.9	18.6
of which non-current provisions	0.7	-	17.5	3.3	17.3	38.8	37.0

Warranty provisions are linked to product sales and are based on past experience. Experience shows that cash outflows are spread evenly over the warranty period of five to ten years. The provisions for legal claims relate mainly to product liability claims in which the Group is involved in the course of its normal business. The personnel provisions include the bonus programs, provisions for paid leave and severance payments in connection with the down-sizing programs. The category 'Other provisions' includes restructuring provisions and provisions for structural adjustments.

29 Trade payables

CHF m	31.12.2009	31.12.2008
Accounts payable	122.4	141.4
Notes payable	0.9	3.1
Total trade payables	**123.3**	**144.5**

30 Accrued expenses

CHF m	31.12.2009	31.12.2008
Accrued expenses for compensation and benefits to employees	57.2	65.8
Other accrued expenses	68.1	64.6
Total accrued expenses	**125.3**	**130.4**

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

31 Current financial debt

CHF m	31.12.2009	31.12.2008
Current bank loans and overdrafts	3.0	49.0
Current portion of non-current debt	0.4	132.3
Total current financial debt	**3.4**	**181.3**

For information on covenants, see note 26.

32 Contingent liabilities

CHF m	31.12.2009	31.12.2008
Contingent liabilities	0.6	0.5

'Contingent liabilities' refer to sureties and guarantees in favor of third parties.

33 Leasing

CHF m	2009	2008
Operating leasing liabilities:		
Up to 1 year	9.7	9.7
2 – 5 years	14.4	18.0
More than 5 years	3.3	4.1
Total operating leasing liabilities:	**27.4**	**31.8**

Expenses for operating lease and rentals charged to the 2009 income statement came to CHF 27.4 million in 2009 (2008: CHF 28.7 million). The Group has no significant operating leasing contracts.

The finance liability leasing stood at CHF 1.3 million at year-end (2008: CHF 1.7 million) and is included in 'Non-current financial debt'.

34 Additional information on financial instruments

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

31.12.2009

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

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

31.12.2008

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial assets available-for-sale
Assets				
Trade receivables and other receivables	-	297.9	-	-
Other financial assets	-	0.4	-	-
Cash and cash equivalents	215.6	-	-	-
Marketable securities	-	-	-	73.3
Financial derivatives	-	-	1.7	-
Total assets	**215.6**	**298.3**	**1.7**	**73.3**

CHF m	Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities			
Interest-bearing debt	693.2	-	-
Financial derivatives	-	35.1	8.8
Trade payables and other payables[1)]	168.6	-	-
Total liabilities	**861.8**	**35.1**	**8.8**

1) Excluding sales tax.

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

– Level 1: Quoted prices for identical assets and liabilities.
– Level 2: Input factors other than the quoted prices included in level 1 and which 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 (unobservable inputs).

31.12.2009

CHF m	Level 1	Level 2	Level 3	Total
Financial assets available-for-sale	100.2	-	-	100.2
Financial derivatives	-	0.5	-	0.5
Total assets	**100.2**	**0.5**	**-**	**100.7**
Financial derivatives	-	0.1	-	0.1
Total liabilities	**-**	**0.1**	**-**	**0.1**

35 Acquisition of subsidiaries

The Group did not acquire any subsidiaries in the year under review.

On July 11, 2008, the Group acquired Transtex Belting, the lightweight PVC conveyor belt operations of Fenner Dunlop (Charlotte) Inc. The acquired operations were integrated into Forbo Siegling LLC, Huntersville, USA, and are reported as part of the Movement Systems division.

On September 30, 2008, the Group acquired the Bonar Floors division of Low & Bonar PLC, a company listed on the London Stock Exchange. Bonar Floors is a leading European floorings manufacturer for the commercial market segment. By broadening the division's product portfolio, the acquisition has strengthened the position of Flooring Systems as a system provider of resilient floorcoverings for the commercial market.

The initial recognition of the acquisition of Bonar Floors was only provisionally determined at the end of the 2008 business year, the year in which the acquisition took place. When the purchase price allocation was definitively settled in the year under review, the fair value of the brands at the acquisition date was reduced by CHF 1.0 million within the 12-month period and goodwill was increased by CHF 1.0 million.

	Bonar Floors	Transtex Belting	Total
CHF m			
Total acquisition price, including transaction costs	**222.0**	**11.1**	**233.1**
Fair value of net assets acquired	– 131.3	– 9.9	– 141.2
Goodwill	**90.7**	**1.2**	**91.9**

The goodwill stems from the anticipated synergies which will be generated with the existing Flooring Systems and Movement Systems divisions. Bonar Floors products are distributed in the same markets as those in which Flooring Systems operates. The product portfolio of Bonar Floors is an ideal addition to the Forbo linoleum and vinyl flooring range. The acquisition of Bonar Floors significantly strengthened the market position of Flooring Systems as a provider of floor coverings for the commercial segment. The Transtex Belting prodcuts have enabled Movement Systems to expand its position in the US market.

The fair values of the identifiable assets and liabilities and the corresponding carrying amounts at the date of acquisition:

	Bonar Floors		Transtex Belting		Total
CHF m	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	
Property, plant and equipment	46.7	40.6	3.8	3.4	
Intangible assets	110.7	38.4	1.2	-	
Inventories	42.3	41.9	4.9	4.9	
Trade receivables	36.5	36.5	-	-	
Cash and cash equivalents	20.3	20.3	-	-	
Other assets	2.6	2.6	-	-	
Deferred tax liabilities	– 37.8	– 6.9	-	-	
Trade payables	– 25.8	– 25.8	-	-	
Provisions	– 3.7	– 3.7	-	-	
Other liabilities	– 60.5	– 60.5	-	-	
Fair value of net assets acquired	**131.3**	**83.4**	**9.9**	**8.3**	
Acquisition price settled in cash	– 219.3		– 10.5		– 229.8
Transaction costs	– 2.7		– 0.6		– 3.3
Cash and cash equivalents acquired	20.3		-		20.3
Cash outflow on acquisition, net	**– 201.7**		**– 11.1**		**– 212.8**

36 Related party transactions

Compensation paid to the Board of Directors and Executive Board:

	Executive Board		Members of the Board of Directors		Total	Total
CHF m	2009	2008	2009	2008	2009	2008
Remuneration	2.4	2.2	0.8	0.8	3.2	3.0
Employer contributions to the pension scheme	0.4	0.4	0.2	0.2	0.6	0.6
Other long-term benefits	-	-	-	-	-	-
Termination benefits	-	-	-	-	-	-
Share-based payments	0.5[1)]	2.0	3.9[2)]	2.8	4.4	4.8
Total payments	**3.3**	**4.6**	**4.9**	**3.8**	**8.2**	**8.4**

1) In addition to the estimated, performance-based variable remuneration within the framework of the MIP (see note 25) for 2009, amounting to CHF 2.0 million, this also includes the difference, amounting to CHF – 1.5 million, between the bonuses deferred at the end of 2008 (payable in equity instruments) and the value of the equity instruments actually issued in the year under review.
2) This sum of CHF 3.9 million, includes the share-based payment to the Board of Directors and to the Delegate of the Board of Directors and CEO, which is unchanged against the previous year, plus CHF 1.1 million from the new employment contract with the Delegate of the Board of Directors and CEO (2011 to 2013), which was recognized on a pro rata basis in the year under review in the accordance with IFRS 2.

The compensation paid to the Executive Board in 2009 consists of the gross basic salary, 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 performance-based variable remuneration under the MIP (see note 25) for 2009 amounting to CHF 2.0 million (payable in spring 2010) minus the difference, amounting to CHF – 1.5 million, between the bonuses deferred at the end of 2008 (payable in equity instruments) and the value of the equity instruments actually issued in the year under review.

The compensation paid to the Board of Directors amounts to CHF 0.3 million (2008: CHF 0.3 million) for the Delegate of the Board of Directors and CEO. This includes an annual figure of CHF 0.15 million (2008: CHF 0.15 million) to settle employee contributions to the pension fund and social security, and CHF 0.17 million (2008: CHF 0.17 million) for private use of the company car, employer contributions to the pension fund and to AHV / ALV (old-age and unemployment insurance) plus accident and daily sickness benefits insurance. Employer contributions to the pension fund are reported separately. The short-term compensation for non-executive Board members of Forbo Holding Ltd totaled CHF 0.5 million (2008: CHF 0.5 million).

With effect from January 2009, the employment contract of the Delegate of the Board of Directors and CEO was extended and now continues until end-April 2013. Compensation will again be paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are vested until December 31, 2013. The share-based compensation paid to the Board of Directors includes the annual portion of the Forbo shares allocated to the Delegate of the Board of Directors and CEO amounting to CHF 2.6 million (2008: CHF 2.6 million) plus – a new element in 2009 – the annual portion of the Forbo shares allocated to the Delegate of the Board of Directors and CEO amounting to CHF 1.1 million (2008: 0.0 million). Pursuant to the extension of the employment contract until the end of April 2013. In accordance with IFRS 2, the shares were recognized on a pro rata basis in the year under review.

Moreover, the share-based compensation paid to the Board of Directors includes the 1,135 Forbo shares allocated to the non-executive members of the Board of Directors in 2009 (2008: 599 shares) with a fair value value of CHF 0.2 million (2008: CHF 0.3 million).

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

In view of the shareholding taken in Rieter Holding AG and the fact that This E. Schneider, Delegate of the Board of Directors and CEO of Forbo Holding Ltd, was elected to the Board of Directors of Rieter Holding AG in May 2009, Rieter is regarded as a related party. Enia Carpet Group AG constitutes a related party because the Forbo Group holds 33 1 / 3 % of the equity.

In the period under review, the Forbo Group sold products worth CHF 0.6 million (2008: CHF 1.1 million) to the Rieter Group. In 2009, the Forbo Group bought products from Enia Carpet Group AG worth CHF 3.0 million (2008: CHF 3.8 million), while Enia Carpet Group bought products from the Forbo Group worth CHF 0.1 million. The goods were sold to and purchased from related parties at market conditions. As at December 31, 2009, Forbo had no significant receivables due from or liabilities to related parties.

37 Risk assessment and financial risk management

The tasks of the Board of Directors include identifying risks, determining suitable measures and implementing these measures or having them implemented. The Board of Directors of Forbo Holding Ltd conducted a Group-wide risk assessment in the year under review and also determined the risks to be managed by particular management levels. The Board of Directors is closely involved in the assessment of strategic risks and, through dialogue with the Executive Board, ensures that operational risks are given due attention and reported accordingly. This approach gives the Board a complete overview of the key risks and measures. With this overview, the Group is able to prioritize and allocate the necessary resources.

Financial risk management

In its financial operations, the Forbo Group uses derivative and non-derivative financial instruments in order 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 assessed and monitored centrally – with due regard to the Group's overall risk exposure. In line with the Group's financial risk management policy, Corporate Treasury constantly monitors both the risk exposure and the effectiveness of the hedging instruments and issues recommendations with regard to the 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. For the management of 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.

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

Management of currency risks

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. For the purpose of hedging transaction risks, the Group only uses foreign exchange forward and option contracts with maturities of less than 15 months.

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

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

2009

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

2008

CHF m	Change in exchange rate	Impact on profit before tax	Impact on shareholders' equity
EUR / CHF	5 %	0.5	-
	– 5 %	– 0.5	-
USD / CHF	5 %	0.6	-
	– 5 %	– 0.6	-
EUR / USD	5 %	0.5	0.8
	– 5 %	– 0.5	– 0.8
GBP / CHF	5 %	0.1	-
	– 5 %	– 0.1	-
GBP / EUR	5 %	– 0.3	-
	– 5 %	0.3	-

Management of interest rate risks

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

An average figure has been used for liquidity since the final amount is not relevant when calculating interest-rate sensitivity. The average was calculated by taking the arithmetic mean of the initial and final amounts.

2009 CHF m	Change in interest rate	Impact on profit before tax	Impact on shareholders' equity
EUR	50bp	– 0.2	-
	– 50bp	0.2	-
USD	50bp	0.1	-
	– 50bp	– 0.1	-
CHF	50bp	– 0.9	-
	– 50bp	0.9	-

2008 CHF m	Change in interest rate	Impact on profit before tax	Impact on shareholders' equity
EUR	50bp	1.1	0.1
	– 50bp	– 1.1	– 0.1
USD	50bp	-	– 0.6
	– 50bp	-	0.6
CHF	50bp	2.0	0.2
	– 50bp	– 2.0	– 0.2

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

Management of liquidity risks

Group companies need sufficient cash in order to meet their liabilities. The individual companies are responsible for managing their own cash surpluses and for raising funds to cover their liquidity needs, subject to Group guidelines. In certain cases, approval must be obtained from Corporate Treasury. The Group has sufficient liquidity reserves (as at December 31, 2009, CHF 198.2 million in cash and CHF 99.2 million in undrawn committed credit facilities) to meet its commitments at any time. At present, the Group regards a liquidity stock of about CHF 110 million as sufficient to meet its payment obligations at all times.

The maturity structure of the existing financial liabilities can be seen in the following table. They correspond to contractually agreed maturities and represent nominal payment outflows. Inflows and outflows of funds from derivative financial instruments are shown separately.

As at 31.12.2009

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

As at 31.12.2008

CHF m	Remaining term to maturity up to 1 year	Remaining term to maturity 1 – 2 years	Remaining term to maturity 2 – 5 years	Remaining term to maturity over 5 years
Liabilities to banks	57.0	349.4	110.1	-
Interest-free liabilities	168.6	-	-	-
Leasing contract liabilities	1.3	0.3	0.1	-
Liabilities from private placements and bonds	142.1	3.4	60.0	-
Cash outflow from financial derivatives	183.2	-	-	-
Cash inflow from financial derivatives	– 141.0	-	-	-

Management of credit risks

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

Capital management

For the Group, capital management means managing its consolidated equity position. This consists of paid-up share capital, treasury shares, reserves and translation differences; as at December 31, 2009, the position stood at CHF 679.6 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.

If economic conditions change, capital management may entail making adjustments to the Group's equity structure. These adjustments take the form of dividend distributions, capital repayments or increases, and share buybacks.

In connection with the US private placement and certain bank facilities, the Group has a covenant that defines the minimum amount of consolidated equity, which is CHF 535.5 million.

38 Events after the balance sheet date

There are no events to reportafter the balance sheet date.

Group companies
(As at December 31, 2009)

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

Group companies	Registered office		Currency	Share capital	Share-holding	Flooring Systems	Bonding 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 Adhesives Deutschland GmbH	Pirmasens		EUR	5,120,000	100 %		MS		
Paul Heinicke GmbH & Co. KG	Pirmasens	D	EUR	1,023,000	100 %				H
Realbelt GmbH	Lörrach		EUR	100,000	100 %			S	
Forbo Siegling GmbH	Hanover		EUR	10,230,000	100 %			MS	
Greece									
Forbo Adhesives Greece S.A.I.C	Kallithea (Athens)		EUR	927,656	100 %		MS		
Hong Kong									
Forbo Holding (Hong Kong) Ltd.	Hong Kong		HKD	1,000,000	100 %				H
Forbo Siegling Hong Kong Ltd.	Hong Kong		HKD	1,000,000	100 %			S	
Bonar Floors Ltd	Hong Kong		HKD	123,548,000	100 %	S			
Hungary									
Forbo Adhesives Hungary Kft.	Budapest		HUF	3,000,000	100 %		S		
Forbo Siegling Hungária Kft.	Budapest		HUF	30,000,000	100 %			S	
Ireland									
Forbo Ireland Ltd.	Dublin		EUR	127,000	100 %	S			
Forbo-Siegling (Ireland) Ltd.	Dublin		EUR	25,395	100 %			S	
Forbo Adhesives Ireland Ltd.	Dublin		EUR	2,520	100 %		S		
Italy									
Forbo Adhesives Italia S.p.A.	Pianezze (Vicenza)		EUR	416,000	100 %		MS		
Forbo Resilienti S.r.l.	Segrate (Milan)		EUR	60,000	100 %	S			
Forbo Siegling Italia S.p.A.	Paderno Dugnano (Milan)		EUR	104,000	100 %			S	
Japan									
Forbo Siegling Japan Ltd.	Tokyo		JPY	330,000,000	100 %			MS	
Jersey, C.I.									
Forbo Invest Ltd.	St. Helier	D	GBP	25,000	100 %				H
Malaysia									
Forbo Siegling SDN. BHD.	Johor Bahru		MYR	2,500,002	100 %			S	
Mexico									
Forbo Siegling, S.A. de C.V.	Tlalnepantla		MXN	24,676,404	100 %		S	MS	

S Sales
MS Manufacturing and Sales
H Holding / Services
N Not consolidated as at December 31, 2009
D Direct shareholding of Forbo Holding Ltd

Group companies	Registered office		Currency	Share capital	Share-holding	Flooring Systems	Bonding Systems	Movement Systems	Holding/ Services
Netherlands									
Forbo Eurocol B.V.	Zaanstad		EUR	454,000	100 %		MS		
Forbo Flooring B.V.	Krommenie		EUR	11,350,000	100 %	MS			
Forbo NL Holding B.V.	Krommenie		EUR	13,500,000	100 %				H
Forbo-Novilon B.V.	Coevorden		EUR	3,630,241	100 %	MS			
Forbo Adhesives Nederland B.V.	Genderen		EUR	27,600	100 %		MS		
Forbo Siegling Nederland B.V.	Rheden		EUR	113,445	100 %			S	
Forbo Stamoid B.V.	Genderen		EUR	227,000	100 %				H
Forbo Flooring Coral N.V.	Krommenie		EUR	9,700,000	100 %	MS			
New Zealand									
Forbo Siegling Ltd.	Auckland		NZD	650,000	100 %			S	
Norway									
Forbo Flooring AS	Asker	D	NOK	1,000,000	100 %	S			
People's Republic of China									
Forbo Siegling (Shenyang) Belting Co., Ltd.	Shenyang		USD	16,221,000	100 %			MS	
Forbo Shanghai Co., Ltd.	Shanghai		CHF	4,000,000	100 %	S		MS	
Forbo Adhesives (Guangzhou) Co., Ltd.	Guangzhou		USD	8,000,000	100 %		MS		
Forbo Adhesives (Shanghai) Co., Ltd.	Shanghai		USD	1,000,000	100 %		MS		
Poland									
Forbo Adhesives Poland Sp. z o.o.	Warsaw		PLN	50,000	100 %		S		
Portugal									
Forbo-Revestimentos, S.A.	Leça da Palmeira (Porto)		EUR	74,850	100 %	S			
Siegling (Portugal) Lda.	Gemunde (Porto)		EUR	500,000	100 %				H
Romania									
Forbo Adhesives Romania S.R.L.	Oradea		RON	7,077	100 %		S		
Forbo Siegling Romania S.R.L.	Bucarest		RON	38,000	100 %			S	
Russia									
ZAO 'Forbo Siegling'	St. Petersburg		RUB	400,000	100 %			S	
OOO 'Forbo Stroitech'	Stary Oskol		RUB	144,181,000	100 %		MS		
OOO 'Forbo Kaluga'	Moscow		RUB	158,313,780	100 %	MS			
OOO 'Forbo Flooring'	Moscow		RUB	500,000	100 %	S			
Slovakia									
Forbo Siegling s.r.o.	Malacky		EUR	6,639	100 %			MS	
Bonar Floors, s.r.o.	Bratislava		SKK	200,000	100 %	S			

Group companies	Registered office		Currency	Share capital	Share-holding	Flooring Systems	Bonding Systems	Movement Systems	Holding / Services
Spain									
Forbo Adhesives Spain, S.L.	Mos (Pontevedra)		EUR	6,015,006	100 %		MS		
Forbo Pavimentos, S.A.	Barcelona		EUR	60,101	100 %	S			
Forbo Siegling Iberica, S.A.	Montcada i Reixac (Barcelona)		EUR	1,532,550	100 %			S	
Sweden									
Forbo Flooring AB	Gothenburg	D	SEK	8,000,000	100 %	S			
Forbo Parquet AB	Tibro		SEK	20,000,000	100 %				H
Forbo Project Vinyl AB	Gothenburg	D	SEK	50,000,000	100 %	S			
Forbo Adhesives Sweden AB	Gothenburg		SEK	100,000	100 %				H
Forbo Siegling Svenska AB	Kållered (Gothenburg)		SEK	1,000,000	100 %			S	
Switzerland									
Enia Carpet Group AG	Ennenda	N	CHF	3,375,000	33 %				H
FJK Carpet D GmbH	Ennenda	N	CHF	20,000	25 %				H
Forbo Financial Services AG	Baar	D	CHF	100,000	100 %				H
Forbo Finanz AG	Baar	D	CHF	10,000,000	100 %				H
Forbo-Giubiasco SA	Giubiasco	D	CHF	10,000,000	100 %	MS			
Forbo International SA	Baar	D	CHF	100,000	100 %		MS	MS	H
Turkey									
Forbo Adhesives Ticaret Limited Sirketi	Istanbul		TRY	725,000	100 %		S		
United Kingdom									
Forbo-Nairn Ltd.	London		GBP	8,000,000	100 %				H
Forbo Adhesives UK Ltd.	Chatteris	D	GBP	100	100 %		MS		
Forbo UK Ltd.	London		GBP	49,500,000	100 %				H
Forbo Siegling (UK) Ltd.	Dunkinfield		GBP	50,774	100 %			S	
Forbo Flooring UK Ltd.	Kirkcaldy		GBP	4,000,000	100 %	MS			H
Bonar Tiles Holdings Ltd.	Derbyshire		GBP	1,000	100 %				H
Bonar Tiles Ltd.	Derbyshire		GBP	14,500,002	100 %				H
Westbond Ltd.	Derbyshire		GBP	400,000	100 %				H
USA									
Forbo Adhesives, LLC	Wilmington, DE		USD	5,000,100	100 %		MS		
Forbo America Inc.	Wilmington, DE	D	USD	19,957,259	100 %				H
Forbo America Services Inc.	Wilmington, DE		USD	50,000	100 %				H
Forbo Flooring, Inc.	Wilmington, DE		USD	3,517,000	100 %	S			
Forbo Siegling, LLC	Wilmington, DE		USD	15,455,000	100 %			MS	

S Sales
MS Manufacturing and Sales
H Holding / Services
N Not consolidated as at December 31, 2009
D Direct shareholding of Forbo Holding Ltd

Report of the statutory auditor

Report of the statutory auditor to the Ordinary 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 AG, which comprise the consolidated balance sheet, consolidated income statement, comprehensive income statement, consolidated shareholders' equity, consolidated cash flow statement, and notes (pages 58 to 117) for the year ended December 31, 2009.

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, Swiss Auditing Standards and 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 the 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, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Daniel Ketterer
Audit Expert
Auditor in Charge

Reto Tognina
Audit Expert

Zurich, March 10, 2010

Consolidated income statements 2005 – 2009

CHF m	2009	2008	2007	2006	2005
Net sales	**1,782.4**	**1,918.7**	**2,004.0**	**1,879.5**	**1,702.0**
Cost of goods sold	– 1,200.4	– 1,325.0	– 1,331.9	– 1,273.4	– 1,151.8
Gross profit	**582.0**	**593.7**	**672.1**	**606.1**	**550.2**
Development costs	– 27.9	– 29.9	– 31.6	– 31.3	– 32.4
Marketing and distribution costs	– 270.0	– 282.7	– 325.9	– 300.6	– 286.9
Administrative costs	– 128.3	– 137.9	– 137.7	– 131.9	– 143.5
Other operating expenses	– 46.4	– 50.0	– 33.9	– 50.7	– 74.3
Other operating income	12.4	23.9	19.4	18.0	10.8
Operating profit	**121.8**	**117.1**	**162.4**	**109.6**	**23.9**
Financial income	4.3	9.2	11.7	7.6	9.5
Financial expenses	– 24.7	– 104.9	– 19.3	– 21.0	– 28.3
Group profit before taxes	**101.4**	**21.4**	**154.8**	**96.2**	**5.1**
Income taxes	– 25.3	– 5.4	– 44.1	– 35.0	– 21.6
Group profit / loss (–) for the year	**76.1**	**16.0**	**110.7**	**61.2**	**– 16.5**

Consolidated balance sheets 2005 – 2009

Assets CHF m	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Non-current assets	**885.7**	**928.7**	**601.7**	**593.4**	**597.3**
Property, plant and equipment	549.9	586.3	423.7	421.5	422.4
Intangible assets	309.1	311.7	151.9	149.2	144.6
Deferred taxes	20.5	28.8	20.7	20.5	28.1
Employee benefit assets	-	-	3.1	-	-
Investments in associates and other non-current assets	6.2	1.9	2.3	2.2	2.2
Current assets	**859.7**	**909.1**	**803.5**	**905.2**	**993.7**
Inventories	261.0	298.3	286.3	266.7	257.0
Trade receivables	237.1	265.8	287.7	293.7	273.8
Other receivables	33.1	32.2	29.5	25.1	22.8
Accrued income and prepaid expenses	30.1	23.6	22.5	25.6	35.5
Marketable securities	100.2	73.6	-	-	-
Cash and cash equivalents	198.2	215.6	177.5	294.1	404.6
Total assets	**1,745.4**	**1,837.8**	**1,405.2**	**1,498.6**	**1,591.0**

Shareholders' equity and liabilities CHF m	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Shareholders' equity	**679.6**	**584.4**	**713.1**	**638.6**	**558.1**
Share capital	0.3	10.9	38.0	54.3	54.3
Treasury shares	– 0.1	– 2.0	– 4.0	– 3.5	– 1.6
Reserves and retained earnings	679.4	575.5	679.1	587.8	505.4
Non-current liabilities	**720.2**	**676.6**	**254.7**	**304.4**	**512.9**
Non-current financial debt	550.1	512.4	194.9	209.1	358.4
Employee benefit obligations	68.6	58.6	-	45.8	101.1
Non-current provisions	38.8	37.0	42.3	41.7	40.7
Deferred taxes	62.7	68.6	17.5	7.8	12.7
Current liabilities	**345.6**	**576.8**	**437.4**	**555.6**	**520.0**
Trade payables	123.3	144.5	138.1	131.5	131.8
Current provisions and accrued expenses	158.2	149.0	167.6	169.3	136.5
Current financial debt	3.4	181.3	24.2	128.3	155.5
Current tax liabilities	24.7	25.3	29.8	21.8	10.6
Other current liabilities	36.0	76.7	77.7	104.7	85.6
Total liabilities	**1,065.8**	**1,253.4**	**692.1**	**860.0**	**1,032.9**
Total shareholders' equity and liabilities	**1,745.4**	**1,837.8**	**1,405.2**	**1,498.6**	**1,591.0**

Financial Statements for Forbo Holding Ltd

Content

Income statement for Forbo Holding Ltd

Income		2009	2008
CHF	Note		
Financial income			
from investments in and advances to Group companies	1	42,699,290	87,631,320
from securities and short-term investments	2	56,292,117	221,952
Other income		9,801	1,596
Impairments		-	98,158,000
Total income		**99,001,208**	**186,012,868**

Expenses		2009	2008
CHF	Notes		
Administrative expenses	3	4,719,483	3,853,011
Financial expenses	4	14,463,396	170,598,603
Taxes		15,000	129,000
Total expenses		**19,197,879**	**174,580,614**
Net profit for the year		**79,803,329**	**11,432,254**

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

Assets		31.12.2009	31.12.2008
CHF	Note		
Non-current assets		**658,521,470**	**650,675,474**
Shareholdings in Group companies	5	458,036,053	442,361,270
Advances to Group companies	6	200,485,417	208,314,204
Current assets		**151,559,649**	**100,362,171**
Other receivables from Group companies		5,669,249	3,214,795
Other receivables from third parties		23,673	22,138
Accrued income and prepaid expenses		708,985	264,433
Marketable securities	7	130,574,960	82,921,410
Cash and cash equivalents	8	14,582,782	13,939,395
Total assets		**810,081,119**	**751,037,645**

Shareholders' equity and liabilities		31.12.2009	31.12.2008
CHF	Note		
Shareholders' equity		**483,396,397**	**412,665,657**
Share capital	9	271,315	10,852,608
Statutory reserve:			
General reserves		15,600,000	15,600,000
Reserve for treasury shares	11	192,318,836	211,295,583
Other reserves	12	130,843,086	110,357,635
Available earnings:			
Retained earnings		64,559,831	53,127,577
Net profit		79,803,329	11,432,254
Liabilities		**326,684,722**	**338,371,988**
Bonds	13	150,000,000	-
Non-current bank debt	14	130,350,000	181,300,000
Advances from Group companies		34,174,572	110,398,141
Current bank debt		-	45,000,000
Other liabilities to Group companies		8,693,222	663,234
Current liabilities to third parties		17,844	21,180
Accrued expenses		3,449,084	989,433
Total shareholders' equity and liabilities		**810,081,119**	**751,037,645**

Notes to the financial statements for Forbo Holding Ltd

1 Financial income from shareholdings in and advances to Group companies

Income from shareholdings in and advances to Group companies amounts to CHF 42.7 million (previous year CHF 87.6 million) and consists of interest, dividend income and exchange rate gains on foreign currency loans.

2 Financial income from securities and short-term investments

This item includes income from short-term investments of CHF 56.3 million (2008: CHF 0.2 million), income on securities transactions and interest from banks.

3 Administrative expenses

Administrative expenses increased against the previous year, up by CHF 0.9 million, and totaled CHF 4.7 million.

4 Financial expenses

This item relates mainly to losses on foreign exchange accounts, bond issue costs, interest expenses for current and non-current bank dept and advances to Group companies.

5 Investments in Group companies

As at December 31, 2009, Forbo Holding Ltd held the following direct investments:

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

6 Advances to Group companies

Advances to Group companies are denominated in Swiss francs and foreign currencies. The net decrease year-on-year was CHF 7.8 million.

7 Marketable securities

The item 'Marketable securities' relates to the treasury shares in Forbo Holding Ltd. This balance sheet item was valued at fair value at year-end.

8 Cash and cash equivalents

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

9 Share capital

At the end of 2009 the company's share capital was CHF 271,315.2, divided into 2,713,152 registered shares with a par value of CHF 0.10 each. In the year under review, the par value was reduced by CHF 3.90 per share from CHF 4.00 following a cash distribution. 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors. Consequently, 2,691,733 registered shares were eligible for dividends in the financial year 2009. The shares are listed on the SIX Swiss Exchange with the security number 354 151.

10 Conditional capital

The initial CHF 8,500,000 of conditional capital reserved for the exercise of shareholder options and warrants in connection with a bond issue was created by a resolution of the Ordinary General Meeting of Shareholders held on April 27, 1994. Following the exercise of options and warrants 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 as at December 31, 2009 was CHF 16,645 (2008: CHF 665,800).

11 Reserve for treasury shares

The CHF 192,318,836 entered at year-end under 'Reserve for treasury shares' relates to treasury stock held by Forbo Holding Ltd and its subsidiaries valued at cost. The treasury shares performed as follows over the period under review:

Treasury shares	Cost CHF	Number of registered shares
As at January 1, 2009	211,295,583	482,423
Additions	3,788,173	13,450
Disposals	– 21,010,485	– 49,314
Reduction in par value	– 1,754,435	-
As at December 31, 2009	192,318,836	446,559

12 Other reserves

Other reserves rose by CHF 20.5 million. This increase is due mainly to the transfer to the reserve for treasury shares.

13 Bond issues

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

14 Non-current bank debt

The non-current bank debt totaling CHF 130.4 million consists of bilateral committed credit lines with maturities of 2011 to 2012, on which interest is paid on money market terms (LIBOR plus margin).

15 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 272.1 million (2008: 410.5 million) at year-end, of which CHF 270.7 million (2008: CHF 374.3 million) was utilized. Most of this relates to a surety in connection with utilized bank facilities and guarantees to investors and banks in connection with funds raised by a Group company in the form of a US private placement (CHF 51.6 million).

16 Significant shareholders

From information made available to the Board of Directors, the following shareholders or groups of shareholders with restricted voting rights were major investors in the company pursuant to article 663c CO as at the reporting date:

	Number of shares	As percentage
Michael Pieper, Hergiswil, and Artemis Beteiligungen AG, Hergiswil	853,367	31.45
Forbo Holding AG, Baar, through its two subsidiaries Forbo International SA, Baar, and Forbo Finanz AG, Baar	446,559	16.46
This E. Schneider, Wilen b. Wollerau	173,467	6.39

17 Disclosure of compensation to the Board of Directors and Executive Board pursuant to article $663b^{bis}$ and article 663c CO

Compensation

For 2009[1]:

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

1) The amounts shown in the table are based on valuation models used and disclosed in the Group consolidated financial statements. For the valuation of shares and options this means that the grant date is authoritative. The compensation is booked to the appropriate period. The table therefore discloses all compensation that has been granted for the 2009 financial year, even if the date of the payment or the definitive legal acquisition is after December 31, 2009.

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

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

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

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

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

For 2008[1)]:

Name and function	Base compensation			Variable compensation	Other compensation	
	Cash	Shares		Cash, shares, options		Total
	CHF	Number	CHF	CHF	CHF	CHF
Dr. Albert Gnägi, Chairman	206,999	295	138,001	-	26,889	371,889
Michael Pieper, Vice Chairman	66,027	94	43,973	-	11,932	121,932
Dr. Peter Altorfer, member	71,817	103	48,183	-	12,650	132,650
Dr. Rudolf Huber, member	74,945	107	50,055	-	13,012	138,012
Non-executive members of the Board of Directors[2)]	**419,788**	**599**	**280,212**	**-**	**64,484**	**764,484**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	150,000	9,479	2,559,330	-	369,817	3,079,147
Board of Directors	**569,788**	**10,078**	**2,839,542**	**-**	**434,301**	**3,843,631**
Executive Board[5)]	1,930,000	-	-	2,005,500	666,274	4,601,774
Executive Board	**1,930,000**	**-**	**-**	**2,005,500**	**666,274**	**4,601,774**

1) The amounts shown in the table are based on valuation models used and disclosed in the Group consolidated financial statements. For the valuation of shares and options this means that the grant date is authoritative. The compensation is booked to the appropriate period. The table therefore discloses all compensation that has been granted for the 2008 financial year, even if the date of the payment or the definitive legal acquisition is after December 31, 2008.
2) The non-executive members of the Board of Directors receive a fixed fee, the amount of which is graduated according to whether the member is Chairman or a simple member of the Board and whether he is a member of the AFC or HRC. The cash compensation is shown as a gross amount before deduction of social insurance contributions. 40% of the compensation is paid to the directors in the form of shares in Forbo Holding Ltd. The shares are valued at fair value on the grant date. The total compensation to the non-executive members of the Board of Directors also includes a lump sum for expenses plus employer contributions to AHV / ALV (old-age and unemployment funds). These are reported in the column 'Other compensation'.
3) The compensation to the Delegate of the Board of Directors and CEO is disclosed separately and subsumed under total compensation to the Board of Directors. It is not possible to clearly allocate the total compensation to the two functions.
4) In fall 2005, it was agreed with the Delegate of the Board of Directors and CEO that part of his compensation for 2005 and for the following five years (from 2006 up to and including 2010) would be paid largely in shares. In lieu of salary payments, for the contractual period of employment until December 31, 2010, he was allocated 47,395 shares at market value on the date on which the agreement was sigend, i.e. CHF 270 each, for the entire five-year term of the agreement (2006 to 2010). The shares are valued at fair value on the grant date. These shares are vested until December 31, 2010 and freely available only as of January 1, 2011. Should he leave the company before this date, the shares must be returned to the company on a pro rata basis. In addition to the share package, the Delegate of the Board of Directors and CEO draws an annual sum of CHF 150,000, which is used for settlement of employee contributions to the pension fund and for social security payments. With the share package and the cash remuneration, all compensations such as bonuses, inflation, options, etc. are settled. The corresponding personnel expenses are charged to the income statement over the entire contractual period on a pro rata basis (see note 25 to the consolidated financial statements). The Delegate of the Board of Directors and CEO does not participate in the Management Investment Plan (MIP) or the share-based compensation program for the non-executive Board members. The total compensation for the Delegate of the Board of Directors and CEO for 2008 came to CHF 3,079,147. This total included private use of the company car, employer contributions to the pension fund and to the AHV / ALV (old-age and unemployment insurance), plus accident and daily sickness benefits insurance. These are shown in the column 'Other compensation'.
5) The total compensation paid to the members of the Executive Board (excluding the Delegate of the Board of Directors and CEO) was CHF 4,601,774 in 2008. It comprised a gross basic salary and a performance-related bonus, which is set in March of the subsequent year and is dependent on achieving individual and Group targets. The performance-related component is paid in accordance with the rules of the Management Investment Plan (MIP) (see note 25 to the consolidated financial Statements). The total compensation paid to the members of the Executive Board also includes private use of the company car and employer contributions to the pension fund and to the AHV / ALV (old-age and unemployment insurance) plus accident and daily sickness benefits insurance, which are shown separately in the column 'Other compensation'.

Advances and loans

As at December 31, 2009, no advances or loans to members of the Board of Directors or members of the Executive Board were outstanding.

Investments in Group companies

In 2009

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

Name and function

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

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

In 2008

As at December 31, 2008, 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:

Name and function	Shares	Options[1)5)]				
		Series 2008	Series 2007	Series 2006	Series 2005	Tradable options
		1:1[2)]	1:1[2)]	1:1[2)]	1:1[2)]	
Dr. Albert Gnägi, Chairman	18,416	-	-	-	-	-
Michael Pieper, Vice Chairman	853,178	-	-	-	-	-
Dr. Peter Altorfer, member	367	-	-	-	-	-
Dr. Rudolf Huber, member	2,062	-	-	-	-	-
Non-executive members of the Board of Directors	**874,023**	**-**	**-**	**-**	**-**	**-**
This E. Schneider, Delegate of the Board of Directors and CEO[3)]	142,197	-	-	-	2,100	
Board of Directors	**1,016,220**	**-**	**-**	**-**	**2,100**	**-**
This E. Schneider, Delegate of the Board of Directors and CEO[4)]	-	-	-	-	-	-
Matthias P. Huenerwadel, Executive VP Movement Systems	909	1,157	1,204	1,385	-	-
Tom Kaiser, Executive VP Flooring Systems	1,167	1,073	1,258	2,380	-	-
Daniel Keist, Head Corporate Center	436	783	-	-	-	-
Jörg Riboni, Chief Financial Officer	4,388	1,948	2,091	1,685	-	-
Michel Riva, Executive VP Bonding Systems	498	485	697	844	1,050	-
Executive Board	**7,398**	**5,446**	**5,250**	**6,294**	**1,050**	**-**

1) The details of the options are described in note 25 to the consolidated financial statements.
2) Subscription ratio.
3) The number of shares reported includes the 47,395 vested shares.
4) The compensation to the Delegate of the Board of Directors and CEO is disclosed separately and shown in the line Board of Directors.
5) Since participation in the MIP is not limited to members of the Executive Board, the number of outstanding options shown here as at December 31, 2008 differs from the figures in note 25 to the consolidated financial statements.

18 Risk assessment

With respect to the risk management process introduced at the beginning of 2008 persuant to article 663b, item 12 CO, which entered into force on January 1, 2008, please refer to the comments in note 37 to the consolidated financial statements, 'Risk assessment and financial risk management'.

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:

CHF	2009	2008
Net profit	79,803,329	11,432,254
Retained profit	64,559,831	53,127,577
Total profit available for distribution	**144,363,160**	**64,559,831**

be appropriated as follows:

CHF	2009	2008
Proposal by the Board of Directors:		
Dividend payment	16,150,398[1)]	0[2)]
To be carried forward to the following year	128,212,762	64,559,831
Total profit available for distribution	**144,363,160**	**64,559,831**

1) At the Ordinary General Meeting on April 23, 2010, the Board of Directors will propose the distribution of a dividend of CHF 6.00 per registered share.
2) In lieu of a dividend, the Ordinary General Meeting of April 24, 2009, approved a cash distribution in the form of a CHF 3.90 reduction in par value to CHF 0.10 per registered share.

Report of the statutory auditor

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

Report of the statutory auditor on the financial statements

As statutory auditors, we have audited the financial statements of Forbo Holding Ltd, which comprise the income statement, balance sheet, and notes (pages 123 to 131) for the year ended December 31, 2009.

Board of Directors' responsibility

The Board of Directors is responsible for preparing 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 as to 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 audit opinion about 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 the 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, 2009 are in accordance 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 also confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation and 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 10, 2010

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For sustainability and environmental awareness

For optimized production processes

For increased product benefits

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