connect.

Annual Report 2011

Top performance.
Uncharted territory.
Reliability.

Forbo –
in everyday life

flooring. bonding. movement.

forbo

Our floor coverings are so durable that everyone wants them in their team.
We, too, have the stamina and enthusiasm that keeps us working on new solutions to ensure we offer superior quality.

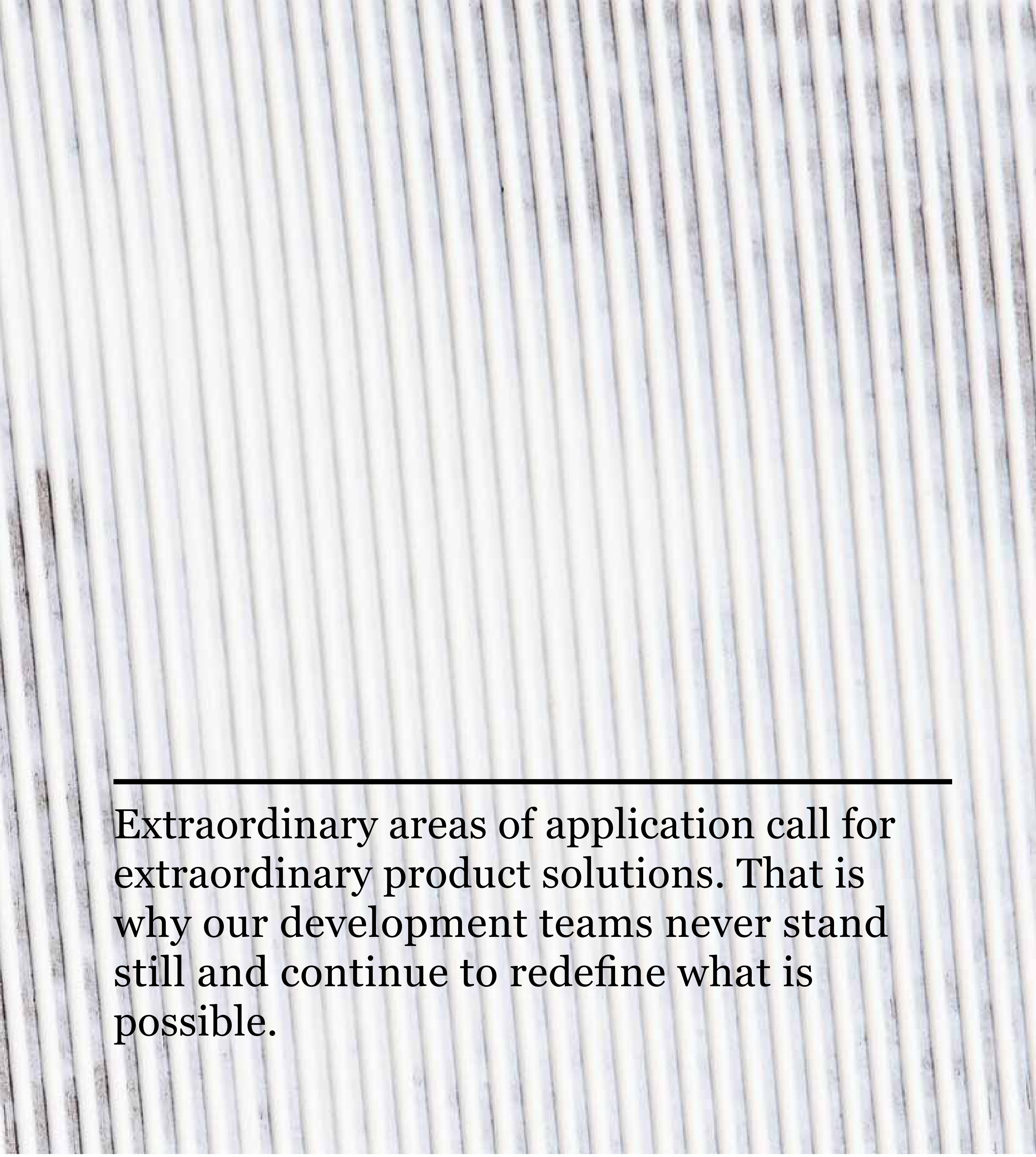
creating better environments

TOP PER-
FORMANCE

forbo
FLOORING SYSTEMS

UNCHARTED TERRITORY

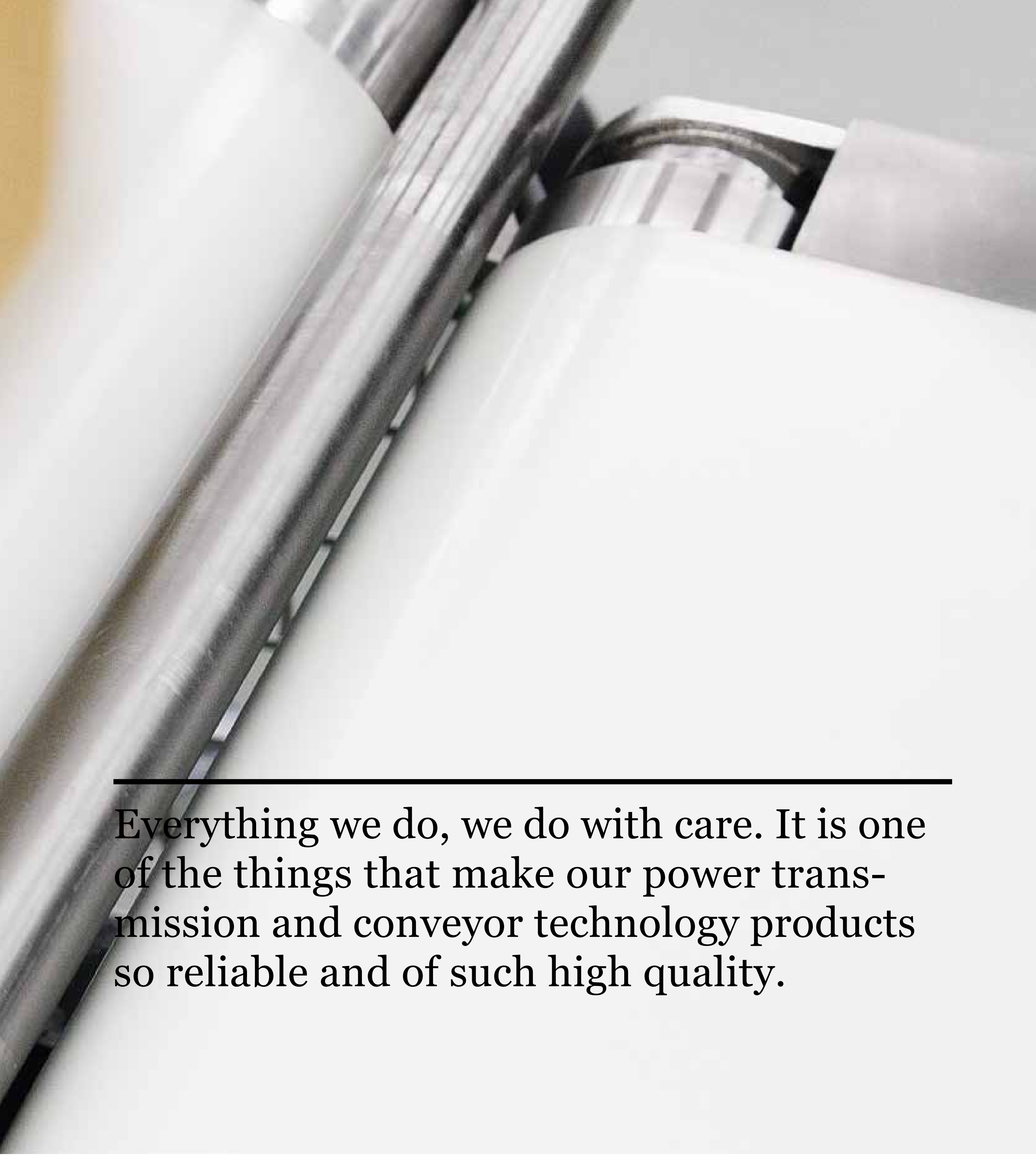
creating lasting connections



Extraordinary areas of application call for extraordinary product solutions. That is why our development teams never stand still and continue to redefine what is possible.

BONDING SYSTEMS

Siegling – total belting solutions



Everything we do, we do with care. It is one of the things that make our power transmission and conveyor technology products so reliable and of such high quality.

MOVEMENT SYSTEMS

Dr. Albert Gnägi
Chairman of the Board of Directors

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

‘2011 was a very eventful year for Forbo. We were proactive and flexible in our response to various market trends, we successfully drove forward operations in growth markets, and we focused our company on leading market positions.’

To our shareholders

Dear ladies and gentlemen,

Market conditions were challenging throughout the 2011 business year. After getting off to a promising start, the economy cooled off again slightly in the second half of the year. Government debt – and the resulting turbulence on the financial markets – left their mark on the real economy too. Against this background, Forbo also had to contend with the strong Swiss franc and a sharp rise in the prices of raw materials. Thanks to our flexible structures, we were able to respond to the various developments in the individual markets quickly and to offset a large part of the raw material price rises by means of stringent cost management. The long-term view underlying our decisions and measures paid off again in this business year. In 2011, we once more succeeded in substantially increasing our sales and net income from operations in local currencies thanks to our innovative products and our clearly strengthened position in growth markets.

Focus on leading market positions

Change in the Bonding Systems division
Forbo aims to operate in business areas in which it can achieve a leading global market position. This is currently the case for Flooring Systems and for Movement Systems. In recent years, Bonding Systems has successfully strengthened its position in growth markets by building-up new production sites, particularly in China and Russia. At the same time, it has launched innovative products to increase the share of specialty products in its offering and developed high-quality applications for key market segments. Our strategic considerations have led us to the conclusion that we can only achieve further competitive advantages and improve our margins in this highly fragmented market by harnessing economies of scale. Following discussions with a major competitor, who was willing to reward the efforts we have made in recent years to strengthen our presence in growth markets and to round off our product portfolio, we decided to divest the industrial adhesives and synthetic polymers activities.

In December 2011, Forbo signed an agreement with H.B. Fuller on the sale of these two activities, industrial adhesives and synthetic polymers, for a price of CHF 370 million. The transaction was successfully closed on March 5, 2012 on fulfillment of all conditions. The transaction did not include the building and construction adhesives activity, for which all strategic options are currently being reviewed.

The sale of industrial adhesives has resulted in the activities being reported in this report as both continuing operations and discontinued operations.

Solid sales growth

Strong Swiss franc impacts on consolidated sales growth
In the reporting year, Forbo generated net sales of CHF 1,707.2 million (continuing operations: CHF 1,203.8 million), a growth of 7.5% in local currencies versus 2010. The strong Swiss franc reduced net sales by 12.1%, resulting in an overall decline in sales of 4.6% in the corporate currency (previous year: CHF 1,789.7 million). Forbo generates about 70 percent of its sales in the euro and dollar zones. As a result of the strong Swiss franc, local sales declined by about CHF 216 million after translation into the corporate currency.

Bonding Systems and Movement Systems reported a gratifying rise in sales in local currencies, growing by 14.0% (CHF 584.9 million) and 7.7% (CHF 317.3 million). Flooring Systems generated mixed sales growth, with regional differences. The impact of cost-cutting efforts in the public sector in such important segments as hospitals and schools resulted in sales growth in local currencies that was a moderate 3.0% (CHF 805.0 million).

Profitability impacted by currency effects

Strong Swiss franc leads to lower operating profit
Owing to the strong Swiss franc, further rises in the prices of raw materials, and exceptional expenses from the disposal of the industrial adhesives activity, operating profit before depreciations and amortizations (EBITDA) declined by 14.7% to CHF 208.5 million (previous year: CHF 244.3 million).

The Group's operating profit (EBIT) decreased by 14.6% from CHF 185.9 million in 2010 to CHF 158.8 million. Factoring out the significantly negative exchange rate effect, Forbo generated operating profit approximately on the previous year's level.

The EBITDA margin declined from 13.7% in the prior-year period to 12.2%, while the EBIT margin declined from 10.4% to 9.3%.

Stable return on invested capital
The return on invested capital declined from 12.5% to 11.7% owing to negative exchange rate fluctuations. The return on invested capital of the continuing operations decreased only slightly from 15.6% to 15.2%.

Group profit steady in local currencies

Net income from operations impacted by exceptional items
Net income from operations declined by 5.3% to CHF 124.1 million (continuing operations: CHF 115.0 million), which was lower than the prior-year result of CHF 131.1 million. After adjustment for exchange rate effects, however, net income from operations increased.

Three factors were decisive for net income from operations. On the one hand, the strong Swiss franc and exceptional expenses from the disposal of the industrial adhesives activity had a negative impact; on the other hand, the tax rate of only 16.9%, which was significantly lower than the 24.0% rate the previous year, had a positive effect. The lower tax rate was in part connected with the disposal of the industrial adhesives activity; the rate will in the future be around 20% for the company's continuing operations.

In the reporting year, as in the previous year, Forbo posted an extraordinary financial gain of CHF 22.4 million after taxes (previous year: CHF 32.2 million) from the sale of Rieter shares. This comes out to Group profit for 2011 of CHF 146.5 million (continuing operations: CHF 137.4 million), which is 10.3% lower than the previous year (CHF 163.3 million). After adjustment for exchange rate effects, it is on a par with the previous year.

Balance sheet significantly strengthened

Increased net cash

As at end-December 2011, shareholders' equity stood at CHF 815.3 million (previous year: CHF 729.7 million), resulting in a steep increase in the equity ratio, which rose from 48.8% to 54.3%. As at December 31, 2011, Forbo had cash, cash equivalents and marketable securities amounting to CHF 205.3 million (continuing operations: CHF 192.5 million) plus 201,242 treasury shares valued at CHF 99.2 million at the year-end price. Net cash stood at CHF 13.4 million (continuing operations: CHF 0.5 million). The sale of the industrial adhesives activity for CHF 370 million will produce a significant cash inflow in 2012 in addition to the inflow of liquidity from operations.

Proposals to the Ordinary General Meeting

Dividend of CHF 12.00

The Group's dividend policy is governed by its development in profits. In view of the earnings situation, the Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend of CHF 12.00 per share for 2011, the same as in the previous year. This dividend will be paid out to shareholders again as a tax-free distribution from capital contribution reserves.

Re-elections to the Board of Directors

At the Ordinary General Meeting, the Board of Directors will propose the re-election of its members Dr. Reto Müller and Vincent Studer for a three-year term of office.

Stronger into 2012

Competitiveness and worldwide presence to be further strengthened

Flooring Systems, Movement Systems, and the building and construction adhesives activity are well positioned in their markets and offer promising business opportunities. Forbo will further strengthen its competitiveness and worldwide presence in 2012 by systematically expanding and targeting our activities in growth markets in order to drive forward expansion in these fast-growing regions. Despite the great uncertainties surrounding the markets, we expect sales to increase again in 2012.

With our excellent market positions, strong balance sheet, and proven strategy, we are able to evaluate external growth options that will strengthen our portfolio and enable us to reinforce our leadership positions in the markets.

Assuming no significant deterioration in the current economic environment, particularly with regard to exchange rates, and assuming that raw material prices remain more or less at present levels, we are aiming for Group profit for 2012 on a par with net income from operations (from continuing operations) in 2011, though, reduced by the higher tax rate.

Thank you

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

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

Baar, March 2012

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

Financial calendar

Ordinary General Meeting:	April 27, 2012
Publication of Half-Year Report 2012:	August 14, 2012
Publication of Annual Report 2012:	March 19, 2013

Annual report 2011

At a glance

2011 at a glance

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

The company employs some 6,000 people and has an international network of 41 sites with production and distribution as well as 47 pure sales organizations in a total of 36 countries worldwide. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

Following the sale on March 5, 2012 of the industrial adhesives activity, including synthetic polymers, which belonged to the Bonding Systems division, Forbo now employs about 4,900 people in its continuing operations and has an international network of 24 sites with production and distribution as well as 36 pure sales organizations in a total of 33 countries worldwide.

Forbo in figures

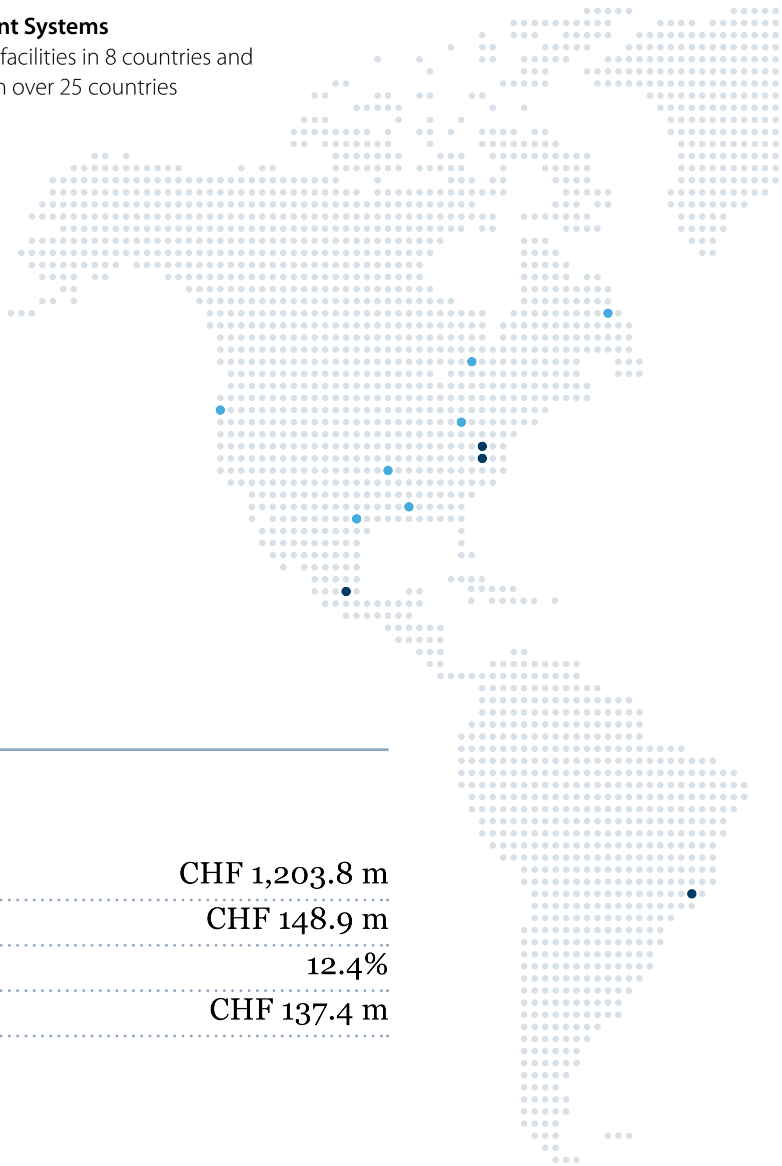
Forbo is a global player, and its three divisions supply a wide range of industries. The Group's global reach means that it is close to dynamic markets and makes it the first choice as a local partner for customers that have similar global ambitions. The quality, long life, and performance of our products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

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

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

Continuing operations:
3 production facilities in 3 countries and sales companies in these countries

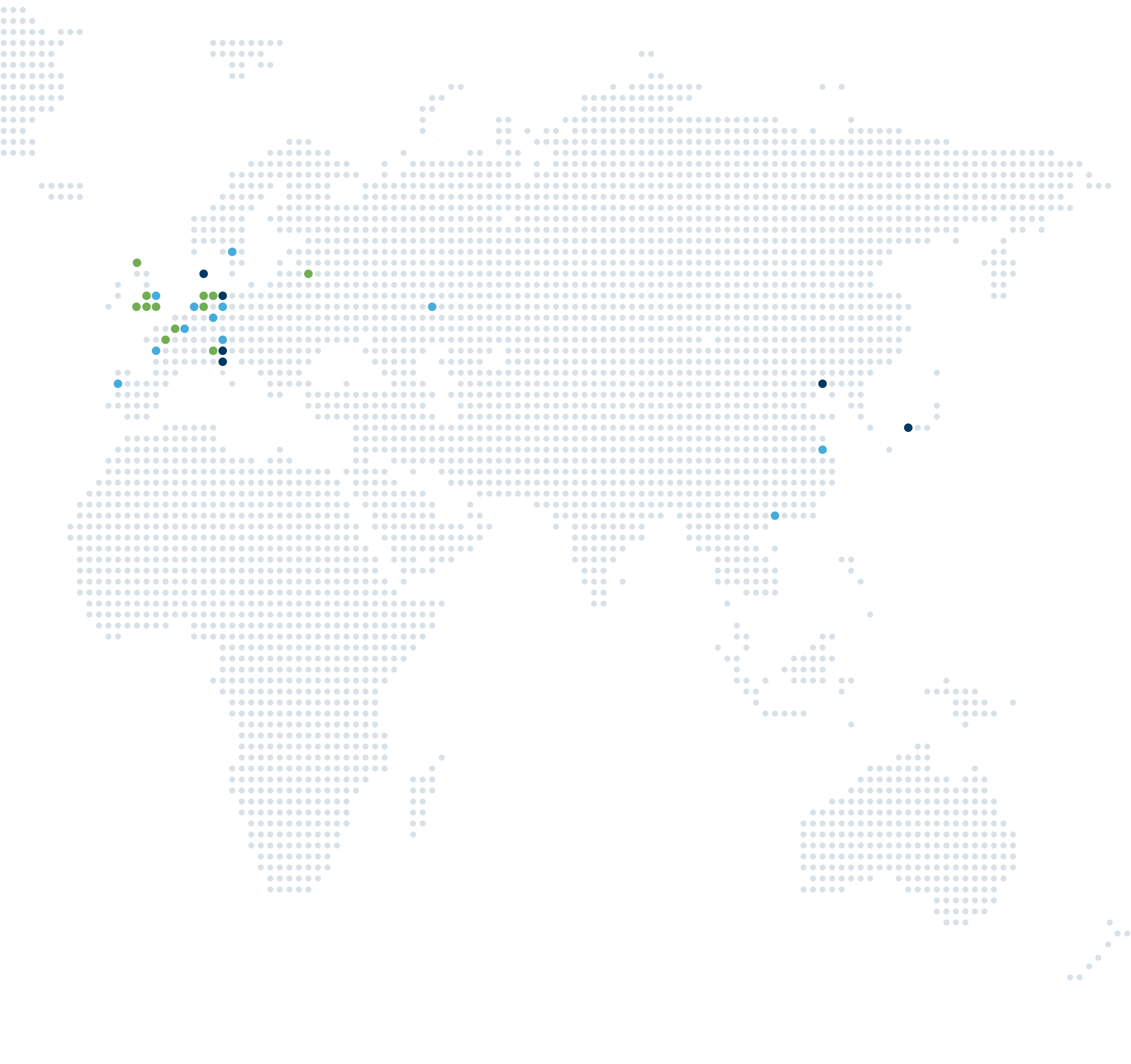
Movement Systems
9 production facilities in 8 countries and sales offices in over 25 countries



Continuing operations:

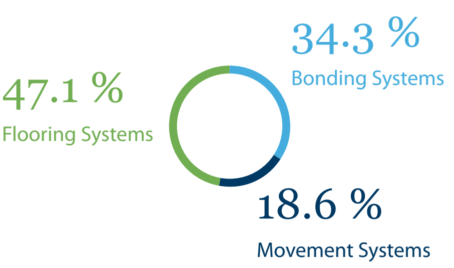
Net sales	CHF 1,203.8 m
EBIT	CHF 148.9 m
EBIT margin	12.4%
Group profit	CHF 137.4 m

Net sales	CHF 1,707.2 m
EBIT	CHF 158.8 m
EBIT margin	9.3%
Group profit	CHF 146.5 m



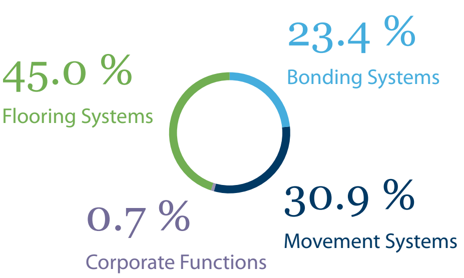
Net sales by division

	CHF m 2011	Change on previous year in %	Change on previous year in local currencies in %	In % of total
Flooring Systems	805.0	–7.9	3.0	47.1
Bonding Systems	584.9	0.0	14.0	34.3
Continuing operation	81.5	–5.5	6.1	4.8
Discontinued operations	503.4	1.0	15.4	29.5
Movement Systems	317.3	–4.2	7.7	18.6
Total	**1,707.2**	**–4.6**	**7.5**	**100.0**
Continuing operations	1,203.8	–6.8	4.4	70.5
Discontinued operations	503.4	1.0	15.4	29.5



Employees by division

	Number 2011	Change on previous year in %	In % of total
Flooring Systems	2,706	–1.7	45.0
Bonding Systems	1,406	1.6	23.4
Continuing operation	267	3.9	4.4
Discontinued operations	1,139	1.1	19.0
Movement Systems	1,861	4.5	30.9
Corporate Functions	41	0.0	0.7
Total	**6,014**	**1.2**	**100.0**
Continuing operations	4,875	1.2	81.0
Discontinued operations	1,139	1.1	19.0



Financial overview Group[1)]

	2011	2010	2011	2010
Income statement	CHF m	CHF m	EUR m[2)]	EUR m[2)]
Net sales	1,203.8	1,291.2	976.4	933.8
Flooring Systems	805.0	873.9	652.9	632.0
Bonding Systems	81.5	86.2	66.1	62.3
Movement Systems	317.3	331.1	257.4	239.4
EBITDA	189.0	217.1	153.3	157.0
EBIT	148.9	168.7	120.8	122.0
Group profit from continuing operations	137.4	149.2	111.4	107.9
Group profit from discontinued operations after taxes	9.1	14.1	7.4	10.2
Group profit	146.5	163.3	118.8	118.1
Balance sheet	CHF m	CHF m	EUR m[2)]	EUR m[2)]
Total assets	1,501.9	1,494.2	1,218.2	1,080.6
Operating assets	1,267.5	1,251.9	1,028.1	905.3
Shareholders' equity	815.3	729.7	661.3	527.7
Net cash	13.4	– 43.6	10.9	– 31.5
Cash flow statement	CHF m	CHF m	EUR m[2)]	EUR m[2)]
Cash flow from operating activities	141.5	188.0	114.8	136.0
Cash flow from investing activities	18.1	74.3	14.7	53.7
Free cash flow	159.6	262.3	129.5	189.7
Key ratios	%	%		
ROS (EBITDA/net sales)	12.2	13.7		
Equity ratio (shareholders' equity/total assets)	54.3	48.8		
Gearing (net debt/shareholders' equity)	– 1.6	6.0		
Employees (as at December 31)	Number	Number		
Employees in the continuing operations	4,875	4,816		
Employees in the discontinued operations	1,139	1,127		
Total employees	6,014	5,943		
Ratios per share	CHF	CHF	EUR[2)]	EUR[2)]
Earnings per share from continuing and discontinued operations (undiluted)	62.78	71.64	50.92	51.81
Earnings per share from continuing operations (undiluted)	58.88	65.45	47.76	47.33
Earnings per share from discontinued operations (undiluted)	3.9	6.19	3.16	4.48
Equity	349.4	320.0	283.4	231.4
Dividend	12.0[3)]	12.0[4)]	9.7	8.7
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[2)]	EUR m[2)]
Stock market capitalization[5)]	1,133.3	1,380.0	919.2	998.0

1) Forbo signed a contract with H.B. Fuller Company in December 2011 on the sale of its industrial adhesives activity, including synthetic polymers, belonging to the Bonding Systems division. The transaction was closed on March 5, 2012. As a result of this sale, the relevant financial figures are reported as both continuing operations and discontinued operations. In this table, all prior-year figures have been restated in relation to the consolidated income statement. The prior-year figures and the figures for the reporting year show only the values from continuing operations. In accordance with IFRS 5, the prior-year figures have not been restated in the balance sheet.

2) Euro values translated at the average annual exchange rate of CHF 1.2329/1 EUR (2011) and CHF 1.3828/1 EUR (2010).

3) The Board of Directors proposes to the Ordinary General Meeting of April 27, 2012 the distribution of a dividend in the amount of CHF 12.00 per registered share.

4) Approval of a dividend of CHF 12.00 per registered share at the Ordinary General Meeting of April 29, 2011.

5) Total number of shares in circulation, multiplied by year-end share price.

Solid development in operating profit

In an economically challenging environment, Forbo posted solid and sustainable results in the 2011 business year. Raw material supply bottlenecks, steep price rises for raw materials, and negative exchange rate effects put our flexibility to the test. The persistently strong Swiss franc took some of the shine off the solid sales growth in local currencies and the good results in the corporate currency. In local currencies, all three divisions reported gratifying sales growth; after adjustment for currency effects, Group net income from operations was higher for the year.

Net debt, which had been substantially cut the previous year, was turned into a net cash position at the end of the reporting year owing to a further reduction in borrowing. The balance sheet, too, was substantially strengthened on the whole. Forbo has thus again increased its competitiveness.

Change in the Bonding Systems division

Forbo signed a contract with H.B. Fuller Company in December 2011 on the sale of its industrial adhesives activity, including synthetic polymers, belonging to the Bonding Systems division. On fulfillment of all conditions, the transaction was successfully closed on March 5, 2012. The building and construction adhesives activity was excluded from this transaction. As a result of this sale, the relevant financial figures are reported as both continuing operations and discontinued operations. In the following charts in this report, all the prior-year figures have been restated in relation to the consolidated income statement. The prior-year figures and the figures for the reporting year show only the values from continuing operations. In accordance with IFRS 5, the prior-year figures have not been restated in the balance sheet.

Solid sales growth in local currencies

In the reporting year, Forbo generated net sales of CHF 1,707.2 million (continuing operations: CHF 1,203.8 million), which was 7.5% higher than in 2010 in local currency terms. The strong Swiss franc, however, significantly reduced top-line growth by 12.1% so that sales in the corporate currency were down by 4.6% (previous year: CHF 1,789.7 million).

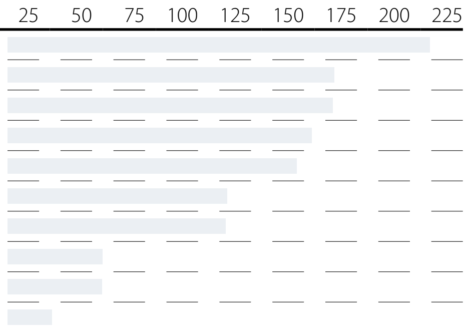
The Flooring Systems division generated net sales of CHF 805.0 million in 2011, equivalent to a moderate increase in local currencies of 3.0% versus the previous year. In Swiss francs, however, the outcome was a 7.9% drop in sales (previous year: CHF 873.9 million) owing to strongly negative exchange rate effects that reduced sales by 10.9%.

The Bonding Systems division generated net sales of CHF 584.9 million in 2011 (continuing operation: CHF 81.5 million); in local currencies, this marked a significant increase of 14.0% versus the previous year. Owing to negative exchange rate effects on almost the same scale, however, the result translated into a marginal sales increase of only CHF 0.2 million in the corporate currency (previous year: CHF 584.7 million).

The Movement Systems division generated net sales of CHF 317.3 million in 2011, equivalent to a substantial increase of 7.7% in local currencies versus the previous year. Owing to a strongly negative exchange rate effect of 11.9%, sales in Swiss francs declined by 4.2% (previous year: CHF 331.1 million).

Net sales by geographic area

		Change on previous year		
	%	in %	in local currencies in %	CHF m 2011
North, Central and South America	17.4	– 6.5	9.4	209.3
France	13.6	– 3.6	8.2	164.0
Asia/Australia/Africa	13.6	– 9.2	– 1.0	163.6
Benelux	12.8	– 10.9	– 0.1	153.7
Germany	12.2	– 8.3	2.9	146.5
Great Britain/Ireland	9.4	– 10.8	1.0	113.6
Scandinavia	9.4	– 1.5	6.2	112.9
Southern Europe	4.5	– 12.6	– 2.0	54.8
Eastern Europe	4.5	9.8	23.6	54.5
Switzerland	2.6	1.2	1.2	30.9
Total	**100.0**	**– 6.8**	**4.4**	**1,203.8**

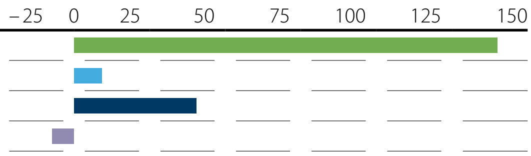


Profitability strongly impacted by exchange rate effects

Operating profit before depreciations and amortizations (EBITDA) in local currencies was almost unchanged from the previous year; mainly because of the strong Swiss franc, however, EBITDA declined by 14.7% to CHF 208.5 million (previous year: CHF 244.3 million). EBITDA from continuing operations came to CHF 189.0 million (previous year: CHF 217.1 million). The main reasons for this decline were the rise in raw material prices and bottlenecks in the supply of important raw materials as well as the strongly negative exchange rate effects. Flooring Systems and Bonding Systems were harder hit by these effects than Movement Systems. Through strict cost management, Flooring Systems was able to cushion the strong impact, but it was not able to pass on the higher costs in full to customers. Bonding Systems largely offset the increased costs by a number of measures designed to counteract sales price increases and by new formulations. However, various exceptional expenses related to the sale of the industrial adhesives and synthetic polymers activities had a negative impact. Movement Systems reported a significant increase in EBITDA on the back of a gratifying sales performance and an increase in margins. The EBITDA margin of the entire Forbo Group decreased by 1.5 percentage points versus the previous year from 13.7% to 12.2% (in the continuing operations this came to a decline of 1.1 percentage points from 16.8% to 15.7%).

EBITDA by division

	CHF m 2011	Change on previous year in %
Flooring Systems	142.8	– 13.2
Bonding Systems	10.6	– 55.8
Movement Systems	44.0	14.3
Corporate	– 8.4	16.0



Compared with the previous year, depreciations and amortizations fell by a total of CHF 8.7 million in 2011 to CHF 49.7 million (previous year: CHF 58.4 million). The lower depreciations and amortizations were also due in large measure to the exchange rate effects. Depreciations and amortizations of continuing operations amounted to CHF 40.1 million in 2011 (previous year: CHF 48.4 million). Accordingly, the Forbo Group's operating profit (EBIT) decreased by CHF 14.6% to CHF 158.8 million (previous year: CHF 185.9 million). The EBIT margin declined from 10.4% to 9.3%. EBIT from continuing operations came to CHF 148.9 million (previous year: CHF 168.7 million). In local currencies, this figure increased by 0.9%. The EBIT margin from continuing operations fell from 13.1% the previous year to 12.4% in the reporting year.

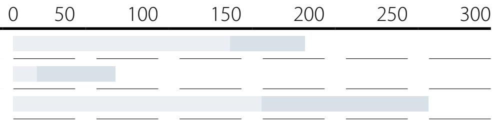
Taxes and financial result

The tax rate declined strongly from 24.0% in the previous year to 16.9% (continuing operations: 17.9%). This decline was due in part to the divestment of the industrial adhesives activity and had a correspondingly positive impact on Group profit. The tax rate for the continuing operations will in future be around 20%.

Net financial expenses declined by CHF 2.8 million to CHF 12.7 million in particular because of the decrease in interest-bearing liabilities. The Forbo Group realized substantial financial income amounting to CHF 30.2 million, mainly through the sale of marketable securities.

Free cash flow

	CHF m 2011	CHF m 2010
Cash flow from operating activities	141.5	188.0
Cash flow from investing activities	18.1	74.3
Free cash flow	159.6	262.3



Solid free cash flow

Cash flow from operating activities came to CHF 141.5 million in the year under review, while cash flow from investing activities was CHF 18.1 million. The decreases versus the previous year were due to exchange rate effects, the increase in operating working capital, and higher sales of marketable securities in the previous year. Free cash flow thus came to CHF 159.6 million (previous year: CHF 262.3 million). The cash flow enabled the company to repay substantial financial liabilities, and the Forbo Group is now debt-free in net terms.

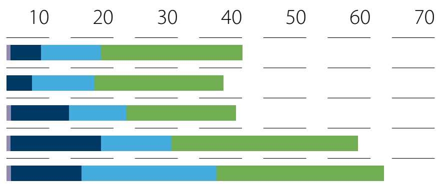
Balance sheet much stronger

Total assets as at December 31, 2011 stood at CHF 1,501.9 million (previous year: CHF 1,494.2 million). Net debt, which had been substantially cut the previous year, was turned into a net cash position of CHF 13.4 million at the end of the reporting year (previous year: net debt of CHF 43.6 million) owing to a further reduction in borrowing. Net cash from continuing operations comes to CHF 0.5 million. Shareholders' equity increased in the same period to CHF 815.3 million (previous year: 729.7 million), which brings the equity ratio to 54.3% (previous year: 48.8%).

Innovative and sustainable investments
The Forbo Group's investment activity was geared to the economic circumstances and concentrated on important operations and strategic projects designed to support market expansion, product technology, and efficiency gains. Accordingly, investments in property, plant, and equipment in 2011 came to CHF 39.7 million, an increase in investment volume compared with the previous year's figure of CHF 37.3 million. In the reporting period, Flooring Systems invested CHF 21.9 million, 9.5% more than the previous year (CHF 20.0 million). The division invested in the expansion of production facilities for the manufacture of high-quality vinyl designer floors and in the renewal of production facilities in order to increase efficiency. In the reporting period, Bonding Systems invested CHF 10.2 million, CHF 1.2 million less than the previous year (CHF 11.4 million). This sum was spent mainly on the expansion of production facilities in Russia, Germany, France, and China, on the development of new technologies, and on general measures to boost efficiency. At Movement Systems, investments came to CHF 7.3 million, which was around a quarter higher than the previous year (CHF 5.9 million). The sums invested were spent primarily on the strengthening and expansion of new markets and customer segments, the development of innovative products, and the expansion and renewal of production facilities.

Investments 2007 – 2011

	Flooring Systems CHF m	Bonding Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2011	22	10	7	1	40
2010	20	11	6	0	37
2009	17	9	12	1	39
2008	29	11	17	1	58
2007	26	21	14	1	62

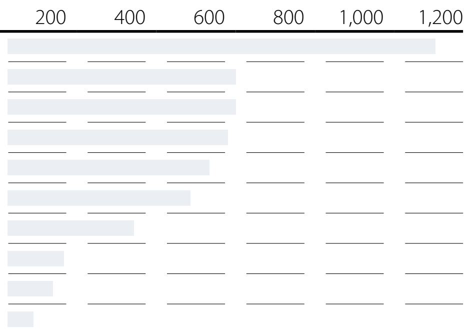


Headcount development
At year-end 2011, the Forbo Group had a headcount of 6,014 employees, which is, altogether, 71 employees more than in the previous year. Of this number, 1,139 people moved to H.B. Fuller with the sale of the industrial adhesives and synthetic polymers activities. Thus, 4,875 employees will remain on the payroll in the continuing operations.

The percentage decrease in headcount in Scandinavia and Great Britain resulted from structural adjustments in these markets. The increases in the other markets were due in the main to the expansion of the sales and distribution organizations.

Employees by geographic area

	%	Change on previous year in %	2011
Benelux	23.2	– 0.4	1,131
North, Central and South America	12.9	7.1	629
Great Britain/Ireland	12.9	– 5.3	629
Germany	12.5	6.1	609
Asia/Australia/Africa	11.5	3.3	562
France	9.4	0.2	460
Eastern Europe	7.6	6.3	372
Switzerland	4.0	– 1.5	196
Scandinavia	3.5	– 8.7	168
Southern Europe	2.5	0.0	119
Total	**100.0**	**1.2**	**4,875**



Sustainable value creation

Social responsibility and environmental protection are fundamental Forbo values. We are committed to protecting the environment and investing in a sustainable future. As a responsible manufacturer and employer, Forbo sets very high standards for health, safety, the environment, and quality. As a result, innovative ideas and research and development are part and parcel of the forces driving our business concept.

Social dimension
In the reporting year, Forbo successfully established and developed the internal management training program launched in 2010. In conjunction with the University of St. Gallen, other external partners and internal specialists, the practice-driven training program for senior managers, persons in key positions, and junior managers was fine-tuned and tailored to the various target groups in management, sales, marketing, and operations. The aim is to perfect their leadership and management skills so that they are equipped to meet the ever more demanding managerial challenges and make a direct contribution to the sustainable success of Forbo.

Ecological dimension
Preserving the environment and generating ecological added value are decisive factors in all Forbo's developments and investments. The three divisions permanently endeavor to optimize processes as well as to reduce, and where expedient, to recycle offcuts so as to decrease Forbo's environmental footprint. There were numerous such initiatives. Here are a few concrete examples:

Flooring Systems' range includes linoleum, a highly environmentally friendly product that is made from purely natural and renewable raw materials. However, the sparing use of environmental resources does not begin at the product stage, but follows naturally from ecological principles and processes. In the reporting period, Flooring Systems launched a strategic initiative to reduce its impact on global warming in the coming

years by 25 percent and started an ideas contest in order to directly involve its employees. From the approximately 1,700 ideas submitted, 600 realizable projects were defined to save energy and offcuts and to conserve resources. To date, the division has lowered its CO_2 emissions by 26 percent and has perfected many product specifications and formulations.

Bonding Systems has scored both an ecological and an economic success with its switchover of cleaning processes in the manufacture of reactive hotmelts. The reactors are now cleaned with high-pressure water instead of with high boiling solvents. Solar cells have been installed on the roof of a newly built warehouse for building and construction adhesives, and they already generate over 3 percent of the local power consumed annually.

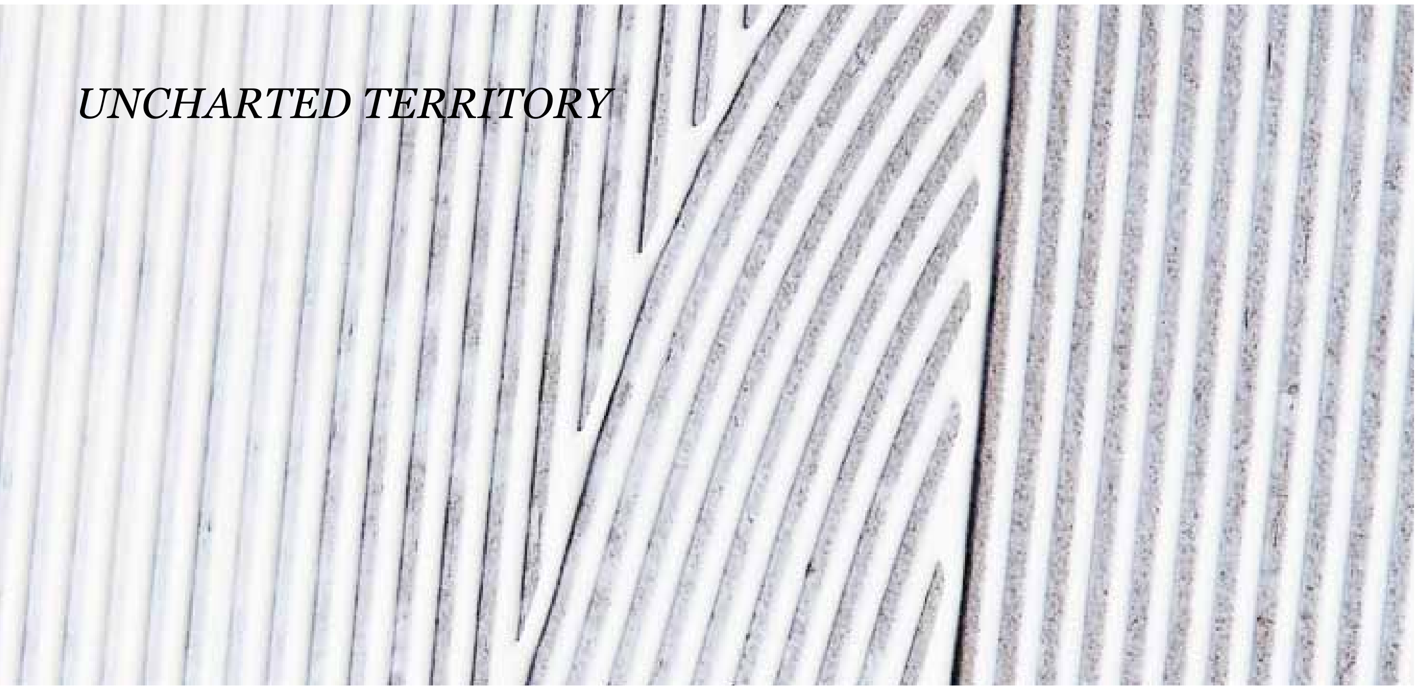
Movement Systems has developed a 'biobelt', a new generation of conveyor and processing belts that handles resources carefully and reduces CO_2 emissions. This is a technical innovation because it is the first time that engineers have succeeded in combining materials that meet the dynamic requirements of a conveyor belt and are made from renewable resources and/or are biodegradable. Moreover, the belts have been coated with a patented special coating so that the user saves up to 40 percent in energy costs; the belts can also be used flexibly for all customer segments. An international patent application was filed in November 2011, and the new product line will be launched worldwide in spring 2012.

Economic dimension

As a listed company, Forbo is concerned on a daily basis with the economic aspects of sustainability, too. Compliance is becoming increasingly important for the reputation and positioning of a company. Forbo reinforced its efforts in this area in the reporting year by training employees in the Code of Conduct, competition law, and anti-corruption principles and continued to strengthen its risk management processes.

Activity report


TOP PERFORMANCE


UNCHARTED TERRITORY


RELIABILITY

Three divisions – three areas of competence

Flooring Systems

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

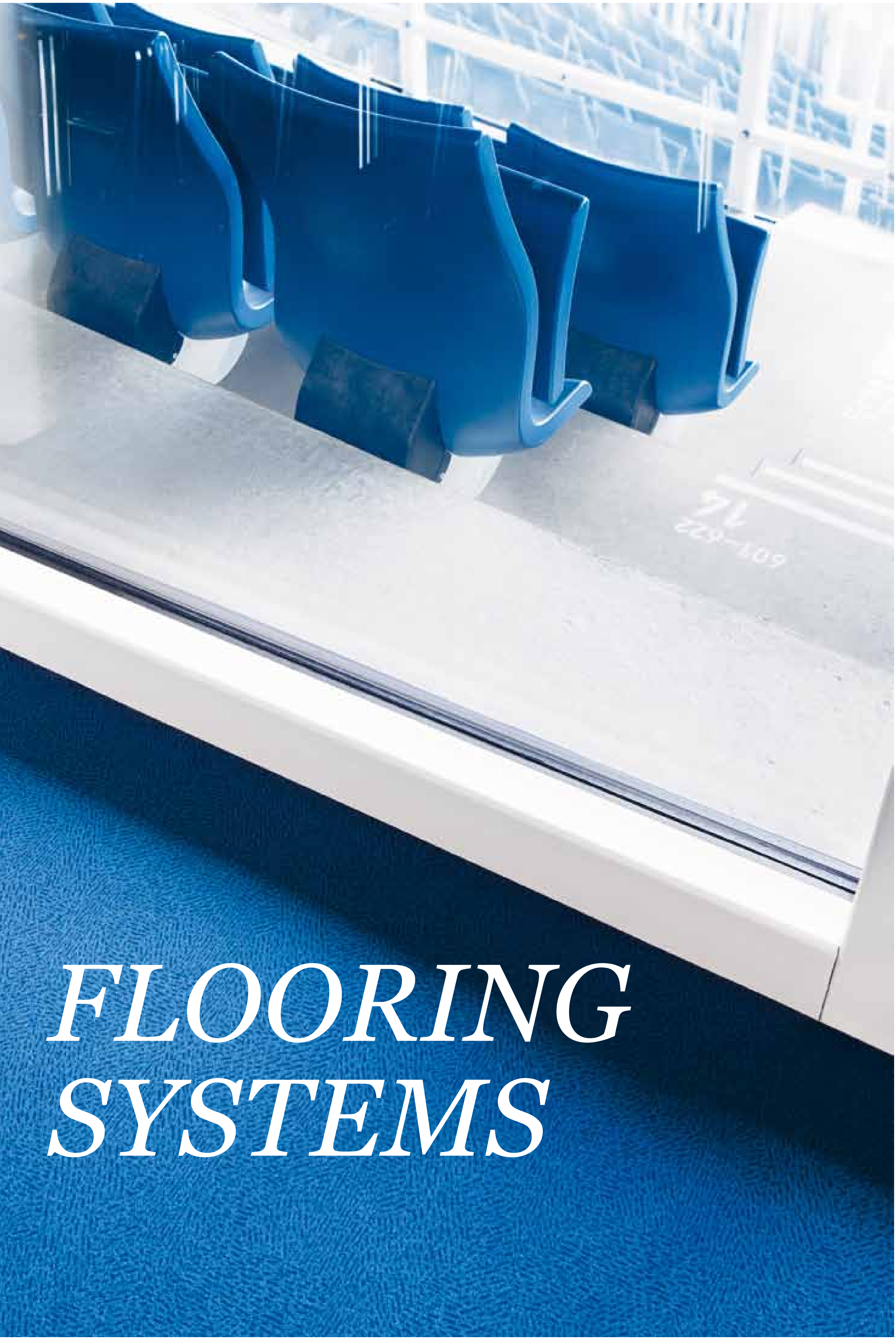
Bonding Systems

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

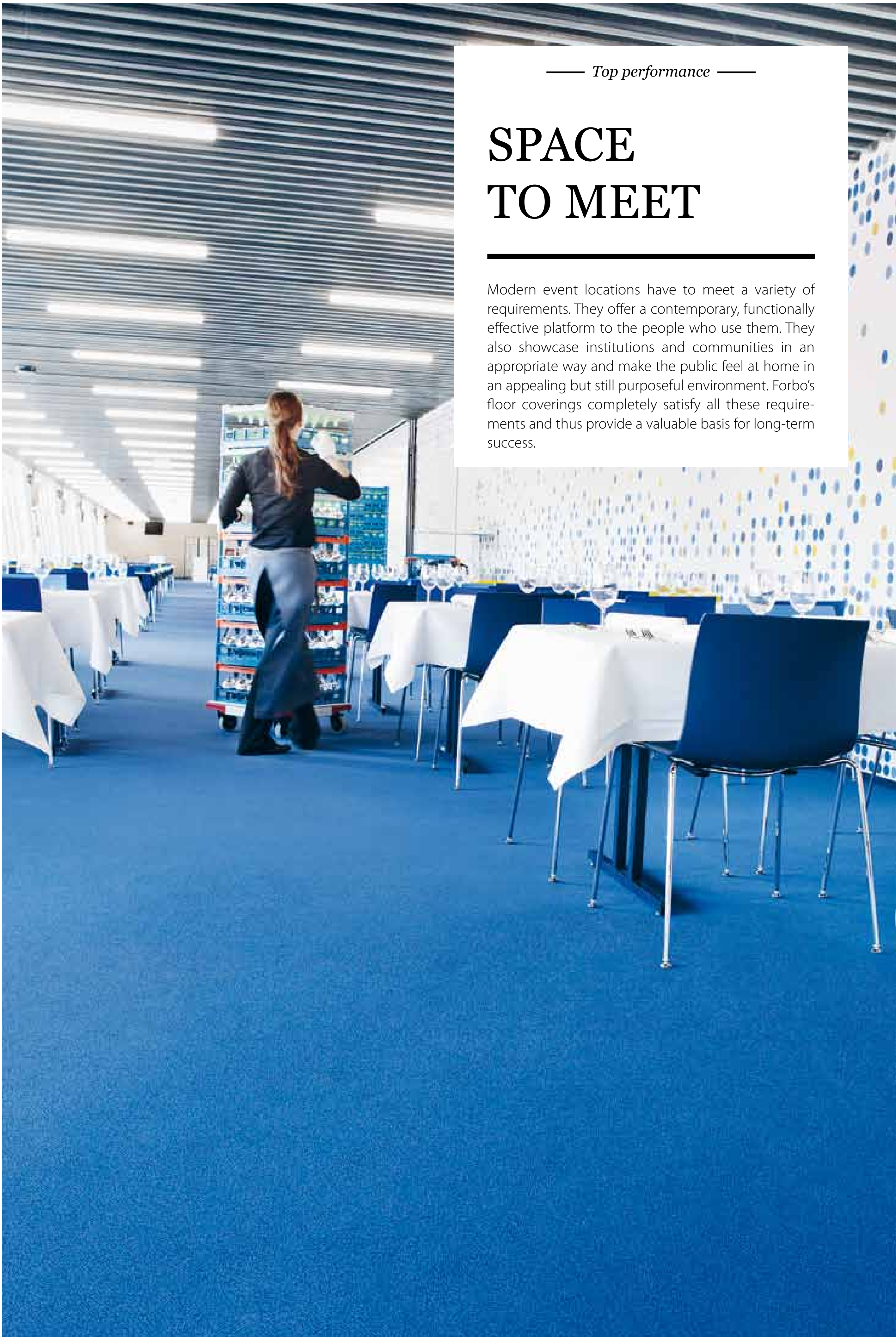
Following the sale of the industrial adhesives and synthetic polymers activities on March 5, 2012, only the building and construction adhesives activity will remain in the Bonding Systems division. All strategic options are being reviewed for this activity.

Movement Systems

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



FLOORING SYSTEMS



Top performance

SPACE TO MEET

Modern event locations have to meet a variety of requirements. They offer a contemporary, functionally effective platform to the people who use them. They also showcase institutions and communities in an appropriate way and make the public feel at home in an appealing but still purposeful environment. Forbo's floor coverings completely satisfy all these requirements and thus provide a valuable basis for long-term success.

Flooring Systems:

Stronger economic headwind

'The 2011 business year brought tougher-than-expected challenges; this was reflected in investment spending in our high-volume market segments – health and educational facilities – which remained modest owing to budgetary constraints and spending cuts in Europe. From our broad product portfolio we have developed an array of individualized marketing and sales activities that are having a positive impact, though less than expected. Despite strict cost management, operating income declined owing to strongly negative exchange rate effects and bigger-than-average rises in raw material prices. With the wide-ranging investments we have made in new product specifications, we are confident that we will be able to strengthen our market position as a leading systems supplier in the commercial market segment.'

Jens Schneider

Executive Vice President
Flooring Systems

The Flooring Systems division generated net sales of CHF 805.0 million in 2011, equivalent to top-line growth in local currencies of 3.0% year-on-year. In Swiss francs, however, the outcome was a 7.9% drop in sales (previous year: CHF 873.9 million) owing to strongly negative exchange rate effects that came to 10.9%. The division's share of Group sales was 47.1%. Sales trends were very mixed. North America and the BRIC growth markets reported higher-than-average growth rates. In Europe, demand was mixed, because the construction industry in some countries is still in the doldrums and many authorities have to contend with significant public sector debt. Operating profit (EBIT) declined by 12.7% to CHF 117.6 million (previous year: CHF 134.7 million), with the bulk of this decline caused by exchange rate effects and higher-than-average increases in raw material prices. Strict cost management offset some of the decline. The EBIT margin decreased slightly to 14.6% (previous year: 15.4%).

Sales trends were mixed

Demand in the year under review was very buoyant especially in the growth markets. The BRIC countries and North America posted above-average growth rates. In Asia, China reported the largest increase in net sales, while Eastern Europe and Russia also posted strong double-digit sales growth figures.

Business trends were very mixed in the main Western European markets. Scandinavia and France took advantage of the positive economic mood and turned in a good performance with both well-established and new collections. Germany, Great Britain and Switzerland, by contrast, reported rather modest growth. One important reason is no doubt the high level of public debt, which has led to cuts in investments in the public sector, affecting hospitals, educational institutions and public buildings. Economic instability, particularly in Southern Europe, was a factor behind the big drop in demand. In the Benelux countries, no clear upturn in demand is in sight owing to the weakness of the construction industry.

New designer floors a big success

The product portfolio, consisting of very large flooring collections featuring excellent combinability in different building applications, reported varying degrees of success. The Allura collection of high-quality vinyl designer floors, created in 2010 and launched in 2011, is currently the fastest-growing product category in the resilient flooring category. Available as either planks or tiles, they are very much in demand in retail stores and in the hotel and restaurant segments or other modern buildings and they generate above-average growth rates.

Since the environmentally friendly linoleum product group is widely used in the high-volume health and education market segments, where massive spending cuts have been made because of severe budgetary constraints, it generated a rather little growth on the whole even though demand in North America remained firm. The sales of entrance matting systems were also modest.

A number of other product groups reported buoyant growth: heterogeneous vinyl floorings for the commercial segment, Flotex – the washable textile floor covering that is as comfortable as a carpet and as easy to care for as resilient flooring – and high-end carpet tiles for office spaces.

Sales of flooring for the residential segment declined again slightly in 2011 in the wake of strategic portfolio adjustments.

Targeted investments in innovative and sustainable ideas

Once again in 2011, Flooring Systems invested in new manufacturing processes to expand its innovative range of designs and products so as to drive future growth. Working together with a printing specialist, the division developed a top-quality digital printing process that applies graphics, photographs, maps, logos and tailor-made designs to vinyl flooring up to four meters in width. This creates a whole array of new applications, for instance for product advertising in retail outlets. In France, a digital printing process has also advanced design for the Flotex product group a step forward: 16 different wood surface designs have been created for the new 'Flotex natural' collection. It is the perfect solution for high-intensity areas such as leisure centers, restaurants, retirement and nursing homes, or also public transportation.

All in all, many product specifications and formulations were refined in 2011 with a view to sustainability and life cycle analysis. Flooring Systems increased the share of recycling material in the manufacture of its vinyl floorings and Flotex tiles. A uniform surface finish was introduced for the entire vinyl range that simplifies care and cleaning of the floor coverings. The division also launched a new needle felt collection, which is an important element in the portfolio mix especially for the office segment in Germany and Switzerland.

Linoleum has become more attractive than ever as a natural floor covering. The new 'unexpected nature' collection launched in 2011 is based on this natural feel, drawing on nature's refreshing and varied color combinations to complement the popular gray and brown shades in the program. 2012 will see the launch of a new surface technology that has been developed and tested in recent years and that provides far better resistance to dirt, scratches, and wear and tear.

Focus on sales growth again in 2012

The division will focus on sales growth in 2012. Flooring Systems is assuming that investment in the public sector will be very muted. A wide range of targeted marketing and sales activities, based on the broad product portfolio and tailored to individual customer segments, will help generate additional growth. We see significant potential in the private commercial sector, for instance in retail stores, gastronomy, and the office segment.

Sales structures in the Benelux countries were reorganized in 2011, and this is expected to generate a positive impact in 2012. Flooring Systems also expects gratifying growth to continue in North America and the BRIC growth markets.

Trend toward color and nature

Making products and processes ever more sustainable and environmentally friendly is a priority for Flooring Systems whenever changes are made and new products developed. Forbo products combine attractive and innovative design with long-term durability and high quality. In the reporting year, Forbo continued to set the trend with new and innovative features.

Floor coverings enhance sense of well-being
In the 2011 financial year, Flooring Systems invested in new manufacturing processes and refined many product specifications and formulas, always with sustainability and their positive effect on life-cycle analysis in mind. As a systems provider, Forbo today offers an extensive range of resilient- and textile-based floor coverings for the commercial and private market segments.

In the commercial sphere, both architects and builders have very varied and sophisticated expectations where designs, colors, functionality and sustainability are concerned. They increasingly express a desire for products that promote a sense of well-being. More and more hospitals and care facilities are making themselves places that offer their patients, staff and visitors

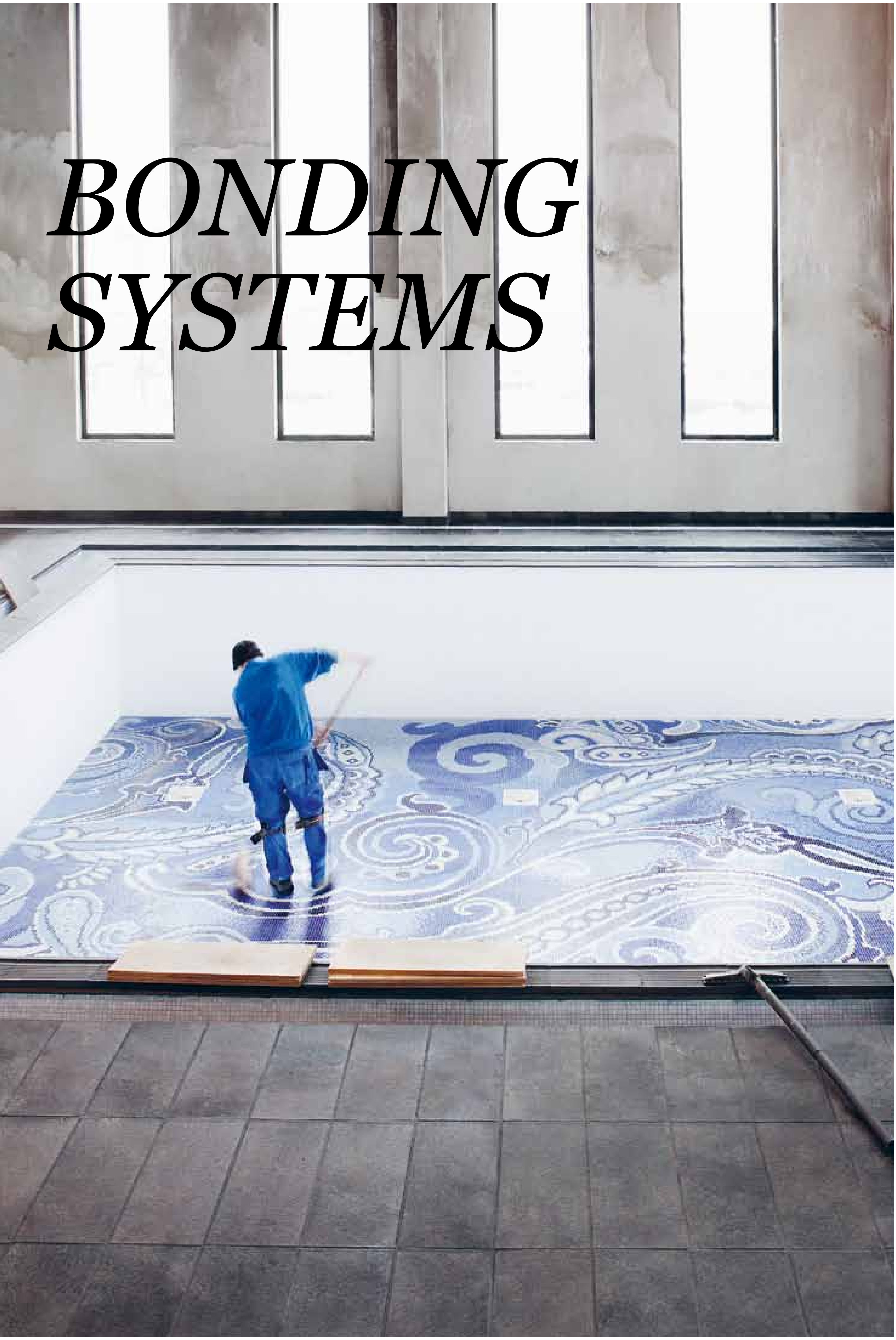
a pleasant atmosphere. That means that beige or gray linoleum and vinyl floor coverings are giving way to carefully chosen designs and color patterns. Areas within such facilities are also being given their own atmosphere and a style all of their own. Waiting rooms, cafeterias, and reception areas are being made to look welcoming. Their lighting, plants, furniture, and floor coverings are being designed with a view to creating a comfortable environment. That means that colorful designs and surfaces for floor coverings that can be combined in many different ways are more in demand than ever. The same trend is also clearly present in other market segments, such as education, office premises and shops.

‘DIVERSITY MAKES FOR UNIQUE ROOMS’

Colors and designs hand in hand with sustainability

In early 2011, Flooring Systems responded to this trend by rolling out a high-quality collection of luxury vinyl designer floors available in planks and tiles, including over 100 designs, seven print types and a wide range of colors, and making it possible to replicate wood, stone and metal very realistically. They are used very successfully by interior designers and planners in a wide variety of space concepts, especially in shops, hotels and the hospitality industry. The range of natural linoleum made from renewable raw materials has been added to by a colorful collection designed to bring the experience of nature into everyday life. Inspired by the extraordinary colors and their combinations to be found in nature, a range of colors and structures reflects a modern outlook and helps architects and designers create unique spaces in line with their customers' wishes.

BONDING SYSTEMS



— Uncharted territory —

WELLNESS STARTS WITH THE DETAIL

A swimming pool has to cope with vast quantities of water and thousands of visitors over a period of years – the structures and building materials are subjected to enormous static loads and the effects of damp and chemicals. Forbo products are designed with these specific requirements in mind and are so easy to handle that their strengths are obvious as soon as they are fitted.

Bonding Systems:
Strategic course confirmed

'We are systematically implementing our strategy, and this is confirmed by the further increase in our market share. Our focus on strategic market segments, our concentration on international customers, and the faster pace of expansion in the growth markets are driving sustainable success. The key to this growth with international major accounts in a wide range of customer segments is the innovative development of new applications and technologies in previous years and continuous global marketing. The division countered bottlenecks in the supply of important raw materials and steep raw material price increases by means of price increase measures and new formulations.'

Michel Riva
Executive Vice President
Bonding Systems

The Bonding Systems division generated net sales of CHF 584.9 million in 2011 (continuing operation: CHF 81.5 million); in local currencies, this marked a significant increase of 14.0% versus the previous year. Owing to negative exchange rate effects on the same scale, however, the result translated into a marginal increase in sales of only CHF 0.2 million in the corporate currency (previous year: CHF 584.7 million). The division's share of Group sales totaled 34.3%. All activities and all geographic regions helped drive this solid growth, particularly because all customer segments developed steadily and the growth measures introduced in recent years began to take effect. Two of the major features of the year under review were once again the limited availability of important raw materials worldwide and the significant rise in raw material prices. The division offset the price increase by a number of measures designed to counteract sales price increases and by new formulations. However, exchange rate effects and various special expenses in connection with the sale of the industrial adhesives and synthetic polymers activities had a negative impact on operating profit. Operating profit (EBIT) declined by 49,6% to CHF 19.0 million (previous year: CHF 37.7 million). The EBIT margin decreased from 6.4% in the previous year to 3.1% in the reporting year.

Gratifying growth in all business areas
Sales for industrial adhesives were mixed in regional terms. North America and Asia benefited from favorable market conditions and maintained the upswing started the previous year. Demand was also buoyant in Europe, with the exception of southern European countries, particularly Greece, Spain, and France. The customer segments transport, packaging, labeling, and the graphic industry posted higher-than-average growth rates, due mainly to targeted support and close relations with international key accounts and the launch of a number of new product groups.

Demand in the area of building and construction adhesives was stronger than in previous years against a background of generally improved economic conditions. The Benelux countries, which account for the lion's share of turnover, also performed well despite the ongoing weakness in the construction industry. Russia reported above-average growth owing to our successful entry in the private residential market and buoyant conditions in the construction sector. This uptrend was supported by the launch of innovative and sustainable product groups.

Building on the recovery in the previous year, synthetic polymers also performed strongly and reported solid growth. Entry into new market segments and a rise in demand for VAE polymers, caused by bottlenecks in the supply of alternative polymers, were the factors driving this trend.

Creating innovative and eco-friendly applications
In the reporting year, a number of new applications were developed in close cooperation with our customers. These applications are superior in terms of their environmental footprint and generate added value for our manufacturing partners. For manufacturers of bags and sacks, we developed a new, water-based hotmelt. Its properties were geared closely to the customers' production processes in order to optimize flow and drying processes, eliminate additional work in the pre-finishing stage, stabilize the production process, and reduce manufacturing costs overall. In the field of beverage glass bottle labeling, we developed a new generation of water-based adhesives. They are designed to ensure optimum adhesion properties and water resistance especially in tough climatic conditions such as high relative humidity or high temperatures. In the area of building and construction adhesives, we launched cement-based products that significantly reduce dust emissions in the atmosphere. These products benefit both the environment and the occupational health.

Targeted investments
Bonding Systems invested in developing new product technologies in the year under review in order to be at the forefront of new market developments and be able to offer innovative products for professional cooperation with key accounts. In France, the division expanded its production capacity, adjusted its plant design accordingly, and invested in a new and modern warehouse. In Germany, a new facility for the production of thermoplastic hotmelts was started up in order to meet rising demand in the wood industry in both Germany and Eastern Europe. To respond to the strong growth of reactive hotmelt systems especially for customer segments in the areas of window profile laminates, coatings and laminations, and automotive interiors, the construction of two reactors was started and they came on stream in Germany and China in early 2012.

The division's efforts to strengthen its sales organization focused on Southeast Asia in the reporting year. Sales offices were set up in Malaysia, Thailand and Indonesia, and a central warehouse was opened in Hong Kong. This will enable us to offer professional advice and faster delivery locally to customers in Southeast Asia.

The production capacity that has been built up and expanded in recent years was reviewed to bring it into line with lean manufacturing requirements. Great emphasis was placed on compliance with the 5S method, on steady incremental improvements in work process efficiency, and onsite maintenance and upkeep.

A new era begins in 2012
In 2012 Bonding Systems will enter a new era following the sale of the industrial adhesives and synthetic polymers activities to H.B. Fuller. On fulfillment of all conditions, the transaction was successfully closed on March 5, 2012.

Forbo is currently reviewing the strategic options for the remaining activity, building and construction adhesives. The options are continued development as an independent company, partnership with other industrial players or sale of the activity. Forbo has been contacted by various interested parties, and in the coming months will discuss the possibility of a sale with viable candidates.

For building and construction adhesives, we anticipate solid sales performance in all relevant markets and higher-than-average growth in Eastern Europe and Russia.

Resource-efficient solutions

Adhesives have been around seemingly for ever, and complex adhesive systems have come into being, present everywhere in everyday life without being visible. Bonding Systems is present around the world as a capable partner working closely with customers to devise new approaches and solutions that, with the help of innovative adhesives, can improve production processes and create added value for all concerned.

A high-tech solution for the automotive industry
Getting a new adhesive generally accepted in the automotive industry calls for a great deal of patience, a good image and a significant competitive advantage. Depending on the manufacturer concerned, the tests required can take up to three years. In 2011, Bonding Systems was able to get a foothold in several different application fields in the automotive industry at once with a state-of-the-art reactive hot-melt adhesive. Reactive hot-melt adhesives are solid at room temperature, but when heated under humid conditions become a viscous mass. As they re-solidify when cooled down, they enable rapid production processes and short fitting and pressing times without needing to be dried beforehand. They also make it possible to work without the use of solvents. What gave Forbo a decisive competitive advantage in their application for interior trim panels inside cars was the lower temperature at which the process could be carried out,

enabling to cut the time it took by a total of 30 percent. This had a highly positive impact right down the production line and eventually resulted in substantially reduced costs and significantly increased capacities for the customer. Following on from this success, Forbo adhesives are increasingly being used for the fixing of arm rests, door linings and other console coverings in high-end brand cars.

‘APPLICATIONS KNOW-HOW GIVES A COMPETITIVE ADVANTAGE’

Environmentally friendly building and construction adhesives

During the year under review, Bonding Systems has continued to invest in the development of environmentally friendly building and construction adhesives. The preceding year had seen the rollout of the first environmentally friendly tile adhesive, which was certified by the award of the Dutch DUBOKEUR[R] quality mark for sustainable building, and 2011 brought another new product: a dustless, cement-based tile adhesive capable of being used for floor and wall coverings both indoors and outside. It is resistant to both damp and frost and its outstanding adhesive strength makes it a winner. At least 30 percent of it is recycled material such as reprocessed used glass or granulated rubber from old car tires and it is 30 percent more economical in use. The new arrival's success speaks for itself, as customers from the construction sector are increasingly asking for products and materials that carry a quality mark confirming that they do not harm the environment.

MOVEMENT SYSTEMS

NO ROOM FOR COMPRO-MISE ON FRESHNESS

High-performing processing and conveyor belts are vital to the efficiency of production processes. In the food industry in particular, hygiene is crucial in ensuring flawless quality. Forbo's conveyor belts, with surfaces adapted to the areas in which they are used, help our customers to comply with the most stringent hygiene standards.

Movement Systems:
Extending market leadership

'We look back on a very successful year, and this success is reflected in our sales and earnings. Through the launch of the worldwide functional organization in January, we have made cross-business key processes leaner, more efficient and more global, especially in the core functions innovation, roll production, fabrication, and distribution. We are driving forward the strategic development of the plastic modular belt business: by harmonizing all our efforts in development, production, assembly, and distribution, we have expanded our portfolio of products and services and posted extremely good sales. The sustainable measures we have taken in growth markets also provide an ever broader base for accelerated growth.'

Matthias P. Huenerwadel
Executive Vice President
Movement Systems

The Movement Systems division generated net sales of CHF 317.3 million in 2011, equivalent to a substantial increase of 7.7% in local currencies versus the previous year. In Swiss francs, however, the result was a 4.2% decline in sales (previous year: CHF 331.1 million) owing to negative exchange rate effects of 11.9%. The division's share of Group sales was 18.6%. All geographic regions contributed to this gratifying growth, though the markets performed differently from one another, seen over the year as a whole. Despite negative exchange rate effects and higher raw material prices, operating profit (EBIT) rose significantly by 26.3% to CHF 32.2 million (previous year: CHF 25.5 million). The EBIT margin rose to 10.1% in line with this increase (previous year: 7.7%). These strong results are due in particular to the structural adjustments made in earlier years and to the organization's more global orientation.

Expansion in growth markets is having a positive impact

Sales growth in 2011 was very gratifying in all regions. Europe turned in a better-than-average performance in the first half, especially in the OEM segment, but demand trended downwards during the second half of the year. America, by contrast got off to a slow start in 2011, but steadily improved its performance in the course of the year and closed with a strong fourth quarter. In Asia, the good start in Japan was abruptly interrupted by the tsunami catastrophe and the events in Fukushima. The outcome was difficult to assess initially, although the situation had returned to normal by the end of the year. China continued to post solid growth, though it showed a slower performance than in 2010.

The strategic and sustainable expansion and development of the organization in growth markets is increasingly having a positive impact on sales. Especially markets such as Russia, Turkey, the Middle East, Southeast Asia, and Latin America are generating better-than-average growth stimuli.

All core product groups report double-digit growth

Among the key product groups, the plastic modular belts and the Transtex conveyor belts in particular generated significant sales growth. The strategic expansion of the plastic modular belt business and the investments in its portfolio and in tools and machines for production and assembly in recent years are now beginning to pay off. The portfolio of rip- and tear-free conveyor belts, which was bolstered by an acquisition in America in 2008, achieved a worldwide breakthrough in the reporting year. This advance was due to concerted efforts made in recent years to define the product offering for the worldwide sales channel and to harness synergies for sales growth. The division has developed a convincing offering in new customer segments in the field of logistics, in facilities with harsh production conditions and in the transport of raw materials, very heavy cargoes or parts with sharp edges.

Demand remains buoyant in all customer segments

Movement Systems generated sustainable and above-average sales growth in the strategic customer segments food processing and textiles, especially by adding convincing and high-quality innovative products to its range. In logistics too, the division landed major orders with its professional and innovative offering, for instance its energy-saving conveyor belts. One such very successful major project was the baggage handling system at the Fort Worth International Airport in Dallas, Texas. Sales in the paper and printing segment rose despite the ongoing weakness – or rather the long-term restructuring – of the printing industry. Movement Systems is a world leader in sports treadmills, a fiercely competitive market.

Investments focused on strategic projects

In the reporting year, Movement Systems again focused its main investment activities on strategic projects. The decision to retain sales structures built up over a long time even during a difficult economic period is now paying off. These structures are currently being expanded and developed with dedicated resources and industry experts.

Following the creation of a worldwide functional organization, the division earmarked additional resources for newly defined key positions and management capacity. In order to manage these extensive cross-process operations efficiently and link them together globally, Movement Systems built up international project management competencies capable of professionally handling the increased complexity.

In 2011 we again made significant investments in strengthening our position in growth markets. We built a new fabrication facility in India, opened a new warehouse in China, and established further subsidiaries and service points in Mexico, while we entered the Turkish market with our own personnel.

The steadily growing success in the plastic modular belt business prompted us to invest in injection mold tools for new series, to double machine capacity, to expand the assembly center in Europe, and to open a new assembly center in America.

Ambitious growth targets to achieve market leadership

In 2012 the division will actively pursue the strategic initiatives it launched some two years ago. After the transformation into a worldwide functional organization, the cross-organizational processes and structures in defined core functions are set to generate above-average growth through professional excellence and efficiency gains.

Movement Systems attaches great importance to further expanding its activities in growth markets in 2012. It will continue to grow the available potential especially in China and India, setting up sales and service resources and creating additional fabrication capacity in order to drive expansion in new regions. Establishing and developing its own teams will be a focal point of efforts in Indonesia, Thailand, South Korea, Russia, and Turkey.

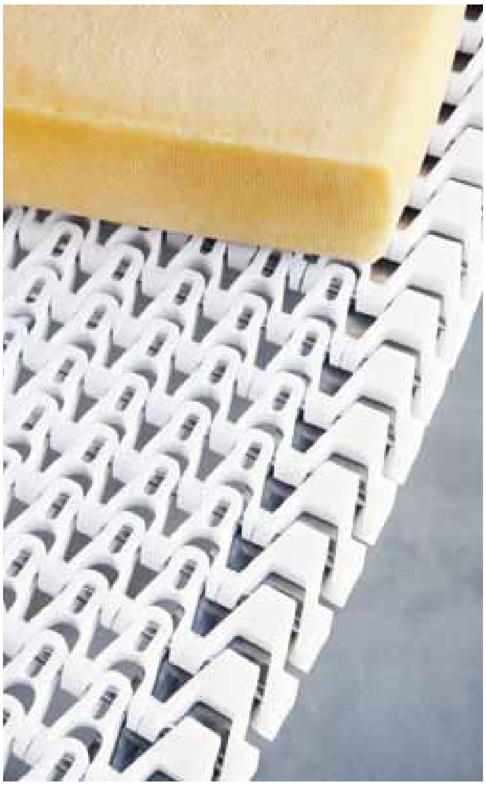
Another priority is the global commercialization of plastic modular belts. In 2012 Movement Systems has set itself the goal of gaining further market share in this fast-growing product segment, especially in customer sectors such as the food and automotive industries, while providing complete coverage of the relevant markets and applications.

Strategic expansion

Not always visibly, but with a presence almost everywhere, Movement Systems ensures that many steps in the production process run smoothly. As an expert partner in the development of future-oriented power transmission, conveyor, and manufacturing solutions specific to individual industries, Forbo has continued to perform well in the reporting year.

Strategic expansion of plastic modular belt operations

The way they are built makes conventional conveyor belts less than ideally suited to certain conveying and processing tasks. Movement Systems is concentrating on developing its range of plastic modular products as the ideal complement to them. They can be used especially in food processing facilities, as the modules can be cleaned very easily – something that is particularly important in areas where hygiene is of vital importance. Water used to wash vegetables drips through permeable modules while the vegetables are being transported for further processing, and freshly caught fish and seafood can be processed immediately on board the vessel. Specialized curved belts are ideally suited to drying or refrigeration where space is at a premium. The plastic modular belts are, however, also available as ski belts or for the automotive industry in the form of worker belts. Nine models with over 35 types of modules are currently available for a variety of applications.



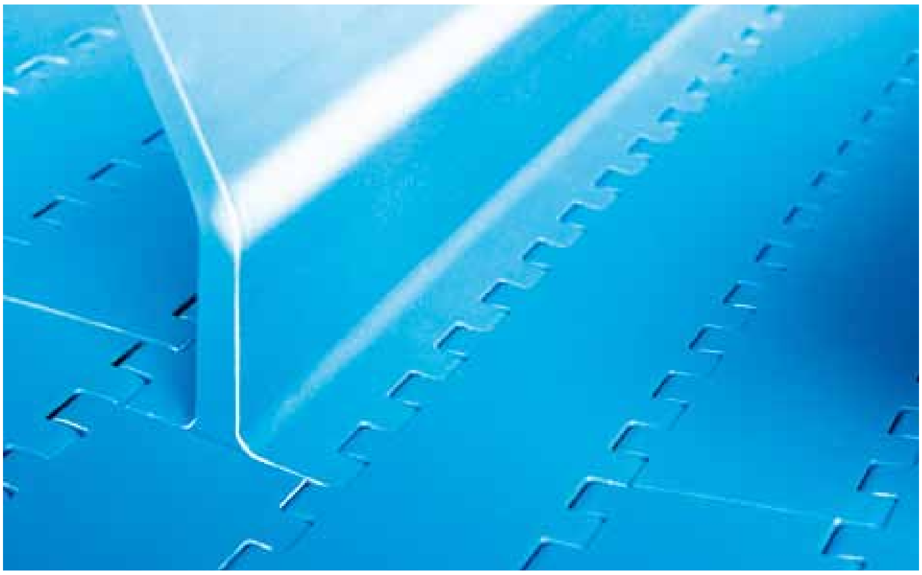
Over recent years, Movement Systems has, in line with its business strategy, consistently invested in the development of plastic modular belt operations and has set itself ambitious growth targets. During the year under review, with the objective of achieving these, production and assembly capacities were deliberately expanded, new models and surface types were developed for the food industry in particular, and the sales department was expanded on a global scale and trained in the enlarged product range. The double-digit growth achieved confirms the success of this strategic development.

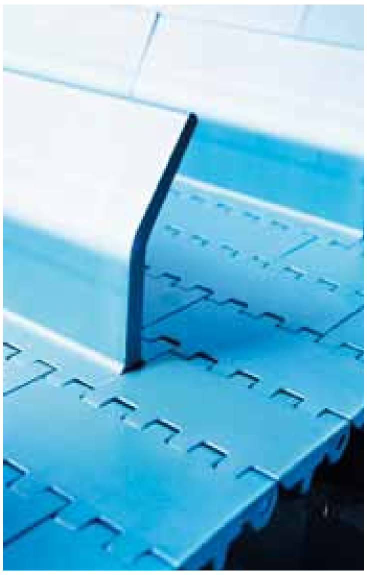
New innovative products in 2011

The new products developed for the food industry impress through their functional design, can be cleaned very easily and are particularly suitable for the processing of meat, fish and poultry, for many applications in the transportation of fruit and vegetables and for the manufacture of dairy products. They comply with all the principal international food standards. A further innovative model with narrow belt units is suited in particular to the transportation of small products – in the manufacture of bakery goods or sweets, for example – when tight corners are necessary.

As well as new products for applications involving direct contact with food, though, the year also saw the rollout of a new model for the further processing of ready-packed foodstuffs and for industrial applications. This, probably the strongest belt in its class compared with the competition, is capable of carrying extremely heavy loads while running smoothly. The unique belt design facilitates use in a wide variety of contexts ranging from the automotive and tire industries to concentration and buffer lines in the tinned goods and drinks industries and to certain processes in the production of pasta. The exposed surface allows optimal drainage of water and circulation of air, while minimizing the surface area that makes contact with the product, the latter ensuring, for example, that rigid products such as glass, cans or plastic containers can easily be moved in any direction on the belt.

‘WINNING THROUGH DIVERSITY OF APPLICATIONS’





Organization

Executive Board

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

This E. Schneider

Delegate of the Board of Directors and CEO

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

Tom Kaiser

Chief Operating Officer, Executive Vice President

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

Jörg Riboni

Chief Financial Officer, Executive Vice President

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

Daniel Keist

Head Corporate Center, Executive Vice President

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

Jens Schneider

Executive Vice President Flooring Systems

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

Michel Riva

Executive Vice President Bonding Systems

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

Matthias P. Huenerwadel

Executive Vice President Movement Systems

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

Group structure

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

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

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

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

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

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

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

Board of Directors

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

Dr. Albert Gnägi
Chairman/Elected until 2013.

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

Michael Pieper
Vice Chairman/Elected until 2013.

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

This E. Schneider
Delegate of the Board of Directors and CEO/Elected until 2014.

Member of the Board of Directors of Galenica SA, Berne.
Member of the Board of Directors of Rieter Holding AG, Winterthur.
Member of the Board of Directors of Autoneum Holding AG, Winterthur.

Dr. Peter Altorfer
Member/Elected until 2014.

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

Dr. Reto Müller
Member/Elected until 2012.

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

Vincent Studer
Member/Elected until 2012.

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

The Forbo share

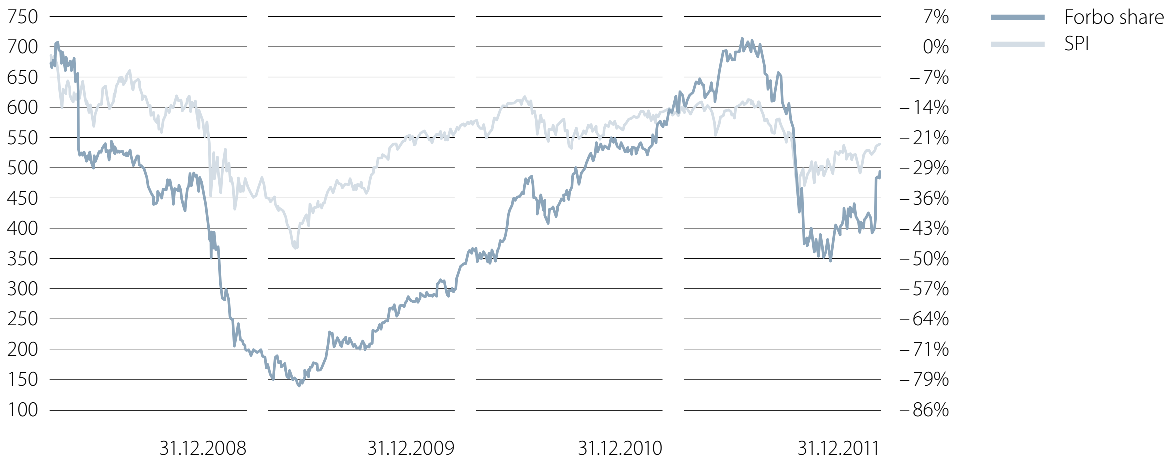
The Forbo share

The stock market faced a challenging year in 2011: high levels of government debt, the euro crisis this has unleashed, the nuclear power plant catastrophe in Japan, the 'Arab Spring' in North Africa, and fears of recession.

The Forbo share was not spared by these events. The share price initially climbed to over CHF 700 after the publication of the gratifying figures for 2010 achieved in the face of difficult circumstances. However, the share lost ground in the second half of 2011, dragged down by the severely negative exchange rate effects and the significant economic uncertainties that resulted in a conservative guidance on sales and earnings for the year as a whole.

The focus on market-leading activities – as reflected in the news of the sale of industrial adhesives and synthetic polymers in December 2011 – was received very positively by the market and gave the Forbo share a big boost. The share closed the year 2011 at CHF 493.

The Forbo share in comparison to the SPI



Share capital

		2011 Number	2010 Number	2009 Number	2008 Number	2007 Number
Issued registered shares[1]		2,500,000	2,713,152	2,713,152	2,713,152	2,713,152
Thereof:						
Shares outstanding		2,298,758	2,339,162	2,266,593	2,230,729	2,453,379
Share buyback second line		-	213,152	213,152	213,152	-
Other treasury shares		179,823	139,419	211,988	247,852	238,354
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		250,000	271,315	271,315	10,852,608	37,984,128
Thereof:						
Shares outstanding		229,876	233,916	226,659	8,922,916	34,347,306
Share buyback second line		-	21,315	21,315	852,608	-
Other treasury shares		17,982	13,942	21,199	991,408	3,336,956
Reserve shares (without dividend rights)		2,142	2,142	2,142	85,676	299,866

Data per share

		CHF	CHF	CHF	CHF	CHF
Shareholders' equity Group[7]		349	320	301	250	281
Group profit[2) 7)]		62.8	71.6	33.7	6.9	44
Gross dividend and cash distribution		12.0[3]	12.0	6.0	3.9	10
Gross dividend yield (in %)	High	1.7[5]	2.0[5]	1.8[5]	0.6[4]	1.4[4]
	Low	3.5[5]	3.5[5]	4.3[5]	2.1[4]	2.2[4]
Payout ratio[6] (in %)		19	17	18	57	23

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	713	595	343	705	722
	Low	343	343	140	188	447
	Year-end	493	590	340	195	700
Market capitalization (m)[8]	High	1,639	1,392	777	1,573	1,770
	Low	788	802	317	420	1,097
	Year-end	1,133	1,380	771	435	1,717

1) Par value per share in 2011, 2010 and 2009: CHF 0.10; 2008: CHF 4; 2007: CHF 14.
2) See note 15 'Earnings per share' on page 109 of the financial report.
3) Proposal of the Board of Directors to the Ordinary General Meeting.
4) Calculated on the basis of a cash distribution in the form of a reduction in par value.
5) Calculated on the basis of a cash distribution in the form of a dividend.
6) Gross cash distribution as a percentage of Group profit.
7) Based on the weighted average of the number of shares as set out in note 15 'Earnings per share' on page 109 of the financial report.
8) Total number of shares outstanding, multiplied by year-end share price.

Corporate governance report

Corporate governance report

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

Group structure and shareholders

Group structure
Forbo Holding Ltd, domiciled at Lindenstrasse 8, 6340 Baar, is a limited company under Swiss law. The holding company holds all companies, directly or indirectly, that belong to the Forbo Group. The operational structure of the Group is shown in the organizational chart on page 55. 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 138 of the financial report. The company name and domicile, share capital and percentage of participation along with information relating to the allocation of the Group divisions to the Group's businesses can also be found in this list.

Significant shareholders
As of December 31, 2011, 2,321 shareholders were listed in the share register of Forbo Holding Ltd, or 164 (8%) more than in the previous year. At December 31, 2011, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2011 as a percentage
Michael Pieper[1)]	27.26
Forbo Holding Ltd[2)]	8.05
This E. Schneider	4.56

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.
2) Forbo Holding Ltd holds its interest directly and indirectly through Forbo International SA and Forbo Finanz AG.

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

This E. Schneider reported to Forbo Holding Ltd on May 11, 2011 that he had fallen below the 5% threshold and held 4.985% of the voting rights.

Forbo Holding Ltd reported on July 16, 2011 that, as a result of the destruction of its own shares, it had fallen below the threshold of 10% as per July 14, 2011 and that it held 137,764 of its own shares, corresponding to 5.511% of voting rights, directly or indirectly, via Forbo International SA, Baar, Switzerland and Forbo Finanz AG, Baar, Switzerland. In addition, Forbo Holding Ltd has granted 32,438 purchase rights for 32,438 registered shares of Forbo Holding Ltd, corresponding to voting rights of 1.298% of the total.

No other disclosures were made in 2011.

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

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

Capital structure

Share capital
As of December 31, 2011, Forbo Holding Ltd had a fully paid up share capital of CHF 250,000, which was divided into 2,500,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

– 68.43% were registered in the name of 2,290 shareholders with voting rights
– 25.66% were shares of banks or of SIX SIS AG pending registration of transfer
– 5.91% 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 60 and 61. Further information on the rights of participation associated with the share can be found on page 76 of this Annual Report.

At the Ordinary General Meeting of Shareholders of Forbo Holding Ltd of April 29, 2011, the Board of Directors was authorized to buy back the company's own shares, with the purpose of extinguishing them at a later stage, up to a maximum of 10% of the share capital over a period of three years through a second trading line. The Board reserves the right to interrupt or stop the share buyback program if this should become necessary in order to finance external growth. The Board opted for a two-stage procedure in which the shareholders took the basic decision at the Ordinary General Meeting of Forbo Holding Ltd on April 29, 2011 and will be asked to approve the destruction of the repurchased shares at one of the forthcoming annual general meetings. By December 31, 2011 Forbo Holding Ltd had not repurchased any shares via the second trading line.

Conditional and authorized capital
Pursuant to paragraph 6 of the Articles of Association, Forbo Holding Ltd has a maximum conditional capital of CHF 16,645, corresponding to 166,450 registered shares to be paid up in full with a par value of CHF 0.10 each. The capital increase takes place in accordance with the Articles of Association through the exercise of option and convertible rights which are granted in connection with the bonds issued by the company or one of its subsidiaries or 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 new share issues. The registration of the new shares is subject to the general restriction set out in paragraph 4 of the Articles of Association, which stipulates that shareholders are entered in the share register with voting rights only if they declare expressly that they have acquired the shares in their own name and for their own account.

There is no authorized capital.

Changes in capital
The Ordinary General Meeting of Forbo Holding Ltd on April 29, 2011 decided, based on the audit report of an accredited auditor, to reduce the ordinary share capital of the company by CHF 21,315.20 from CHF 271,315.20 to CHF 250,000 by destroying 213,152 shares with a par value each of CHF 0.10. It was further decided to amend the Articles of Association accordingly.

No changes to the capital of Forbo Holding Ltd were made in 2010.

The Ordinary General Meeting of Forbo Holding Ltd on April 24, 2009 decided, based on the audit report of an accredited 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 amend the Articles of Association accordingly.

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

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

Pursuant to paragraph 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 requires 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 page 75, as well as on pages 117 and 118 of this Annual Report.

Board of Directors

Members of the Board of Directors
The cutoff date for the following information is December 31, 2011.

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

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

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

This E. Schneider, Delegate and CEO
For the curriculum vitae of This E. Schneider, please see page 53 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 and subsequently joined the law firm Wenger&Vieli in Zurich, where he is now a partner, specializing in bank and company law. Peter Altorfer is a member of the Board of Directors of various companies, including Huber+Suhner AG in Herisau, agta record ag in Fehraltorf, Abegg Holding AG in Zurich, Altin AG in Baar, Werner Abegg Fonds in Zurich and of several private and foreign banks and unlisted investment companies in Switzerland. He has been a member of the Board of Directors of Forbo Holding Ltd since March 2005.

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

Vincent Studer

Vincent Studer, born in 1962, is a Swiss citizen. He completed the Advanced School of Economics and Business Administration in Berne and trained as a Swiss certified public accountant. In addition, he has attended various national and international training courses. From 1991 to 2008, Vincent Studer worked at Ernst&Young AG in Berne as an external auditor and was head auditor 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 the 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, 2011

	First elected	Elected until OGM	AFC	HRC
Chairman				
DR. ALBERT GNÄGI	2005	2013	M	C
Non-executive director				
Vice Chairman				
MICHAEL PIEPER	2000	2013	–	M
Non-executive director				
Members				
THIS E. SCHNEIDER	2004	2014	–	–
Delegate of the Board of Directors and executive director				
DR. PETER ALTORFER	2005	2014	M	M
Non-executive director				
DR. RETO MÜLLER	2011	2012	M	–
Non-executive director				
VINCENT STUDER	2009	2012	C	–
Non-executive director				
Secretary of the Board				
NICOLE HÄFELI				
Non-member				

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

Elections and terms of office
The members are elected by the General Meeting for a term of three years. A year is defined as the period between two Ordinary General Meetings. The first term of office after the first election of a member to 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 29, 2011, This E. Schneider and Dr. Peter Altorfer were re-elected for a three-year term of office in a single vote. Dr. Reto Müller was elected as a new member of the Board for a one-year term of office. Further details on the terms of office of the other members of the Board of Directors are contained in the table on page 68. 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 60. In determining the composition of the Board of Directors, importance is attached to the election of independent individuals with international experience in industrial companies as well as in the financial and consultancy sectors.

Internal organizational structure
The allocation of tasks within the Board of Directors and the composition of the Board committees are shown in the table on page 68.

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 compensation 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 from attending for any reason whatsoever. 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 company and for the tasks delegated to him by the Board of Directors. The CFO, the Head Corporate Center and the Group COO report to him for this function. The Executive Vice Presidents of the three divisions report to the Group COO.

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 announced at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2011, the Board of Directors met four times, the meetings usually lasting a whole 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 on behalf of the company in the areas of financial reporting, the accounting standards and systems used, and decisions with significant financial implications. The AFC monitors the activities of the internal auditors and the external auditors. Moreover, it establishes the audit program of the internal auditors and proposes to the Board of Directors the choice of the external auditors for the attention of the General Meeting. The CEO, CFO, and Head Corporate Center are regularly requested to attend meetings in an advisory capacity, while the internal and external auditors may attend on special invitation.

The AFC convenes as often as business requires, but at least twice a year. In the 2011 business year, three meetings were held, each lasting about half a day. The external auditors were present for some items on the agenda of the AFC's meeting on the financial statements, while the Ernst & Young representatives responsible for internal auditing attended the two meetings held to discuss the internal audit reports.

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 on behalf of 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 compensation 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 2011 business year, four meetings were held, each lasting about half a day.

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

- ultimate management of the company and issuing the necessary directives
- defining the organization
- organization of accounting, financial controlling, and financial planning
- appointment and dismissal of persons entrusted with the 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 the management of the company and is responsible for the corporate strategy. It issues guidelines for business policy and is regularly briefed on the current state of business.

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

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

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

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

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

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

Information and control instruments vis-à-vis the Executive Board
The Executive Board meets as often as business requires, normally once a month. In the 2011 business year, ten meetings were held, each lasting from half a day to a full day.

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

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

The Board 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 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 69 and 70.

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 2011 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, involved in the company's planning cycle. As a rule, the existing strategy is subjected to a thorough review by the Board of Directors as a rule in the first half of the year. The revised strategy is quantified in the three-year medium-term plan, which is approved at mid-year by the Board of Directors. Based on the medium-term plan, the Board of Directors sets the budget objectives for the coming business year. These budget objectives are the basis for the detailed budget, which is discussed and adopted by the Board of Directors in the fourth quarter.

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

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

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

In 2011, a total of nine internal audits and two follow-up reviews were conducted. The internal audits were restricted to individual business processes. In its review of audited Group companies, Internal Audit included any issues that had been defined in the framework of the internal control system (ICS). Internal audits also involved various compliance reviews related to these processes. Lastly, additional risks and controls in connection with the above-mentioned business processes were analyzed in the audit. At least one company in each division was audited in the course of the internal audits.

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

Risk management
The ongoing and systematic evaluation of current and future risks invariably involves identifying and capitalizing on opportunities. Forbo regards risk management as a managerial and working tool designed, among other things, to safeguard the tangible and intangible assets of the company.

Forbo has a risk-based insurance coverage in line with industry practice and has appropriately insured in particular operational risks such as property damage, business interruption, and liability. The risks specifically in the areas of property damage, 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 audits have been prepared since 1990.

As regards business risks, Forbo addresses strategic risks as well as market and financial risks. In the area of market risks, interest and currency risks are monitored centrally and hedged in certain cases. The liquidity and financing of subsidiaries are also monitored centrally. Please also refer to pages 132 to 136 of the financial report for more information on this subject.

With regard to the risk management process pursuant to Article 663b section 12 of the Swiss Code of Obligations, the reader is referred to the relevant explanations on page 156 (note 18 'Risk assessment') and on pages 132 to 136 (note 38 'Risk assessment and financial risk management').

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 53 and 54 of this Annual Report.

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

Significant changes after balance sheet date
It was announced on January 31, 2012 that Tom Kaiser, Chief Operating Officer Forbo Group, will leave the company in the first half of 2012 and that the division heads will again report directly to the Delegate of the Board of Directors and CEO; that Jean-Michel Wins will succeed Matthias P. Huenerwadel as head of the Movement Systems division in the second half of 2012; and that Jörg Riboni, Chief Financial Officer Forbo Group, will leave the Group at the end of January 2013.

Compensation, 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 compensation.

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

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

Executive Board

The amounts of the fixed compensation and the target bonus for the Executive Board are 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, the HRC takes into consideration criteria such as function, responsibility, and experience and it compares the compensation paid to Forbo Executive Board members 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 compensation.

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 up to 15% 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 about 175% of the fixed compensation, depending on the individual's target achievement.

Payment of a bonus is linked with the Management Investment Plan (MIP) launched in 2006. According to this plan, at least 50% of the annual bonus of Executive Board members is paid into the MIP. 25% of the sums in the MIP are invested in options and 75% in equities of Forbo Holding Ltd. Equities 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, 2011, the Executive Board held the following options:

Allocation	No. of registered shares	Term	Vested until	Subscription ratio	Strike price (CHF)
2007	697	15.03.2007 – 15.03.2012	15.03.2010	1:1	564.69
2008	5,446	19.03.2008 – 19.03.2013	19.03.2011	1:1	822.00
2009	7,028	02.04.2009 – 02.04.2014	03.04.2012	1:1	214.63
2010	4,460	15.03.2010 – 16.03.2015	15.03.2013	1:1	434.75
2011	10,668	01.04.2011 – 02.04.2016	01.04.2014	1:1	733.25

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

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 compensation 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 the fall of 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, which was vested until December 31, 2010. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended until April 30, 2013. Compensation is being paid mainly in stock. These shares are vested until December 31, 2013. The modalities are similar to a very large extent to the provisions of the first contract. No severance payment was agreed on.

With effect from January 2011, the employment contract with the Delegate of the Board of Directors and CEO was extended prematurely. The contract extension encompasses the period from May 1, 2013 to April 30, 2016. The modalities of the first contract were again by and large retained. No severance payment was agreed on.

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

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

Shareholders' participation

Voting right restriction and representation
The registration of shares with voting rights in the share register requires the consent of the Board of Directors. Such consent may be withheld if the purchaser does not expressly declare that he has acquired and is holding the shares in his own name and for his own account. Pursuant to the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. The restriction 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 paragraph 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 paragraph13 section 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 shares with a par value of at least 1% of the share capital may request that an item be placed on the agenda. This request must be communicated to the Board of Directors in writing, indicating the proposals, at least 45 days before the date of the General Meeting.

Entry in the share register
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 on changes of control

As per year-end 2011, no clauses on changes of control existed in agreements or plans involving members of the Board of Directors, the Executive Board or other members of management.

Auditors

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

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

Auditing fees

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

Additional fees

For 2011, the auditing company invoiced additional consulting fees of CHF 0.3 million. This relates mainly to tax consultancy.

Information instruments of the external auditors

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 may inspect the minutes of the AFC meetings.

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

Information policy

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

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

Ad hoc communication

The push and pull links for the dissemination of ad hoc releases in accordance with the guideline 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.

A financial calendar with the key dates can be found on page 10 of this Annual Report. Further information on the Forbo share is printed on pages 60 and 61 of this Annual Report.

Publications may be ordered by email, fax or telephone.
Email: communications@forbo.com
Phone +41 58 787 25 25
Fax +41 58 787 20 25

The contact address for Investor Relations is:
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Financial report

Consolidated balance sheet

		31.12.2011	31.12.2010
Assets			
CHF m	Note		
Non-current assets		**536.4**	**743.9**
Property, plant, and equipment	16	359.8	450.2
Intangible assets	17	153.5	270.4
Deferred tax assets	14	21.9	17.6
Investments in associates and other non-current assets	18	1.2	5.7
Current assets		**965.5**	**750.3**
Assets held for sale	32	361.4	
Inventories	19	219.6	260.9
Trade receivables	20	159.2	220.8
Other receivables		24.8	28.4
Deferred income and prepaid charges		8.0	21.4
Marketable securities	21	0.1	47.4
Cash and cash equivalents	22	192.4	171.4
Total assets		**1,501.9**	**1,494.2**
Shareholders' equity and liabilities			
CHF m	Note		
Shareholders' equity		**815.3**	**729.7**
Share capital	24	0.3	0.3
Treasury shares		– 0.1	– 0.1
Reserves and retained earnings		815.1	729.5
Non-current liabilities		**276.2**	**360.8**
Non-current financial debt	26	144.5	196.5
Employee benefit obligations	27	42.7	74.7
Non-current provisions	28	39.5	35.3
Deferred tax liabilities	14	49.5	54.3
Current liabilities		**410.4**	**403.7**
Trade payables	29	86.1	135.7
Current provisions	28	18.3	21.9
Accrued expenses	30	106.7	118.4
Current financial debt	31	47.5	65.9
Current tax liabilities		27.6	31.0
Other current liabilities		26.6	30.8
Liabilities directly associated with assets held for sale	32	97.6	
Total liabilities		**686.6**	**764.5**
Total shareholders' equity and liabilities		**1,501.9**	**1,494.2**

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

Consolidated income statement

CHF m	Note	2011	2010 Restated
Continuing operations			
Net sales	6	**1,203.8**	**1,291.2**
Cost of goods sold		– 745.1	– 785.6
Gross profit		**458.7**	**505.6**
Development costs	7	– 16.0	– 17.6
Marketing and distribution costs		– 192.5	– 213.3
Administrative costs	8	– 96.6	– 103.9
Other operating expenses	9	– 17.8	– 12.1
Other operating profit	10	13.1	10.0
Operating profit		**148.9**	**168.7**
Financial income	12	30.1	44.3
Financial expenses	13	– 11.7	– 15.0
Group profit before taxes		**167.3**	**198.0**
Income taxes	14	– 29.9	– 48.8
Group profit for the year from continuing operations		**137.4**	**149.2**
Group profit for the year from discontinued operations after taxes	32	**9.1**	**14.1**
Group profit for the year		**146.5**	**163.3**

Earnings per share, total			
CHF	Note		
Basic earnings per share	15	62.78	71.64
Diluted earnings per share	15	62.61	71.48

Earnings per share from continuing operations			
CHF			
Basic earnings per share	15	58.88	65.45
Diluted earnings per share	15	58.72	65.31

Earnings per share from discontinued operations			
CHF			
Basic earnings per share	15	3.90	6.19
Diluted earnings per share	15	3.89	6.17

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

Comprehensive income statement

CHF m	2011	2010
Group profit for the year	**146.5**	**163.3**
Components of other comprehensive income:		
Translation differences	– 6.2	– 119.6
Changes in fair value of financial instruments available-for-sale		11.7
Proceeds from the sale of financial instruments available-for-sale; transfer to income statement	– 18.6	– 14.3
Changes in revaluation reserves for property, plant and equipment	– 1.2	
Actuarial gain/loss (–) on pension liabilities	8.6	– 12.2
Fair value adjustments of cash flow hedges	– 1.7	0.2
Fair value adjustments of net investment hedges	0.0	– 4.7
Other comprehensive income for the year, net of tax	**– 19.1**	**– 138.9**
Total comprehensive income	**127.4**	**24.4**

The items under 'Other comprehensive income for the year, net of tax' include income tax effects which are described in note 14 'Income tax'.

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

Consolidated shareholders' equity

2011

CHF m	Share capital	Treasury shares	Reserves	Revaluation reserve	Assets available-for-sale	Reserves from cash flow hedges	Translation differences	Total
December 12, 2010	**0.3**	**– 0.1**	**864.9**	**129.2**	**18.6**	**0.0**	**– 283.2**	**729.7**
Group profit for the year			146.5					146.5
Other comprehensive income for the year, net of tax			8.6	– 1.2	– 18.6	– 1.7	– 6.2	– 19.1
Total comprehensive income			**155.1**	**– 1.2**	**– 18.6**	**– 1.7**	**– 6.2**	**127.4**
Share-based payments			5.0					5.0
Treasury shares		0.0	– 18.5					– 18.5
Dividend payment			– 28.3					– 28.3
December 31, 2011	**0.3**	**– 0.1**	**978.2**	**128.0**	**0.0**	**– 1.7**	**– 289.4**	**815.3**

2010

CHF m	Share capital	Treasury shares	Reserves	Revaluation reserve	Assets available-for-sale	Reserves from cash flow hedges	Translation differences	Total
As at December 31, 2009	**0.3**	**– 0.1**	**778.4**	**136.5**	**21.2**	**– 0.2**	**– 256.5**	**679.6**
Transfer (Note 39)			– 97.6				97.6	
As at January 1, 2010 (restated)	**0.3**	**– 0.1**	**680.8**	**136.5**	**21.2**	**– 0.2**	**– 158.9**	**679.6**
Group profit for the year			163.3					163.3
Other comprehensive income for the year, net of tax			– 12.2		– 2.6	0.2	– 124.3	– 138.9
Total comprehensive income			**151.1**	**0.0**	**– 2.6**	**0.2**	**– 124.3**	**24.4**
Change in revaluation reserve			7.3	– 7.3				
Share-based payments			5.5					5.5
Treasury shares		0.0	33.7					33.7
Dividend payment			– 13.5					– 13.5
December 31, 2010	**0.3**	**– 0.1**	**864.9**	**129.2**	**18.6**	**0.0**	**– 283.2**	**729.7**

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

Consolidated cash flow statement

	2011	2010
Cash flow from operating activities		
CHF m		
Group profit for the year	146.5	163.3
Tax expense	29.8	51.5
Group profit before taxes	**176.3**	**214.8**
Financial result	– 17.5	– 28.9
Depreciation and impairment on property, plant, and equipment	44.8	53.4
Amortization and impairment on intangible assets	4.9	5.0
Profit from disposal of non-current assets	– 0.1	– 4.3
Share-based payments	5.2	5.5
Income tax paid	– 29.8	– 27.7
Increase/decrease (–) in provisions and employee benefit obligations	13.1	– 6.4
Increase in other operating working capital	– 1.3	– 9.1
Increase in net operating working capital[1)]	– 54.1	– 14.3
Net cash flow from operating activities	**141.5**	**188.0**
Cash flow from investing activities		
CHF m		
Purchase of non-current assets	– 39.7	– 37.6
Proceeds from the disposal of non-current assets	0.4	19.3
Decline in current finance liabilities	4.4	0.0
Sale of available-for-sale financial assets	53.0	92.6
Net cash flow from investing activities	**18.1**	**74.3**
Cash flow from financing activities		
CHF m		
Decrease (–)/increase in current financial debt	– 64.6	0.2
Decrease in non-current financial debt	– 6.0	– 270.5
Interest paid	– 10.3	– 14.3
Interest received	1.0	1.0
Purchase of treasury shares	– 42.2	– 7.6
Proceeds from sale of treasury shares	28.7	41.3
Dividend payment	– 28.3	– 13.5
Net cash flow from financing activities	**– 121.7**	**– 263.4**
Change in cash and cash equivalents		
CHF m		
Increase/decrease (–) in cash and cash equivalents	37.9	– 1.1
Translation differences on cash and cash equivalents	– 4.0	– 25.7
Total cash and cash equivalents at beginning of year	171.4	198.2
Total cash and cash equivalents at year-end	**205.3**	**171.4**
Total cash and cash equivalents discontinued operations	**12.9**	
Total cash and cash equivalents continuing operations	**192.4**	**171.4**
Total cash and cash equivalents at year-end	**205.3**	**171.4**

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

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

Notes – accounting principles

1 General information

Forbo Holding Ltd (the company) and its subsidiaries (together with the company constituting the Group) manufactures 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 14, 2012 and released for publication on March 20, 2012. The report is subject to approval by the Ordinary General Meeting on April 27, 2012.

2 Summary of significant accounting policies

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

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

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

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

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

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

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

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

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

Foreign currency translation

The individual companies generally prepare their financial statements in the local currency. The local currency (functional currency) as a rule corresponds to the currency of the primary economic environment in which the company operates. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or the dates of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless recognized in other comprehensive income as qualifying cash flow hedges and 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 comprehensive income are taken to 'Other comprehensive income'.

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 comprehensive income statement in the event the company is divested.

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

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

			Income statement (average exchange rates for the year)		Balance sheet (year-end exchange rates)	
			2011	2010	2011	2010
Currency						
CHF						
Euro zone	EUR	1	1.23	1.38	1.22	1.25
USA	USD	1	0.89	1.04	0.94	0.94
Great Britain	GBP	1	1.42	1.61	1.46	1.46
Japan	JPY	100	1.11	1.19	1.22	1.15
China	CNY	100	13.72	15.40	14.88	14.20
Sweden	SEK	100	13.66	14.47	13.66	13.99

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

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

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

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

Segment accounting 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.

Discontinued operations
Discontinued operations are recognized separately if a component of the Group has either already been discontinued or been classified as held for sale. A component of the Group is either a separate major line of business, a geographic area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations, or a subsidiary acquired exclusively with a view to resale. A component of the Group can be clearly demarcated from the rest of the Group, both operationally and for accounting purposes. Discontinued operations are shown separately in the consolidated income statement. The prior-year figures affecting the income statement are adjusted accordingly (as if the operation had been discontinued at the beginning of the prior year) and are also recognized separately. Associated assets are carried in the balance sheet under 'Assets held for sale' and associated liabilities under 'Liabilities directly associated with assets held for sale'. In accordance with IFRS 5, however, no adjustment was made to the prior year for these items. Information associated with the discontinued operation is reported separately in the notes.

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

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

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

Share-based payments
Equity-settled share-based payments to employees are valued at the fair value of the equity instrument on the date on which the payment is granted. The fair value of the 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 'Employee participation plan'. The fair value determined on granting equity-settled share-based payments is posted to the income statement over the vesting period and is included in personnel expenses.

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

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

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

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

The carrying amount of the deferred tax claims is checked each year on the reporting date and reduced if it is no longer likely that sufficient taxable profits are 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 'Other comprehensive income'.

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

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

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

Land is not depreciated. Depreciation of other assets is calculated on the basis of their cost or their revalued amounts (with the exception of assets under construction) using the straight-line method over their estimated useful lives. The estimated useful life is usually 33 years for buildings used in operations and 5 to 10 years for plant and equipment. Other operating 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 'Property, plant, and equipment').

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

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

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

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

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

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

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

Impairment of non-financial assets

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

Financial assets

CLASSIFICATION

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

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

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

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than twelve months after the end of the reporting year, 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 assets and other assets are reported under 'Marketable 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 classified as being at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets which are carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in the comprehensive income statement with no effect on income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in the comprehensive income statement are included in the income statement. Dividends on available-for-sale financial assets 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 year whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the equity investments below their cost is also regarded as evidence that the equity investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any previous impairment losses on that financial asset – is removed from equity and recognized in the income statement. Impairment losses on equity instruments recognized in the income statement are not reversed through profit and loss. Impairment testing of trade receivables is described in note 20 'Trade receivables'.

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

Derivatives are initially recognized at the fair value they are attributed 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 particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
– hedges of a net investment in a foreign operation (net investment hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 34 'Additional information on financial instruments'. Movements in the hedging reserve for cash flow hedges are reported in the statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months after the reporting date, and as a current asset or non-current liability when the remaining 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 and qualify as fair value hedges of a recognized asset or a commitment are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only uses fair value hedges to hedge the fixed interest risk on borrowings and to hedge currency risks in connection with short-term or medium-term loans. The gain or loss relating to the effective portion of the hedging instrument is recognized in the income statement under 'Financial result'. The gain or loss relating to the ineffective portion is recognized in the income statement under 'Financial result'. Changes in the fair value of the hedged underlyings, which are attributable to interest rate risk or currency risk, are recognized in the income statement under 'Financial income/financial expenses'.

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

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the comprehensive income statement. 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 the cost of goods sold in the case of inventories or in depreciation in the case of property, plant, and equipment.

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

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

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

The Group employed hedge accounting in the prior year in connection with the hedging of periodic interest payments and the repayment of the nominal amount of the US private placement. Some of the derivatives employed were recognized as a cash flow hedge 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 was recognized in the comprehensive income statement, with no effect on the income statement, until the gain or loss on the hedged item was realized; the ineffective portion of the change in market value of the hedging instrument was recognized in the income statement. The cumulative changes in market value were reported in the income statement when future firm commitments were recognized in the income statement.

Assets held for sale and liabilities directly associated with assets held for sale
Current and non-current financial assets and directly associated liabilities are classified as 'held for sale' and recognized separately in the balance sheet under 'Assets held for sale' and 'Liabilities directly associated with assets held for sale', if their carrying amount is more likely to be realized by sale than by use. This is conditional upon the sale being highly probable and the assets being ready for immediate sale. For a sale to be classified as highly probable, the following criteria must be met: management is committed to a plan to sell the asset, the asset is marketed for sale at a price that is reasonable in relation to its current fair value, and the completion of the sale is expected to occur within twelve months. Assets held for sale are measured at the lower of their carrying amount or the fair value less costs to sell.

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

Inventories are for the greater part measured at average cost. Adjustments are made for unsalable inventories and inventories with 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 identifiable risks, allowances are also made on the basis of statistically determined default risks.

Marketable securities
Marketable securities are mainly financial assets available-for-sale. Initial recognition and subsequent measurement are described separately under 'Financial assets' from page 93 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
Registered shares are classified as share capital at their par value. Payments by shareholders above the par value are credited to reserves.

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

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

Current and non-current financial debt
Current and non-current financial debt 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, except if the Group has to settle the obligation twelve months after the reporting date or enjoys unlimited right to postpone payment of the debt by at least twelve 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 assessed annually by independent actuaries according to the projected unit credit method. The liabilities correspond to the present value of the expected future cash flows. The plan assets are stated at market value. Current service costs incurred in the relevant period, less employee contributions, are stated as personnel expenses in the income statement. Past service costs resulting from changes in pension plans are recognized in the income statement on a straight-line basis over the remaining average period until an active employee acquires a vested pension right, or are immediately posted to the income statement if the employee has already retired. Profits resulting from pension plan reductions or compensations are immediately taken to the income statement.

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

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

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

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

3 Changes in accounting principles

In the reporting year, the following new and revised standards and interpretations of the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) came into force:

- *IAS 24 (revised) – 'Related party disclosures'*
- *IAS 32 (revised) – 'Financial instruments: Presentation'*
- *IFRIC 14/IAS 19 (revised) – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'*
- *IFRIC 19 (new) – 'Extinguishing financial liabilities with equity instruments'*
- *'Improvements to IFRSs' (published in May 2010)*
  The IASB published its third collection of amendments to various IFRSs. This affects a total of six standards and one interpretation, although – in accordance with the underlying idea of the amendment collections – they do not involve fundamental changes to the standards. In some cases, inconsistencies have been eliminated or formulations improved.

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

4 Management assumptions and estimates

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

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

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

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

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

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

Income taxes

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

5 Standards approved but not yet applied

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

Standards

Standard/Interpretation		Date effective	Planned application
IFRS 7 (revised) – 'Financial instruments: Disclosures'	*	July 1, 2011	2012 business year
IAS 12 (revised) – 'Income taxes'	*	January 1, 2012	2012 business year
IAS 1 (revised) – 'Presentation of Financial Statements'	*	July 1, 2012	2013 business year
IAS 19 (revised) – 'Employee Benefits'	**	January 1, 2013	2013 business year
IAS 32 (revised) – 'Offsetting financial assets and financial liabilities'	*	January 1, 2013	2013 business year
IFRS 10 (new) – 'Consolidated Financial Statements'	**	January 1, 2013	2013 business year
IFRS 11 (new) – 'Joint Arrangements'	*	January 1, 2013	2013 business year
IFRS 12 (new) – 'Disclosure of Interests in Other Entities'	*	January 1, 2013	2013 business year
IFRS 13 (new) – 'Fair Value Measurement'	**	January 1, 2013	2013 business year
IFRS 7 (revised) – 'Offsetting financial assets and financial liabilities'	*	January 1, 2014	2014 business year
IFRS 9 (new) – 'Financial instruments'	**	January 1, 2015	2015 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.

Moreover, various adjustments to the standards were published as part of the Annual Improvement Project. Since they have little impact on the financial statements, no detailed list of the changes is given.

Notes

6 Segment reporting

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

Flooring Systems develops, produces, and sells linoleum, vinyl floorings, dirt trap systems, carpet tiles, and needlefelt floorcoverings as well as the various accessory products required for laying, processing, cleaning, and care of flooring. Bonding Systems develops, produces, and sells 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 which 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 check the performance of the operational units in order to reach a decision on the allocation of resources.

Segment information on the reportable segments for the reporting year:

2011 CHF m	Flooring Systems	Bonding Systems	Movement Systems	Corporate	Elimination	Total
Total net sales	806.8	604.4	317.3		– 21.3	1,707.2
Inter-segment sales	– 1.8	– 19.5	0.0		21.3	
Net sales to third parties	805.0	584.9	317.3			1,707.2
Operating profit (EBIT)	117.6	19.0	32.2	– 10.0		158.8
Operating assets	640.3	371.0	235.0	21.2		1,267.5
Number of employees (December 31)	2,706	1,406	1,861	41		6,014

The EBIT of the Bonding Systems division in the reporting year was negatively impacted by two exceptional items. Forbo signed a contract with H.B. Fuller Company on December 21, 2011 on the sale of its industrial adhesives business, including synthetic polymers, belonging to the Bonding Systems division. This resulted in the EBIT of Bonding Systems being reduced by exceptional expenses amounting to CHF 9.3 million. The provisions of CHF 5.5 million (see note 28 'Provisions') for restorative work on the environment, which the continuing operations of the Bonding Systems division had to make, also had a negative impact on EBIT.

Segment information on the reportable segments for the prior year:

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

Management reporting and the internal control system are based on the same accounting principles as external reporting except for the presentation of discontinued operations, which are reported in the present consolidated financial statements in accordance with the requirements of IFRS 5. The segment information presented above, however, includes the discontinued operations. Detailed information on discontinued operations can be found in note 32 'Discontinued operations and assets held for sale as well as liabilities directly associated with assets held for sale'.

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 segments since it is Corporate Treasury that in the main exercises central control over the financial result.

Inter-segment sales are effected at arm's length. The segments apply the same accounting principles as the Group. Sales to third parties, as they are reported to the Chief Executive Officer, are identical with the sales reported in the income statement except for the presentation of discontinued operations.

Net sales in segment reporting comprises the net sales from discontinued operations, whereas net sales in the income statement matches with the net sales of continuing operations.

	2011	2010
CHF m		
Net sales as per segment reporting	**1,707.2**	**1,789.7**
Discontinued operations	– 503.4	– 498.5
Net sales	**1,203.8**	**1,291.2**

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

	2011	2010
CHF m		
Operating profit (EBIT) according to segment information	**158.8**	**185.9**
Financial result	18.4	29.3
Discontinued operations	– 9.9	– 17.2
Group profit before taxes	**167.3**	**198.0**

	31.12.2011	31.12.2010
CHF m		
Total operating assets, continuing operations	961.6	
Total operating assets, discontinued operations	305.9	
Operating assets	**1,267.5**	**1,251.9**
Non-operating assets	234.4	242.3
Total assets	**1,501.9**	**1,494.2**

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

CHF m	2011 Third-party sales	31.12.2011 Operating assets
Switzerland (domicile)	30.9	83.6
France	164.0	101.1
Benelux	153.7	272.8
Germany	146.5	94.0
Great Britain and Ireland	113.6	173.4
Scandinavia	112.9	29.0
Southern Europe	54.8	28.4
Eastern Europe	54.5	28.3
Europe	**830.9**	**810.6**
North, Central and South America	**209.3**	**65.7**
Asia/Australia/Africa	**163.6**	**85.3**
Total net sales to third parties and operating assets	**1,203.8**	**961.6**

CHF m	2010 Third-party sales	31.12.2010 Operating assets
Switzerland (domicile)	30.5	89.3
France	170.0	148.1
Benelux	172.5	284.5
Germany	159.7	125.2
Great Britain and Ireland	127.5	185.5
Scandinavia	114.7	35.6
Southern Europe	62.7	77.1
Eastern Europe	49.6	31.4
Europe	**887.2**	**976.7**
North, Central and South America	**223.8**	**170.6**
Asia/Australia/Africa	**180.2**	**104.6**
Total net sales to third parties and operating assets	**1,291.2**	**1,251.9**

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

7 Development costs

'Development costs', which mainly comprise product development, amounted to CHF 16.0 million in the reporting year (2010: CHF 17.6 million).

8 Administrative costs

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

9 Other operating expenses

'Other operating expenses' comprises primarily environmental expenditure, legal costs, maintenance costs, warranties, costs for consulting and auditing, insurance costs, taxes on capital and levies based on local legislation.

10 Other operating profit

'Other operating profit' consists of insurance payments received, proceeds from the sale of waste for recycling purposes as well as proceeds from the release of provisions due to the efficient execution of projects.

11 Personnel expenses

Personnel expenses	2011	2010
CHF m		
Salaries and wages	277.2	293.1
Social security contributions	70.6	73.8
Total personnel expenses	**347.8**	**366.9**

As at December 31, 2011, the headcount of the continuing operations was 4,875 (2010: 4,816). The average headcount over the year was 4,884 (2010: 4,852). Salaries and wages include share-based payments worth CHF 5.0 million (2010: CHF 5.5 million).

A bonus program is available for around 100 managers of the continuing operations, which is linked to achieving financial targets set for the Group, the divisions, and individual objectives.

12 Financial income

Financial income	2011	2010
CHF m		
Interest income[1)]	1.0	1.1
Gains on sale of available-for-sale financial assets	29.1	43.2
Total financial income	**30.1**	**44.3**

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

Gains from the sale of securities (available-for-sale financial assets) came to CHF 29.1 million (2010: CHF 43.2 million) in the reporting year. The sale of Rieter shares generated proceeds for the Group amounting to CHF 53.0 million (2010: CHF 92.4 million). The Group realized a financial gain of CHF 29.1 million before tax (2010: CHF 43.0 million) in the reporting year on the strength of this sales price. The Group has now sold its entire interest in Rieter.

The prior year sum includes CHF 43.0 million from the sale of 288,691 Rieter shares to related persons.

13 Financial expenses

	2011	2010
Financial expenses		
CHF m		
Interest expenditure from financial liabilities valued at amortized cost	9.9	14.9
Gains (–)/losses on financial assets or liabilities at fair value through profit or loss		– 0.1
Amortization of issuance costs for private placement and bond	0.4	0.4
Foreign exchange losses/gains (–), net	1.4	– 0.6
Foreign exchange gains (–)/losses on financial assets or liabilities at fair value through profit or loss	– 0.3	0.4
Loss from repurchase of own bond	0.3	
Total financial expenses	**11.7**	**15.0**

The average interest rate on interest-bearing debt (private placements, bonds, non-current bank debt, and current bank debt) in 2011 was 4.5% (2010: 3.2%).

14 Income taxes

	2011	2010
Income taxes		
CHF m		
Current income taxes	30.8	48.3
Deferred income taxes	– 0.9	0.5
Total income taxes	**29.9**	**48.8**

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

	2011	2010
CHF m		
Group profit before taxes	167.3	198.0
Tax expense at the expected tax rate	**– 40.3**	**– 48.7**
Tax effects of:		
Non-tax-deductible expenses and tax-exempt income	– 0.2	– 4.5
Tax losses and temporary differences for which no deferred tax assets have been recognized	– 0.6	– 0.2
Write-off of deferred tax assets	– 2.5	– 4.5
Utilization of tax losses not capitalized in previous years	7.7	12.1
Previous-year and other positions	6.0	– 3.0
Total income taxes	**– 29.9**	**– 48.8**

Since the Group operates in various countries with different tax laws and rates, the expected and effective tax expense depends every year on the origin of the revenues or losses in each country. The expected tax expense is the sum of the expected individual tax income/expense of all subsidiaries. The expected individual tax income/expense in a country is calculated by multiplying the individual profit/loss by the tax rate applicable in the country concerned. The expected tax rate in the reporting year was 24.1% (2010: 24.6%).

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

2011 CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	3.7	2.3	6.0
2 years	0.2	2.2	2.4
3 years	0.5	1.9	2.4
4 years	0.4	0.0	0.4
5 years	0.3	0.0	0.3
More than 5 years	89.9	29.1	119.0
Total tax loss carry forwards	**95.0**	**35.5**	**130.5**

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

In 2011, CHF 1.8 million (2010: CHF 3.1 million) of unused tax loss carry forwards expired.

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

	31.12.2011	31.12.2010
CHF m		
Deferred tax assets	21.9	17.6
Deferred tax liabilities	– 49.5	– 54.3
Deferred tax liabilities, net	**– 27.6**	**– 36.7**

Deferred tax assets and liabilities, tax credits, and tax charges from deferred taxes (prior to netting):

Deferred tax assets						
CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry forwards	Other	Total
As at December 31, 2010	**8.9**	**9.0**	**29.2**	**4.0**	**14.3**	**65.4**
Decrease (–)/increase in deferred tax assets	– 2.2	– 5.3	– 14.1	9.6	0.9	– 11.1
Transfer to assets held for sale	– 0.8	– 0.7	– 0.1	– 0.3	– 3.6	– 5.5
As at December 31, 2011	**5.9**	**3.0**	**15.0**	**13.3**	**11.6**	**48.8**

Deferred tax liabilities						
CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry forwards	Other	Total
As at December 31, 2010	**– 2.2**	**– 50.5**	**– 13.2**		**– 36.2**	**– 102.1**
Decrease/increase (–) in deferred tax liabilities	– 1.5	10.9	– 1.1		0.1	8.4
Transfer to liabilities directly associated with assets held for sale	0.0	5.7	0.1		11.5	17.3
As at December 31, 2011	**– 3.7**	**– 33.9**	**– 14.2**		**– 24.6**	**– 76.4**

Deferred tax assets/liabilities (–), net as at December 31, 2010	6.7	– 41.5	16.0	4.0	– 21.9	– 36.7
Deferred tax assets/liabilities (–), net as at December 31, 2011	2.2	– 30.9	0.8	13.3	– 13.0	– 27.6

Increase in deferred tax liabilities, net	**9.1**
Of which recognized in other comprehensive income statement	– 3.7
Of which recognized in the income statement	0.9
Of which transfer to discontinued operations	11.9

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

	2011			2010		
	Before tax	Tax expense (–)/income	After tax	Before tax	Tax expense (–)/income	After tax
CHF m						
Change in fair value of financial instruments available-for-sale				14.7	– 3.0	11.7
Gain from sale of financial instruments available-for-sale; transfer to income statement	– 23.4	4.8	– 18.6	– 18.0	3.7	– 14.3
Changes in revaluations reserves for property, plant, and equipment	– 1.6	0.4	– 1.2			
Actuarial gains/losses (–) on pension obligations	15.7	– 7.1	8.6	– 15.1	2.9	– 12.2
Cash flow hedges	– 1.7		– 1.7	0.2		0.2
Net investment hedges	0.0		0.0	– 4.7		– 4.7
Translation differences	– 4.4	– 1.8	– 6.2	– 121.8	2.2	– 119.6
Other comprehensive income	**– 15.4**	**– 3.7**	**– 19.1**	**– 144.7**	**5.8**	**– 138.9**

15 Earnings per share

Undiluted earnings per share are calculated by dividing the net profit or loss for the year attributable to registered shareholders by the weighted average number of registered shares issued and outstanding during the year, less the average number of treasury shares. The 213,152 registered shares destroyed in the reporting year as part of the reduction in share capital had no effect on earnings per share, as this stock was already included in treasury shares in the prior year.

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

The calculations are based on the following share information:

	2011	2010
Weighted average of number of shares	2,333,621	2,279,602
Amount of shares adjusted for stock option plans	6,100	4,885
Weighted average of number of shares used to calculate diluted earnings per share	2,339,721	2,284,487

16 Property, plant, and equipment

Cost on acquisition or valuation CHF m	Land and buildings	Machinery and equipment	Other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
As at December 31, 2009	**382.8**	**917.9**	**162.1**	**23.0**	**1,485.8**
Additions	2.9	14.9	3.3	16.2	37.3
Disposals	– 24.9	– 57.0	– 7.0	– 0.8	– 89.7
Transfers	1.4	21.6	1.5	– 24.5	0.0
Translation differences	– 44.5	– 118.0	– 20.4	– 2.3	– 185.2
As at December 31, 2010	**317.7**	**779.4**	**139.5**	**11.6**	**1,248.2**
Additions	2.1	14.2	2.8	20.3	39.4
Disposals	– 0.5	– 7.3	– 3.5		– 11.3
Revaluation	– 1.6				– 1.6
Transfers	3.9	10.0	3.1	– 16.3	0.7
Translation differences	– 8.6	– 14.1	– 2.7	– 0.1	– 25.5
Transfer to assets held for sale	– 51.8	– 121.2	– 18.7	– 4.9	– 196.6
As at December 31, 2011	**261.2**	**661.0**	**120.5**	**10.6**	**1,053.3**

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, 2009	**3.0**	**784.1**	**147.3**	**1.5**	**935.9**
Depreciation	14.1	33.1	5.8		53.0
Impairments		0.4			0.4
Disposals	– 12.5	– 55.6	– 6.5	0.0	– 74.6
Translation differences	– 0.9	– 97.0	– 18.7	– 0.1	– 116.7
As at December 31, 2010	**3.7**	**665.0**	**127.9**	**1.4**	**798.0**
Depreciation	12.5	27.1	5.2		44.8
Disposals	– 0.4	– 7.2	– 3.4		– 11.0
Transfers	6.3	– 6.4	0.8		0.7
Translation differences	– 5.8	– 18.1	– 2.6	0.2	– 26.3
Transfer to assets held for sale	– 0.8	– 95.7	– 16.2	0.0	– 112.7
As at December 31, 2011	**15.5**	**564.7**	**111.7**	**1.6**	**693.5**
Net carrying amount					
As at December 31, 2010	314.0	114.4	11.6	10.2	450.2
As at December 31, 2011	245.7	96.3	8.8	9.0	359.8

Land and buildings are valued in the balance sheet as at the revaluation date at fair value less accumulated depreciation and impairments. Property and buildings were last systematically revalued by independent experts on July 1, 2008. The methods used for the revaluation in 2008 were fair value, capitalized value, and cost-oriented valuation. In applying the capitalized value method, the fair value was determined using the discounted cash flow (DCF) method. In the cost-oriented valuation, the fair value was ascertained by means of the depreciated replacement cost method. The increase in net value was recognized in the revaluation reserve in equity, taking into account deferred taxes. The value of a property in Switzerland was adjusted by CHF 1.6 million as at December 31, 2011 as the result of a revaluation.

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

	2011	2010
CHF m		
Cost on acquisition/production cost	319.2	404.4
Cumulative depreciation	– 188.2	– 228.7
Net carrying amount	**131.0**	**175.7**

Property, plant, and equipment also include leased assets with a net carrying amount of CHF 0.2 million (2010: CHF 0.3 million).

The sum insured for property damage for buildings, machinery, equipment, and inventories came to CHF 1,650.7 million (2010: CHF 2,079.9 million).

Maintenance and repair costs amounted to CHF 22.0 million (2010: CHF 23.6 million). Depreciation totaling CHF 36.0 million (2010: CHF 41.8 million) has been posted under 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', 'Administrative costs', and 'Assets held for sale'.

17 Intangible assets

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2009	**209.2**	**64.1**	**104.0**	**377.3**
Additions			0.3	0.3
Disposals			– 1.3	– 1.3
Translation differences	– 24.2	– 1.3	– 12.8	– 38.3
As at December 31, 2010	**185.0**	**62.8**	**90.2**	**338.0**
Additions			0.3	0.3
Disposals			– 0.1	– 0.1
Transfers			0.2	0.2
Translation differences	– 2.9	– 0.1	– 0.3	– 3.3
Transfer to assets held for sale	– 89.6	– 25.0	– 6.6	– 121.2
As at December 31, 2011	**92.5**	**37.7**	**83.7**	**213.9**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2009	**12.3**	**32.6**	**23.3**	**68.2**
Amortization			5.0	5.0
Disposals			– 1.4	– 1.4
Translation differences	– 2.1	0.0	– 2.1	– 4.2
As at December 31, 2010	**10.2**	**32.6**	**24.8**	**67.6**
Amortization			4.9	4.9
Disposals			– 0.1	– 0.1
Transfers			0.1	0.1
Translation differences	– 0.2		– 0.3	– 0.5
Transfer to assets held for sale	– 1.8	– 3.5	– 6.3	– 11.6
As at December 31, 2011	**8.2**	**29.1**	**23.1**	**60.4**
Net carrying amount				
As at December 31, 2010	174.8	30.2	65.4	270.4
As at December 31, 2011	84.3	8.6	60.6	153.5

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

Goodwill as at December 31, 2011 mainly comprised the goodwill acquired in connection with the acquisition of Bonar Floors in 2008. As at December 31, 2011, the item 'Trademarks' mainly referred to the trademarks obtained through the acquisitions of Bonar Floors. The remaining intangible assets consist mainly of the customer relationships and technologies in connection with the acquisition of Bonar Floors plus the software acquired.

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 assets acquired were also subject to impairment testing by means of sensitivity analyses. The cash-generating unit underlying the goodwill impairment test is the Flooring Systems division. The cash-generating units linked to the impairment testing of trademarks were those companies which generated sales using the trademarks. The discount rate applied in the impairment tests for trademarks was 12.6%.

18 Investments in associates and other non-current assets

	31.12.2011	31.12.2010
Investments in associates and other non-current assets		
CHF m		
Other investments in associates	0.9	1.0
Other non-current financial assets	0.3	4.7
Total investments in associates and other non-current assets	**1.2**	**5.7**

19 Inventories

	31.12.2011	31.12.2010
Inventories		
CHF m		
Raw materials and supplies	43.6	71.1
Work in progress	65.4	65.9
Finished goods	135.6	155.3
Provisions for inventories	– 25.0	– 31.4
Total inventories	**219.6**	**260.9**

Provisions for inventories amounted to CHF 25.0 million (2010: CHF 31.4 million). Expenses for inventories (cost of goods sold) recognized in the reporting year came to CHF 488.6 million (2010: CHF 478.7 million).

20 Trade receivables

Trade receivables	31.12.2011	31.12.2010
CHF m		
Accounts receivable	144.4	214.5
Notes receivable	22.9	26.2
Allowance for doubtful trade receivables	– 8.1	– 19.9
Total trade receivables	**159.2**	**220.8**

Trade receivables after deduction of the allowance for doubtful receivables amounting to CHF 8.1 million (2010: CHF 19.9 million) came to CHF 159.2 million (2010: CHF 220.8 million).

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

Trade receivables capitalized as at the balance sheet date:

	31.12.2011	31.12.2010
CHF m		
Total trade receivables, gross	**167.3**	**240.7**
Of which not due	143.9	198.9
Of which past due for:		
Less than 30 days	11.0	20.8
Between 31 and 90 days	5.9	9.5
Between 91 and 180 days	4.0	3.2
Between 181 days and 1 year	2.3	6.5
Over 1 year	0.2	1.8
Allowance for doubtful trade receivables	– 8.1	– 19.9
Total trade receivables	**159.2**	**220.8**

As at December 31, 2011, CHF 18.2 million in trade receivables (2010: CHF 28.2 million) were past due but not the subject of a valuation allowance; an allowance was made and a reserve established for trade receivables totaling CHF 30.1 million (2010: 38.5 million).

Gross value of trade receivables by currency:

	31.12.2011	31.12.2010
CHF m		
CHF	1.0	1.6
EUR	83.7	119.7
USD	20.0	34.4
JPY	17.3	17.6
GBP	14.5	17.8
CNY	7.8	14.8
SEK	7.0	8.6
Other	16.0	26.2
Total trade receivables, gross	**167.3**	**240.7**

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

	2011	2010
CHF m		
As at January 1	**– 19.9**	**– 21.1**
Additions	– 1.8	– 4.4
Release	6.3	1.1
Use	2.7	2.5
Translation differences	0.1	2.0
Transfer to assets held for sale	4.5	
As at December 31	**– 8.1**	**– 19.9**

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

21 Marketable securities

'Marketable securities' in the prior year mainly comprised registered shares of Rieter Holding AG, as valued at the closing price on the SIX Swiss Exchange on the last day of trading in the prior year. In the reporting year, all the registered shares of Rieter Holding AG were sold.

22 Cash

Cash and cash equivalents	31.12.2011	31.12.2010
CHF m		
Cash	0.2	0.1
Bank accounts	130.1	152.5
Short-term deposits with banks	62.1	18.8
Total cash and cash equivalents	**192.4**	**171.4**

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

23 Pledged or assigned assets

There were no significant pledged or assigned assets.

24 Share capital

The share capital of Forbo Holding Ltd stood at CHF 250,000 on December 31, 2011 (2010: CHF 271,315) and was divided into 2,500,000 registered shares with a par value of CHF 0.10 each. Of these, 21,419 registered shares without voting and dividend rights are at the disposal of the Board of Directors. Consequently, 2,478,581 registered shares were eligible for dividends as at December 31, 2011.

Change in shares in circulation:

	31.12.2011	Change	31.12.2010
	Number	Number	Number
Total shares outstanding	**2,500,000**	**– 213,152**	**2,713,152**
Treasury shares			
Shares with dividend rights:			
Treasury shares	179,823	40,404	139,419
Share buyback 2008		– 213,152	213,152
Shares with no dividend rights	21,419		21,419
Total treasury shares	**201,242**	**– 172,748**	**373,990**
Total shares in circulation	**2,298,758**	**– 40,404**	**2,339,162**

At the Ordinary General Meeting on April 29, 2011, shareholders voted to reduce the share capital of CHF 271,315.20 to CHF 250,000 by destruction of the 213,152 registered shares repurchased through the share buyback program approved at the Ordinary General Meeting of April 25, 2008. The capital reduction was completed with the entry in the Commercial Register of the Canton of Zug on July 11, 2011 and was published in the SHAB on July 14, 2011. The exchange adjustment took place on the same day.

25 Employee participation plan

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

Options

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

	2011		2010	
	Weighted average strike price in CHF	Number of options	Weighted average strike price in CHF	Number of options
Options outstanding as at January 1	**484**	**25,594**	**438**	**30,823**
Granted	733	12,194	435	5,165
Forfeited		0		0
Exercised	546	– 5,350	322	– 10,394
Expired		0		0
Options outstanding as at December 31	**568**	**32,438**	**484**	**25,594**

Of the outstanding 32,438 options (2010: 25,594), 6,962 were exercisable as at December 31, 2011 (2010: 6,268). The exercise of 5,350 options (2010: 10,394) resulted in the issue of 5,350 Forbo Holding Ltd shares (2010: 10,394) at a weighted average strike price of CHF 546 (2010: CHF 322). The weighted average share price on the exercise days was CHF 699 (2010: CHF 490). The expense for equity-settled options charged to the income statement in accordance with IFRS 2 amounted to CHF 1.9 million (2010: CHF 0.7 million).

Information on the outstanding options as at December 31, 2011:

Series	Strike price (CHF)	Number of outstanding options	Average remaining term (years)	Number of exercisable options
2007	565	918	0.2	918
2008	822	6,044	1.2	6,044
2009	215	8,117	2.3	
2010	435	5,165	3.3	
2011	733	12,194	4.3	
Total options outstanding		**32,438**	**2.9**	**6,962**

In the reporting year, a total of 12,194 equity-settled options (2010: 5,165) were issued under the MIP. The fair value of these options amounted to CHF 149.9 (2010: CHF 117.1). The options were valued in accordance with the Black-Scholes model using the following input factors: share price at issue date CHF 690 (2010: CHF 452), strike price CHF 733 (2010: CHF 435), volatility 29.0% (2010: 29.0%), expected time to maturity 4.1 years (2010: 4.1 years), dividend yield 1.7% (2010: 1.3%), and risk-free interest rate 1.7% (2010: 1.6%). The expected volatility is based on adjusted historical market data over a period comparable to the expected lifetime of the options. The expected term applied in the calculation model has been adapted using the best possible estimates to allow for restrictions on exercise rights and possible behavior patterns.

Shares

Under the MIP, 2,232 shares in Forbo Holding Ltd were issued in the reporting year (2010: 1,061). The share price at valuation date was CHF 690 (2010: CHF 452).

The Delegate of the Board of Directors and CEO is remunerated primarily with shares. On the basis of an employment contract signed in 2005, 47,395 shares were issued in 2006 at a fair value of CHF 270 each for the entire five-year contract term (2006 to 2010). These shares were restricted until December 31, 2010. The corresponding personnel expenditure was 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 to run until the end of April 2013. Compensation is again being paid mainly in shares, which in accordance with IFRS 2 had to be recognized on a pro rata basis.

In the reporting year, the total amount charged to the income statement in accordance with IFRS 2 for shares issued to the Executive Board and Board of Directors came to CHF 3.1 million (2010: CHF 4.8 million).

26 Non-current financial debt

	31.12.2011	31.12.2010
CHF m		
Outstanding private placement and bond	191.3	196.9
Unamortized issuance cost	– 0.5	– 1.0
Total outstanding private placement and bond	**190.8**	**195.9**
Bank debt		62.7
Lease obligations	0.7	0.9
Less current portion	– 47.0	– 63.0
Total non-current financial debt	**144.5**	**196.5**

	31.12.2011	31.12.2010
Maturities of non-current financial debt		
CHF m		
After 1 year	144.5	47.2
After 2 years	0.5	150.3
After 3 years		
5+ years		
Unamortized costs	– 0.5	– 1.0
Total non-current financial debt	**144.5**	**196.5**

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. In the year under review 2011 Forbo Holding Ltd repurchased bonds with a nominal value totaling CHF 5.6 million.

The carrying amount of the liabilities from non-current financing is approximately equivalent to their fair value.

Derivatives:

Financial derivatives	Number of contracts	Gross value hedged CHF m	Unrealized gain/loss (–) CHF m
Derivative financial instruments as at December 31, 2010	3	21.5	– 0.3
Derivative financial instruments as at December 31, 2011	70	84.7	– 2.3

Financial derivatives are valued at fair value in accordance with IAS 39. The replacement value (sum of all positive and negative fair values) as at December 31, 2011 was CHF – 2.3 million (2010: replacement value CHF – 0.3 million).

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

Outstanding private placement and bond as at December 31, 2011

Company	Currency	m	Term	Interest rate
Private placement: Forbo NL Holding B.V. (guaranteed by Forbo Holding Ltd)	USD	50.0	2002 – 2012	6.290%
Bond: Forbo Holding Ltd	CHF	144.5	2009 – 2013	4.125%

Financial covenants

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

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

27 Employee benefit obligations

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

Pension costs of continuing operations for defined benefit plans:

	2011	2010
Actuarial net periodic pension costs		
CHF m		
Current service cost, net	10.5	11.0
Interest costs	29.0	30.9
Expected return on plan assets	– 21.2	– 25.8
Curtailments and settlements		– 0.4
Total actuarial net periodic pension costs	**18.3**	**15.7**

Changes in defined benefit obligations under the defined benefit plans:

CHF m	2011	2010
As at January 1	**599.9**	**635.5**
Current service cost, net	10.9	11.5
Employee contributions	4.4	4.4
Interest costs	30.5	32.6
Benefits paid	– 22.2	– 27.0
Actuarial losses	6.1	31.0
Curtailments and settlements		– 3.3
Translation differences	– 11.8	– 84.8
Transfer to liabilities directly associated with assets held for sale	– 33.5	
As at December 31	**584.3**	**599.9**

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

CHF m	2011	2010
As at January 1	**525.2**	**566.9**
Expected return on plan assets	22.4	27.1
Employer contributions	12.8	17.8
Employee contributions	4.4	4.4
Actuarial gains	21.8	15.9
Benefits paid	– 22.2	– 27.0
Curtailments and settlements		– 2.9
Translation differences	– 3.2	– 77.0
Transfer to liabilities directly associated with assets held for sale	– 19.6	
As at December 31	**541.6**	**525.2**

The actual return on plan assets of continuing operations comes to CHF 44.6 million. In 2010, the return of all operations was CHF 43.0 million.

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

	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
CHF m					
Present value of defined benefit liabilities	584.3	599.9	635.5	575.1	734.9
Fair value of plan assets	– 541.6	– 525.2	– 566.9	– 516.5	– 750.5
Net liabilities/assets (–)	**42.7**	**74.7**	**68.6**	**58.6**	**– 15.6**
Net assets not recognized in the balance sheet					12.5
Net liabilities/assets (–) recognized in the balance sheet	**42.7**	**74.7**	**68.6**	**58.6**	**– 3.1**

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

	2011	2010	2009	2008	2007
Experience adjustments					
CHF m					
Plan liabilities					
Actuarial gains/losses (–)	0.4	– 7.7	8.8	0.6	0.3
Percentage of plan liabilities	0.1%	– 1.2%	1.5%	0.0%	0.0%
Plan assets					
Actuarial gains/losses (–)	23.4	15.9	27.0	– 96.9	– 26.6
Percentage of plan assets	4.5%	2.8%	5.2%	– 12.9%	– 3.5%

The data in the reporting year refers to the continuing operations. Actuarial gains and losses are recognized in the balance sheet under 'Pension liabilities' and presented directly in the other comprehensive income.

Most of the pension plans are financed in full or in part via outsourced funds. Pension liabilities amounting to CHF 32.1 million (2010: CHF 37.8 million) of a total of CHF 584.3 million (2010: CHF 599.9 million) are not financed via funds.

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

	2011	2010
CHF m		
Net liabilities as at January 1	**74.7**	**68.6**
Total pension expenses	19.0	16.6
Employer contributions	– 12.8	– 17.8
Actuarial gains (–)/losses	– 15.7	15.1
Translation differences	– 8.6	– 7.8
Transfer to liabilities directly associated with assets held for sale	– 13.9	
Net liabilities as at December 31	**42.7**	**74.7**

The pension expenses of the continuing operations are included in personnel expenses, while those of the discontinued operations are reported in Group profit for the year from discontinued operations, after taxes.

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

	2011	2010
Cumulative recognized gains and losses		
CHF m		
Actuarial losses as at January 1	**– 14.6**	**– 2.9**
Actuarial gains/losses (–) in the current period	15.7	– 15.1
Translation differences	8.7	3.4
Total actuarial gains/losses (–) as at December 31	**9.8**	**– 14.6**

The actuarial gain in the reporting year comprised a gain of CHF 23.7 million (2010: gain of CHF 15.9 million and loss of CHF 7.7 million) linked to past experience adjustments and a loss of CHF 8.0 million (2010: CHF 23.3 million) caused by changes in assumptions.

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

	2011	2010
%		
Discount rate	5.2	5.2
Expected return on plan assets	4.2	4.8
Future salary increases	3.2	3.2
Inflation	2.3	2.3

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

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

	2011	2010
%		
Shares	20.7	25.0
Bonds	76.7	73.0
Real estate	1.6	1.0
Cash and other investments	1.0	1.0
Total plan assets as at December 31	**100.0**	**100.0**

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

The cost of the contributions to defined contribution plans of continuing operations, which is included in personnel expenses, amounted to CHF 2.5 million (2010: CHF 4.0 million).

28 Provisions

Provisions

CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total 2011	Total 2010
As at January 1	**1.8**	**0.0**	**19.8**	**11.5**	**24.1**	**57.2**	**71.7**
Additions	1.5	12.5	1.6	11.1	6.5	33.2	16.1
Used during the year	– 1.5		– 2.5	– 5.4	– 11.2	– 20.6	– 27.2
Reversed during the year	– 0.1		– 3.5	– 0.7	– 4.9	– 9.2	– 1.5
Translation differences	0.0		0.0	– 0.1	– 0.2	– 0.3	– 1.9
Transfer to liabilities directly associated with assets held for sale	0.0	0.0	– 0.8	– 0.1	– 1.6	– 2.5	
As at December 31	**1.7**	**12.5**	**14.6**	**16.3**	**12.7**	**57.8**	**57.2**
Of which current provisions	1.1		0.0	11.9	5.3	18.3	21.9
Of which non-current provisions	0.6	12.5	14.6	4.4	7.4	39.5	35.3

Warranty provisions are linked to product sales and are based on past experience. The provisions for legal claims relate mainly to product liability claims in which the Group is involved in the course of its normal business. The personnel provisions comprise the bonus programs, provisions for paid leave, and severance payments in connection with the downsizing programs.

Provisions of CHF 21.0 million were made in connection with discontinued operations. They are intended to cover anticipated cash outflows in connection with risks in the areas of environmental protection (CHF 7.0 million), litigation (CHF 6.0 million), personnel (CHF 3.0 million), and other areas (CHF 5.0 million). In addition, environmental provisions of CHF 5.5 million were set aside in connection with the continuing operations of Bonding Systems. This amount corresponds to the anticipated cash outflow necessary for decontamination of a production site. The item 'Other provisions' includes the use of restructuring provisions and provisions for structural adjustments formed in prior years.

29 Trade payables

Trade payables	31.12.2011	31.12.2010
CHF m		
Accounts payable	85.9	134.3
Notes payable	0.2	1.4
Total trade payables	**86.1**	**135.7**

30 Accrued expenses

Accrued expenses	31.12.2011	31.12.2010
CHF m		
Accrued expenses for compensation and benefits to employees	43.3	48.3
Other accrued expenses	63.4	70.1
Total accrued expenses	**106.7**	**118.4**

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

31 Current financial debt

Current financial debt	31.12.2011	31.12.2010
CHF m		
Current bank loans and overdrafts	0.5	2.9
Current portion of non-current debt	47.0	63.0
Total current financial debt	**47.5**	**65.9**

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

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

On December 21, 2011, Forbo signed an agreement with H.B. Fuller Company on the sale of the industrial adhesives operation, including synthetic polymers, of the Bonding Systems division. This transaction excludes the operations of the building and construction adhesives business unit. The sale price was CHF 370 million. After fulfilment of all conditions, the transaction was closed on March 5, 2012.

All prior-year figures relating to the consolidated income statement and its notes have been adjusted accordingly. In the consolidated balance sheet the assets and liabilities of the discontinued operations are recognized under 'Assets held for sale' and 'Liabilities directly associated with assets held for sale'. In accordance with IFRS 5, the prior-year figures have not been restated for the balance sheet. For movement tables related to assets and liabilities, discontinued operations have been transferred at the closing values of the reporting period. The consolidated cash flow statement includes the cash flows from discontinued operations, and this note provides a summary of the cash flows related to the discontinued operations separately.

Cash flows from discontinued operations:

	2011	2010
CHF m		
Cash flow from operating activities	– 0.4	26.3
Cash flow from investment activities	– 7.9	– 6.2
Cash flow from financing activities	2.3	– 20.0

Assets of discontinued operations:

	2011
CHF m	
Property, plant, and equipment	83.9
Intangible assets	109.6
Deferred taxes	5.5
Investments and other non-current assets	0.1
Inventories	63.1
Trade receivables	81.0
Other receivables	3.3
Deferred income and prepaid expenses	2.0
Cash and cash equivalents	12.9
Total assets of discontinued operations	**361.4**

Liabilities directly associated with assets held for sale:

CHF m	2011
Employee benefit obligations	13.9
Non-current provisions	2.5
Deferred taxes	17.3
Trade payables	42.3
Accrued expenses	15.8
Current tax liabilities	1.1
Other current liabilities	4.7
Total liabilities directly associated with assets held for sale	**97.6**

Net profit/loss from discontinued operations:

CHF m	2011	2010
Net sales	**503.4**	**498.5**
Cost of goods sold	– 424.7	– 415.5
Gross profit	**78.7**	**83.0**
Development costs	– 8.6	– 9.7
Marketing and distribution costs	– 28.6	– 37.4
Administrative costs	– 22.5	– 20.0
Other operating expenses	– 15.6	– 1.9
Other operating profit	6.5	3.2
Operating profit	**9.9**	**17.2**
Financial income	0.1	0.1
Financial expenses	– 1.0	– 0.5
Group profit for the year from discontinued operations before taxes	**9.0**	**16.8**
Income taxes	0.1	– 2.7
Group profit for the year from discontinued operations after taxes	**9.1**	**14.1**

33 Contingent liabilities

	31.12.2011	31.12.2010
CHF m		
Contingent liabilities	1.5	0.8

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

34 Leasing

	2011	2010
Leasing		
CHF m		
Operating leasing liabilities:		
Up to 1 year	7.5	10.2
2 – 5 years	17.5	16.7
More than 5 years	5.6	5.5
Total operating leasing liabilities	**30.6**	**32.4**

Expenses for operating leasing and rentals charged to the 2011 income statement totaled CHF 18.5 million (2010: CHF 19.9 million). The Group has no individually significant operational leasing contracts.

Finance lease liabilities stood at CHF 0.7 million at year-end 2011 (2010: CHF 0.9 million) and appear under 'Non-current financial debt'.

35 Additional information on financial instruments

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

As at December 31, 2011

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial assets available-for-sale
Assets				
Trade receivables and other receivables		183.9		
Other financial non-current assets		0.2		
Cash and cash equivalents	192.4			
Marketable securities				0.1
Financial derivatives			0.3	
Total assets	**192.4**	**184.1**	**0.3**	**0.1**

CHF m	Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities			
Interest-bearing debt	191.7		
Financial derivatives		2.5	
Trade payables and other payables[1]	98.5		
Total liabilities	**290.2**	**2.5**	

As at December 31, 2010

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

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

1) Excluding sales tax.

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

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

As at December 31, 2011				
CHF m	Level 1	Level 2	Level 3	Total
Financial assets available-for-sale	0.1			0.1
Financial derivatives		0.3		0.3
Total assets	**0.1**	**0.3**		**0.4**
Financial derivatives		2.5		2.5
Total liabilities		**2.5**		**2.5**

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

36 Acquisition of subsidiaries

As in the prior year, the Group did not acquire any subsidiaries in the reporting year.

37 Related party transactions

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

	Executive Board		Board of Directors		Total	
CHF m	2011	2010	2011	2010	2011	2010
Remuneration	4.8	2.6	0.9	0.8	5.7	3.4
Employer contributions to the pension scheme	0.4	0.4	0.2	0.2	0.6	0.6
Other long-term benefits	0.0	0.0	0.0	0.0	0.0	0.0
Termination benefits	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments	3.1	1.4	1.5	3.9	4.6	5.3
Total payments	**8.3**	**4.4**	**2.6**[1)]	**4.9**	**10.9**	**9.3**

1) This sum includes the payments to the Board of Directors and to the Delegate of the Board of Directors and CEO.

The compensation paid to the Executive Board in the reporting year consists of the gross base salary, special bonuses, private use of the company car, and social security payments made by the company. The increase in comparison with the prior year is due to the expansion of the Executive Board in spring 2010, which is reported for the full year in 2011, and special bonuses paid in connection with the disposal of the industrial adhesives business. Employer contributions to the pension fund are reported separately. Share-based payments to the Executive Board consist of estimated performance-based variable remuneration within the framework of the MIP (see note 25 'Employee participation plan') for the reporting year, amounting to CHF 2.7 million (payable in spring 2012) plus the difference, amounting to CHF 0.4 million, between the bonuses deferred at the end of the prior year (payable in equity instruments) and the value of the equity instruments actually issued in the reporting year.

The compensation paid to the Board of Directors included CHF 0.3 million (2010: CHF 0.3 million) for the Delegate of the Board of Directors and CEO. This includes annual amounts of CHF 0.15 million (2010: CHF 0.15 million) for payment of employee contributions to the pension fund and social security, and of CHF 0.15 million (2010: 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 benefits insurance. Employer contributions to the pension fund are reported separately. Current payment benefits for non-executive Board members of Forbo Holding Ltd totaled CHF 0.6 million (2010: CHF 0.5 million).

With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to run until the end of April 2013. Compensation is again being paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are restricted until December 31, 2013. The share-based payments made to the Board of Directors include the annual portion of the shares of Forbo Holding Ltd allocated to the Delegate of the Board of Directors and CEO totaling CHF 1.1 million (2010: CHF 1.1 million) pursuant to the extension of the employment contract until the end of April 2013. In accordance with IFRS 2, these shares have been recognized on a pro rata basis. However, the share-based compensation in the reporting year does not include the annual portion of the Forbo Holding Ltd shares allocated to the Delegate of the Board of Directors and CEO in 2005, which came to CHF 2.6 million in 2010.

Moreover, the share-based payments made to the Board of Directors include the 508 Forbo Holding Ltd shares allocated to the non-executive Board members in 2011 (2010: 631 shares) with a market value of CHF 0.4 million (2010: 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 Articles 663b^{bis} and 663c of the Swiss Code of Obligations' in the financial statements for Forbo Holding Ltd.

On April 12, 2010, the Group sold 288,691 Rieter shares to Artemis Beteiligungen IV AG, a company owned by Michael Pieper. The Group obtained CHF 92.4 million in cash and cash equivalents from the sale of the Rieter shares, posting financial income totaling CHF 43.0 million before tax from the sale in the prior year.

Enia Carpet Group AG in liquidation constitutes a related party because the Forbo Group holds a 33 1/3% stake. The Forbo Group bought products from Enia Carpet Group worth CHF 1.6 million in the prior year, while Enia Carpet Group bought products from the Group worth CHF 0.1 million in that period. The goods were sold and purchased at market conditions.

As at December 31, 2011 and 2010, Forbo had no significant receivables due from or liabilities to related parties.

38 Risk assessment and financial risk management

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

Financial risk management

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

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

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

Translation risk management

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

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

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

2011

CHF m	Change in exchange rate	Impact on profit before tax	Impact on shareholders' equity
EUR/CHF	5%	0.3	0.0
	– 5%	– 0.3	0.0
USD/CHF	5%	0.4	– 0.1
	– 5%	– 0.4	0.1
EUR/USD	5%	0.0	1.4
	– 5%	0.0	– 1.4
GBP/USD	5%	– 0.2	1.1
	– 5%	0.2	– 1.1

2010

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

Management of interest rate risks

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

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

2011

CHF m	Change in interest rate	Impact on profit before tax	Impact on shareholders' equity
EUR	50bp	0.3	0.0
	– 50bp	– 0.3	0.0
USD	50bp	0.0	0.0
	– 50bp	0.0	0.0
CHF	50bp	0.2	0.0
	– 50bp	– 0.2	0.0

2010

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

Management of liquidity risks

Group companies need sufficient cash in order to meet their liabilities. Corporate Treasury is responsible for managing liquidity surpluses. The share of the aggregate cash and cash equivalents and securities managed by Corporate Treasury was around 67% on December 31, 2011. The Group has sufficient liquidity reserves (as at December 31, 2011 these stood at CHF 192.4 million in cash and cash equivalents and CHF 0.1 million in securities) to be able to meet its commitments at any time. At present, the Group regards a liquidity stock of roughly CHF 80 million as sufficient to meet its payment obligations at all times.

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

As at December 31, 2011

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	0.5			
Interest-free liabilities	98.3	0.1		0.1
Leasing contract liabilities	0.2	0.2	0.5	
Liabilities from private placements and bonds	55.9	150.3		
Cash outflow from financial derivatives	84.4			
Cash inflow from financial derivatives	82.3			

As at December 31, 2010

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

Management of credit risks

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

Capital management
For the Group, capital management means both optimizing the capital employed and managing consolidated shareholders' equity, which consists of paid-up share capital, treasury shares, reserves, and translation differences. As at December 31, 2011, shareholders' equity stood at CHF 815.3 million. The objectives of capital management are to ensure that the Group remains a going concern, to preserve its financial flexibility for investments, and to achieve a risk-adjusted return on equity for investors.

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

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

39 Prior-period restatement

For the 2011 consolidated financial statements, the Executive Board analyzed the total amount of the translation differences recognized in equity in order to be able to allocate them to the individual divisions and companies. The analysis revealed that part of these translation differences cannot be allocated to individual divisions or companies owing to system adjustments. As a consequence of this situation, the origin of which goes back to the years before 2002, the reported reserves in equity as at January 1, 2010 were too high by CHF 97.6 million, while the translation differences in equity were too low by the same amount. This error was corrected in the opening balance as at January 1, 2010 in accordance with IAS 8. The transfer had no effect either on the 2010 and 2011 income statements or on the total of equity or any single balance sheet item as at December 31, 2010 or December 31, 2011. Moreover, the transfer did not affect the cash flow of the Group.

40 Events after the balance sheet date

Forbo signed a contract with H.B. Fuller Company on December 21, 2011 on the sale of its industrial adhesives business, including synthetic polymers, belonging to the Bonding Systems division. The building and construction adhesives business was excluded from this transaction. The sale price was CHF 370 million. On fulfillment of all conditions, the transaction was closed on March 5, 2012.

On conclusion of the contract for the sale of industrial adhesives in December 2011, Forbo studied the strategic options available for the remaining unit in the division, building and construction adhesives. Forbo was at the same time contacted by various interested parties. It therefore took a decision in February 2012 and announced that it would begin discussions with these parties in the coming months in a structured process on the possible sale of the building and construction adhesives business. The discussions are still in an early stage, and the outcome is completely open.

Group companies (as at December 31, 2011)

Company	Registered office		Currency	Share capital	Equity interest	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[1)]	Dendermonde		EUR	61,332	100%		S		
Forbo Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S			
Brazil									
Forbo Pisos Ltda.	São Paulo		BRL	10,000	100%	S			
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%			MS	
Canada									
Forbo Adhesives (Canada) Ltd.[1)]	Saint John		CAD	3,500,157	100%		MS		
Forbo Flooring Inc.	Toronto		CAD	500,000	100%	S			
Forbo Siegling Ltd.	Toronto		CAD	501,000	100%			S	
Chile									
Forbo Siegling Chile S.A.	Santiago	N	CLP	335,631,092	50%			MS	
Czech Republic									
Forbo Siegling Ceska republika s.r.o.	Liberec		CZK	100,000	100%			S	
Forbo s.r.o.	Prague		CZK	500,000	100%	S	S[1)]		
Denmark									
Forbo Flooring A/S	Glostrup		DKK	500,000	100%	S			
Forbo Siegling Danmark A/S	Brøndby		DKK	32,200,000	100%			MS	
Finland									
Forbo Linoleum OY	Helsinki		EUR	33,638	100%				H
Oy Forbo Adhesives Nordic Ab[1)]	Esbo		EUR	25,280	100%		MS		
France									
Forbo Adhesives France S.A.S.[1)]	Surbourg		EUR	1,440,000	100%		MS		
Forbo Château Renault S.A.S.	Château-Renault		EUR	1,000,000	100%	MS			
Forbo Participations S.A.S.	Reims	D	EUR	43,490,386	100%				H
Forbo Reims SNC	Reims		EUR	3,879,810	100%	MS			
Forbo Sarlino S.A.S.	Reims		EUR	6,400,000	100%	S			
Forbo Siegling France S.A.S.	Lomme		EUR	819,000	100%			S	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2011
D Direct participation of Forbo Holding Ltd

1) Eliminated from the Group as at March 6, 2012 following the sale of the industrial adhesives business, including synthetic polymers, to H.B. Fuller Company.

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Bonding Systems	Move-ment Systems	Holding/ Services
Germany									
Forbo Adhesives Deutschland GmbH[1]	Pirmasens		EUR	5,120,000	100%		MS		
Forbo Beteiligungen GmbH	Lörrach	D	EUR	15,400,000	100%				H
Forbo Erfurt GmbH	Erfurt		EUR	2,050,000	100%		MS		
Forbo Flooring GmbH	Paderborn		EUR	500,000	100%	S			
Forbo Siegling GmbH	Hanover		EUR	10,230,000	100%			MS	
Paul Heinicke GmbH & Co. KG[1]	Pirmasens	D	EUR	1,023,000	100%				H
Realbelt GmbH	Lörrach		EUR	100,000	100%			S	
Greece									
Forbo Adhesives Greece S.A.I.C[1]	Kallithea (Athens)		EUR	927,656	100%		MS		
Hong Kong									
Forbo Adhesives Hong Kong Ltd.[1]	Hong Kong		HKD	1,000,000	100%		S		H
Forbo International Hong Kong Ltd.	Hong Kong		HKD	1	100%				H
Hungary									
Forbo Adhesives Hungary Kft.[1]	Budapest		HUF	3,000,000	100%		S		
Forbo Siegling Hungária Kft.	Budaörs		EUR	107,623	100%			S	
India									
Forbo Siegling Movement Systems India Pvt. Ltd.	Pune		INR	26,000,000	100%			S	
Forbo Adhesives India Pvt. Ltd.	Mumbai		INR	15,000,000	100%				H
Ireland									
Forbo Adhesives Ireland Ltd.[1]	Dublin		EUR	2,520	100%		S		
Forbo Ireland Ltd.	Dublin		EUR	127,000	100%	S			
Forbo-Siegling (Ireland) Ltd.	Dublin		EUR	25,395	100%				H
Italy									
Forbo Adhesives Italia S.p.A.[1]	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	120,000	100%			S	
Japan									
Forbo Siegling Japan Ltd.	Tokyo		JPY	330,000,000	100%			MS	
Jersey, C.I.									
Forbo Invest Ltd.	Saint Helier	D	GBP	25,000	100%				H
Malaysia									
Forbo Siegling SDN. BHD.	Johor Bahru		MYR	2,500,002	100%			S	

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D Direct participation of Forbo Holding Ltd

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Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Bonding Systems	Movement Systems	Holding/ Services
Mexico									
Forbo Siegling, S.A. de C.V.	Tlalnepantla		MXN	24,676,404	100%		S[1]	MS	
Netherlands									
Forbo Adhesives Nederland B.V.[1]	Genderen		EUR	27,600	100%		S		
Forbo Eurocol B.V.	Zaanstad		EUR	454,000	100%		MS		
Forbo Flooring B.V.	Krommenie		EUR	11,350,000	100%	MS			
Forbo Flooring Coral N.V.	Krommenie		EUR	1,944,500	100%	MS			
Forbo NL Holding B.V.	Krommenie		EUR	13,500,000	100%				H
Forbo-Novilon B.V.	Coevorden		EUR	3,624,000	100%	MS			
Forbo Siegling Nederland B.V.	Spankeren		EUR	113,445	100%			S	
New Zealand									
Forbo Siegling Ltd.	Auckland		NZD	650,000	100%			S	
Norway									
Forbo Flooring AS	Asker	D	NOK	1,000,000	100%	S			
People's Republic of China									
Forbo Adhesives (Guangzhou) Co., Ltd.[1]	Guangzhou		USD	8,000,000	100%		MS		
Forbo Adhesives (Shanghai) Co., Ltd.[1]	Shanghai		USD	1,000,000	100%		MS		
Forbo Shanghai Co., Ltd.	Shanghai		CHF	4,000,000	100%	S		MS	
Forbo Siegling (Shenyang) Belting Co., Ltd.	Shenyang		USD	16,221,000	100%			MS	
Poland									
Forbo Adhesives Poland Sp. z o.o.[1]	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.[1]	Oradea		RON	7,077	100%		S		
Forbo Siegling Romania S.R.L.	Bucharest		RON	38,000	100%			S	
Russia									
OOO 'Forbo Flooring'	Moscow		RUB	500,000	100%	S			
OOO 'Forbo Kaluga'	Moscow		RUB	158,313,780	100%	MS			
OOO 'Forbo Stroitech'	Stary Oskol		RUB	144,181,000	100%		MS		
ZAO 'Forbo Siegling'	St. Petersburg		RUB	400,000	100%			S	
Slovakia									
Forbo Siegling s.r.o.	Malacky		EUR	15,281,639	100%			MS	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2011
D Direct participation of Forbo Holding Ltd

1) Eliminated from the Group as at March 6, 2012 following the sale of the industrial adhesives business, including synthetic polymers, to H.B. Fuller Company.

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Bonding Systems	Move-ment Systems	Holding/ Services
Spain									
Forbo Adhesives Spain, S.L.[1]	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 Project Vinyl AB	Gothenburg	D	SEK	50,000,000	100%	S			
Forbo Siegling Svenska AB	Kållered (Gothenburg)		SEK	1,000,000	100%			S	
Switzerland									
Forbo Financial Services AG	Baar	D	CHF	100,000	100%				H
Forbo Finanz AG	Baar	D	CHF	10,000,000	100%				H
Forbo-Giubiasco SA	Giubiasco	D	CHF	100,000	100%	MS			
Forbo International SA	Baar	D	CHF	100,000	100%		S[1]	MS	H
Turkey									
Forbo Adhesives Ticaret Limited Sirketi[1]	Istanbul		TRY	1,325,000	100%		S		
United Kingdom									
Forbo Adhesives UK Ltd.[1]	Chatteris	D	GBP	100	100%		MS		
Forbo Flooring UK Ltd.	Kirkcaldy		GBP	3,609,990	100%	MS			H
Forbo-Nairn Ltd.	London		GBP	8,000,000	100%				H
Forbo Siegling (UK) Ltd.	Dunkinfield		GBP	50,774	100%			S	
Forbo UK Ltd.	London		GBP	49,500,000	100%				H
Westbond Ltd.	Derbyshire		GBP	400,000	100%				H
USA									
Forbo Adhesives, LLC[1]	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, 2011
D Direct participation of Forbo Holding Ltd

1) Eliminated from the Group as at March 6, 2012 following the sale of the industrial adhesives business, including synthetic polymers, to H.B. Fuller Company.

Report of the statutory auditor

Report of the statutory auditor to the general meeting of Forbo Holding Ltd, Baar

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Forbo Holding Ltd, which comprise the consolidated balance sheet, consolidated income statement, comprehensive income statement, consolidated shareholder's equity, consolidated cash flow statement and notes (pages 82 to 136), for the year ended December 31, 2011.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 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 14, 2012

Consolidated income statements 2007 – 2011

	2011	2010	2009	2008	2007
CHF m					
Net sales	**1,203.8**	**1,291.2**	**1,782.4**	**1,918.7**	**2,004.0**
Cost of goods sold	– 745.1	– 785.6	– 1,200.4	– 1,325.0	– 1,331.9
Gross profit	**458.7**	**505.6**	**582.0**	**593.7**	**672.1**
Development costs	– 16.0	– 17.6	– 27.9	– 29.9	– 31.6
Marketing and distribution costs	– 192.5	– 213.3	– 270.0	– 282.7	– 325.9
Administrative costs	– 96.6	– 103.9	– 128.3	– 137.9	– 137.7
Other operating expenses	– 17.8	– 12.1	– 46.4	– 50.0	– 33.9
Other operating profit	13.1	10.0	12.4	23.9	19.4
Operating profit	**148.9**	**168.7**	**121.8**	**117.1**	**162.4**
Financial income	30.1	44.3	4.3	9.2	11.7
Financial expenses	– 11.7	– 15.0	– 24.7	– 104.9	– 19.3
Group profit before taxes	**167.3**	**198.0**	**101.4**	**21.4**	**154.8**
Income taxes	– 29.9	– 48.8	– 25.3	– 5.4	– 44.1
Group profit for the year from continuing operations	**137.4**	**149.2**			
Group profit for the year from discontinued operations after taxes	**9.1**	**14.1**			
Group profit for the year	**146.5**	**163.3**	**76.1**	**16.0**	**110.7**

The distinction between continuing and discontinued operations is only drawn for the years 2011 and 2010. The consolidated income statements for 2007 – 2009 therefore include both the continuing and the discontinued operations.

Consolidated balance sheets 2007 – 2011

	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Assets					
CHF m					
Non-current assets	**536.4**	**743.9**	**885.7**	**928.7**	**601.7**
Property, plant, and equipment	359.8	450.2	549.9	586.3	423.7
Intangible assets	153.5	270.4	309.1	311.7	151.9
Deferred tax assets	21.9	17.6	20.5	28.8	20.7
Employee benefit assets	0.0	0.0	0.0	0.0	3.1
Investments in associates and other non-current assets	1.2	5.7	6.2	1.9	2.3
Current assets	**965.5**	**750.3**	**859.7**	**909.1**	**803.5**
Assets held for sale	361.4				
Inventories	219.6	260.9	261.0	298.3	286.3
Trade receivables	159.2	220.8	237.1	265.8	287.7
Other receivables	24.8	28.4	33.1	32.2	29.5
Deferred income and prepaid charges	8.0	21.4	30.1	23.6	22.5
Marketable securities	0.1	47.4	100.2	73.6	0.0
Cash and cash equivalents	192.4	171.4	198.2	215.6	177.5
Total assets	**1,501.9**	**1,494.2**	**1,745.4**	**1,837.8**	**1,405.2**

	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Shareholders' equity and liabilities					
CHF m					
Shareholders' equity	**815.3**	**729.7**	**679.6**	**584.4**	**713.1**
Share capital	0.3	0.3	0.3	10.9	38.0
Treasury shares	– 0.1	– 0.1	– 0.1	– 2.0	– 4.0
Reserves and retained earnings	815.1	729.5	679.4	575.5	679.1
Non-current liabilities	**276.2**	**360.8**	**720.2**	**676.6**	**254.7**
Non-current financial debt	144.5	196.5	550.1	512.4	194.9
Employee benefit obligations	42.7	74.7	68.6	58.6	0.0
Non-current provisions	39.5	35.3	38.8	37.0	42.3
Deferred tax liabilities	49.5	54.3	62.7	68.6	17.5
Current liabilities	**410.4**	**403.7**	**345.6**	**576.8**	**437.4**
Trade payables	86.1	135.7	123.3	144.5	138.1
Current provisions and accrued expenses	125.0	140.3	158.2	149.0	167.6
Current financial debt	47.5	65.9	3.4	181.3	24.2
Current tax liabilities	27.6	31.0	24.7	25.3	29.8
Other current liabilities	26.6	30.8	36.0	76.7	77.7
Liabilities directly associated with assets held for sale	97.6				
Total liabilities	**686.6**	**764.5**	**1,065.8**	**1,253.4**	**692.1**
Total shareholders' equity and liabilities	**1,501.9**	**1,494.2**	**1,745.4**	**1,837.8**	**1,405.2**

Financial report

Income statement for Forbo Holding Ltd

		2011	2010
Income			
CHF	Note		
Financial income:			
From investments in and advances to Group companies	1	65,883,284	53,765,439
From securities and short-term investments	2	3,497,813	93,546,926
Other income		412,203	678,740
Total income		**69,793,300**	**147,991,105**

		2011	2010
Expenses			
CHF	Note		
Administrative expenses	3	3,903,605	3,750,075
Financial expenses	4	17,884,349	30,391,394
Taxes		9,542	15,151
Total expenses		**21,797,496**	**34,156,620**
Net profit for the year		**47,995,804**	**113,834,485**

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

		31.12.2011	31.12.2010
Assets			
CHF	Note		
Non-current assets		**634,888,337**	**590,903,226**
Shareholdings in Group companies	5	479,665,053	442,636,053
Advances to Group companies	6	155,223,284	148,267,173
Current assets		**119,493,164**	**200,531,148**
Other receivables from Group companies		2,246,365	2,199,993
Other receivables from third parties		115,053	234,447
Deferred income and prepaid expenses		2,743,557	134,569
Marketable securities	7	57,169,149	187,693,160
Cash and cash equivalents	8	57,219,040	10,268,979
Total assets		**754,381,501**	**791,434,374**

		31.12.2011	31.12.2010
Shareholders' equity and liabilities			
CHF	Note		
Shareholders' equity		**476,912,175**	**583,389,530**
Share capital	9	250,000	271,315
Statutory capital contribution reserves:			
Thereof general reserves	12	122,225,827	129,088,651
Thereof reserves for treasury shares	11	33,759,493	55,610,149
Other statutory reserves:			
Thereof general reserves	12	15,600,000	15,600,000
Thereof reserves for treasury shares	11	45,696,901	101,835,830
Other reserves		0	38,936,338
Available earnings:			
Retained earnings		211,384,150	128,212,762
Net profit for the year		47,995,804	113,834,485
Liabilities		**277,469,326**	**208,044,844**
Bond	13	150,000,000	150,000,000
Advances from Group companies		17,762,290	13,991,600
Other liabilities to Group companies	14	104,528,059	40,745,247
Current liabilities to third parties		17,830	17,830
Accrued expenses		5,161,147	3,290,167
Total shareholders' equity and liabilities		**754,381,501**	**791,434,374**

Notes to the financial statements for Forbo Holding Ltd

1 Financial income from investments in and advances to Group companies

Income from investments in and advances to Group companies amounts to CHF 65.9 million (2010: CHF 53.8 million) and consists of interest and dividend income.

2 Financial income from securities and short-term investments

This item totaling CHF 3.5 million (2010: CHF 93.5 million) includes income from investments and derivatives and interest income from banks. In the prior year this item contained in particular gains from securities transactions.

3 Administrative expenses

Administrative expenses increased from the prior year by CHF 0.2 million and totaled CHF 3.9 million.

4 Financial expenses

This item relates mainly to losses on foreign exchange accounts, losses from forward currency contracts, losses from securities transactions, plus interest costs for current bank debt and advances from Group companies.

5 Investments in Group companies

As at December 31, 2011 Forbo Holding Ltd held the following direct investments:

Investments in Group companies

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

1) Eliminated from the Group as at March 6, 2012 following the sale of the industrial adhesives business, including synthetic polymers, to H.B. Fuller Company.

6 Advances to Group companies

Advances to Group companies are denominated in Swiss francs and foreign currencies. The net increase year-on-year was CHF 7.0 million.

7 Marketable securities

The item 'Marketable securities' includes treasury shares in Forbo Holding Ltd. This balance sheet item was valued at fair value as at December 31, 2011. This item also includes repurchased bonds of Forbo Holding Ltd.

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

As at December 31, 2011, the share capital of Forbo Holding Ltd totaled CHF 250,000 (2010: CHF 271,315), divided into 2,500,000 registered shares with a par value of CHF 0.10 each. 21,419 registered shares without voting and dividend rights are at the disposal of the Board of Directors.

At the Ordinary General Meeting on April 29, 2011, the shareholders of Forbo Holding Ltd voted to reduce the share capital of CHF 271,315.20 to CHF 250,000 by destruction of the 213,152 registered shares repurchased through the share buyback program approved at the Ordinary General Meeting of April 25, 2008. The capital reduction was completed with the entry in the Commercial Register of the Canton of Zug on July 11, 2011 and was published in the SHAB on July 14, 2011. The exchange adjustment took place on the same day.

Furthermore, at the Ordinary General Meeting on April 29, 2011, the shareholders of Forbo Holding Ltd approved the proposal of the Board of Directors to repurchase the company's own shares, via a second trading line on the SIX Swiss Exchange, up to a maximum of 10 percent of the share capital over a period of three years in order to reduce the capital. By December 31, 2011 no purchases of the company's own shares had been made for this purpose.

10 Conditional capital

Originally, conditional capital of CHF 8,500,000 for the exercise of shareholder options and warrants in connection with a bond issue was created by a resolution of the Ordinary General Meeting held on April 27, 1994. Following the exercise of options in 1994, 1995 and 1997 and reductions in the par value by CHF 22 per share in 2003, CHF 8 per share in 2004, CHF 6 per share in 2007, CHF 10 per share in 2008, and CHF 3.90 per share in 2009, the conditional capital on December 31, 2011 remained unchanged against the prior year at CHF 16,645.

11 Reserve for treasury shares

The 'Reserve for treasury shares' amounting to CHF 45.7 million and the capital contribution reserves amounting to CHF 33.8 million relate to treasury shares held at year-end by Forbo Holding Ltd and its subsidiaries valued at cost of CHF 79.5 million (prior year: CHF 157.4 million). The treasury shares developed as follows over the reporting year:

Treasury shares	Cost CHF	Number of registered shares
As at January 1, 2011	157,445,979	373,990
Additions	42,181,697	89,245
Disposals	120,171,281	261,993
As at December 31, 2011	**79,456,395**	**201,242**

12 General reserves

General reserves totaled CHF 137.8 million (prior year: CHF 144.7 million) and consist of general reserves (CHF 15.6 million) and general capital contribution reserves (CHF 122.2 million). The statutory capital contribution reserves total CHF 156.0 million and consist of general reserves (CHF 122.2 million) and reserves for treasury shares (CHF 33.8 million).

13 Bond

Forbo Holding Ltd issued a CHF 150.0 million four-year bond on July 6, 2009 (maturity: July 31, 2013). The bond has a coupon of 4 1/8%, and the issue was lead managed by Credit Suisse. It has been traded on the SIX Swiss Exchange since July 20, 2009. In the reporting year, Forbo Holding Ltd repurchased bonds with a nominal value totaling CHF 5.6 million. These bonds are included under the item 'Marketable securities'.

14 Other advances from Group companies

'Other advances from Group companies' as at December 31, 2011 include in particular advances from Forbo Finanz AG in connection with its cash pool with UBS.

15 Contingent liabilities

Guarantees and letters of comfort to third parties in favor of Group companies amounted to CHF 52.5 million at year-end (2010: CHF 116.3 Mio), of which CHF 47.3million (2010: CHF 110.0 million) was utilized. The main factor here was guarantees to investors and banks in connection with funds raised by a Group company in the form of a US private placement (CHF 46.9 million).

16 Significant shareholders

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

	Number of shares	As percentage
Michael Pieper, Hergiswil, and Artemis Beteiligungen I AG, Hergiswil	681,543	27.26
Forbo Holding Ltd, Baar, together with its two subsidiaries Forbo International SA, Baar, and Forbo Finanz AG, Baar	201,242	8.05

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

Compensation
For the year 2011[1)]

	Base compensation			Variable compensation	Other compensation	Total
	Cash		Shares	Cash, shares, options		
Name and function	CHF	Number	CHF	CHF	CHF	CHF
Dr. Albert Gnägi, Chairman	230,934	219	154,066		30,116	415,116
Michael Pieper, Vice Chairman	80,831	77	54,169		13,726	148,726
Dr. Peter Altorfer, member	86,609	83	58,391		14,388	159,388
Dr. Reto Müller, member[7)]	47,639	46	32,361		8,428	88,428
Vincent Studer, member	86,609	83	58,391		7,776	152,776
Non-executive members of the Board of Directors[2)]	**532,622**	**508**	**357,378**		**74,434**	**964,434**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	150,000	12,761	2,015,855		331,339	2,497,194
Board of Directors	**682,622**	**13,269**	**2,373,233**		**405,773**	**3,461,628**
Executive Board[5)6)]	**4,229,999**	**0**	**50,000**	**2,708,000**	**980,620**	**7,968,619**

1) The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements. The table therefore shows all compensation issued in the reporting year, including compensation for which the payment date or definitive legal acquisition will occur after December 31, 2011.

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

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

4) 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 is again being paid mainly in shares. The modalities are very similar to the provisions of the first contract. In lieu of salary payments, for the contractual period of employment until April 30, 2013, he was allocated 29,775 shares at the market value on conclusion of the agreement, i.e. CHF 158 each, for the entire term of the agreement. These shares are restricted until December 31, 2013 and freely available only as of January 1, 2014. In addition to the share package, the Delegate of the Board of Directors and CEO draws an annual sum of CHF 150,000, which is used to make employee contributions to the pension fund and for social security contributions. The share package and the cash remuneration are deemed to cover all compensations such as bonuses, inflation, options, etc. The corresponding personnel expenses are charged to the income statement over the entire contractual period on a pro rata basis (see note 25 'Employee participation plan' to the consolidated financial statements). The Delegate of the Board of Directors and CEO does not benefit from the Management Investment Plan (MIP) or the share-based payments for the non-executive Board members. The total compensation for the Delegate of the Board of Directors and CEO for the financial year came to CHF 2,497,194. This figure, reported under 'Other compensation', includes private use of a company car, employer contributions to the pension plan and to the AHV/ALV (old-age and unemployment insurance), plus accident and daily sickness benefits insurance.

5) The total compensation paid to the members of the Executive Board (excluding the Delegate of the Board of Directors and CEO) was CHF 7,968,619 in the reporting year. It comprised a gross basic salary and a performance-related bonus, which is set in March of the year following the business year in question and is determined by the achievement of the 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 'Employee participation plan' to the consolidated financial statements). The total compensation paid to the members of the Executive Board also includes private use of a company car, employer contributions to the pension plan and to AHV/ALV (old-age and unemployment insurance) plus accident and daily sickness benefits insurance, which are shown separately in the column 'Other compensation'.

6) Following the expansion of the Executive Board as of April 1, 2010, these figures contain the compensation paid to an additional member of the Executive Board for 12 months (instead of 9 months in the prior year). The increase in comparison with the prior year is due to the above-mentioned expansion of the Executive Board and special bonuses paid in connection with the disposal of the industrial adhesives business.

7) Dr. Reto Müller was elected as a new member of the Board of Directors at the Ordinary General Meeting of April 29, 2011.

Compensation
For the year 2010[1)]

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

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

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

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

4) In fall 2005, the Delegate of the Board of Directors and CEO agreed that the major 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 fair value on the date on which the agreement was signed, i.e. CHF 270 each, for the entire five-year term of the agreement (2006 to 2010). The shares were valued at fair value on the grant date. These shares were restricted until December 31, 2010 and freely available only as of January 1, 2011. In addition to the share package, the Delegate of the Board of Directors and CEO draws an annual sum of CHF 150,000, which is used to make employee contributions to the pension fund and for social security contributions. The share package and the cash remuneration are deemed to cover all compensations such as bonuses, inflation, options, etc. The corresponding personnel expenses are charged to the income statement over the entire contractual period on a pro rata basis (see note 25 'Employee participation plan' to the consolidated financial statements). The Delegate of the Board of Directors and CEO does not benefit from the Management Investment Plan (MIP) or the share-based payments for the non-executive Board members. The total compensation for the Delegate of the Board of Directors and CEO for the financial year came to CHF 3,079,837. This figure, reported under 'Other compensation', includes private use of a company car, employer contributions to the pension plan and to the AHV/ALV (old-age and unemployment insurance), plus accident and daily sickness benefits insurance. 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 is again being paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are restricted until December 31, 2013. The extension of this employment contract is not 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) was CHF 5,591,381. It comprised a gross basic salary and a performance-related bonus, which is set in March of the year following the business year in question and is determined by the achievement of the 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 'Employee participation plan' to the consolidated financial statements). The total compensation paid to the members of the Executive Board also includes private use of a company car, employer contributions to the pension plan and to AHV/ALV (old-age and unemployment insurance) plus accident and daily sickness benefits insurance, which are shown separately in the column 'Other compensation'.

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

Advances and loans

As at December 31, 2011, no advances or loans to members of the Board of Directors or members of the Executive Board were outstanding.

Investments in Group companies

IN 2011

As at December 31, 2011, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Investments 2011

	Shares	Options[1)5)]					
Name and function		Series 2011 1:1[2)]	Series 2010 1:1[2)]	Series 2009 1:1[2)]	Series 2008 1:1[2)]	Series 2007 1:1[2)]	Tradable options
Dr. Albert Gnägi, Chairman	4,660						
Michael Pieper, Vice Chairman	681,543						
Dr. Peter Altorfer, member	765						
Vincent Studer, member	441						
Dr. Reto Müller, member	246						
Non-executive members of the Board of Directors	**687,655**						
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	114,039						
Board of Directors	**801,694**						
Matthias P. Huenerwadel, Executive Vice President Movement Systems	1,686	2,033	565	1,496	1,157		
Tom Kaiser, Chief Operating Officer	1,213	2,684	1,058	2,179	1,073		
Daniel Keist, Head Corporate Center	1,091	2,707	988	2,034	783		
Jörg Riboni, Chief Financial Officer	740	1,465	1,143	1,220	1,948		
Michel Riva, Executive Vice President Bonding Systems	817	872	706	99	485	697	
Jens Schneider, Executive Vice President Flooring Systems	160	907					
Executive Board	**5,707**	**10,668**	**4,460**	**7,028**	**5,446**	**697**	

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

2) Subscription ratio.

3) 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 is again being paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are contained in the amount shown and are restricted until December 31, 2013.

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

5) Since participation in the MIP and option ownership is not limited to members of the Executive Board, the number of outstanding options shown here as at December 31, 2011 differs from the figures in note 25 'Employee participation plan' to the consolidated financial statements.

IN 2010

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

Investments 2010

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

1) The details of the options are described in note 25 'Employee participation plan' to the consolidated financial statements.
2) Subscription ratio.
3) The number of shares reported includes the 47,395 shares restricted until the end of 2010. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period from January 1, 2011 to April 30, 2013. Compensation is again being paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are contained in the amount shown and are restricted until December 31, 2013.
4) The Delegate of the Board of Directors and CEO's shareholdings are disclosed separately and are included under the Board of Directors' total.
5) Since participation in the MIP and option ownership is not limited to members of the Executive Board, the number of outstanding options shown here as at December 31, 2010 differs from the figures in note 25 'Employee participation plan' to the consolidated financial statements.
6) The Board of Directors of Forbo Holding Ltd appointed Tom Kaiser Chief Operating Officer of the Forbo Group on April 1, 2010. He had been a member of the Executive Board since 2004 and responsible for the Flooring Systems division. Jens Schneider, who had been responsible for Finance and Administration at Flooring Systems since 2005, was appointed his successor.

18 Risk assessment

With respect to the risk management process conducted pursuant to Article 663b item 12 of the Swiss Code of Obligations, please refer to the comments in note 38 'Risk assessment and financial risk management' to the consolidated financial statements.

Proposal for appropriation of available earnings of Forbo Holding Ltd

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

	2011	2010
CHF		
Net profit	47,995,804	113,834,485
Retained earnings	242,047,247	128,212,762
Capital reduction	– 30,663,097	
Release of general capital contribution reserves[1)]	27,585,096	28,069,944
Total at the shareholders' meeting's disposal	**286,965,050**	**270,117,191**

be appropriated as follows:

	2011	2010
CHF		
Withholding tax-free distribution[2)]	27,585,096	28,069,944
To be carried forward	259,379,954	242,047,247
Total at the shareholders' meeting's disposal	**286,965,050**	**270,117,191**

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

2) At the Ordinary General Meeting of April 27, 2012, the Board of Directors will propose a dividend payment of CHF 12.00 (2010: CHF 12.00) per registered share out of the capital contribution reserves, with the exception of the treasury shares held by Forbo Holding Ltd, for which no dividend is paid. The definitive amount may therefore still change.

Report of the statutory auditor

Report of the statutory auditor to the general meeting of Forbo Holding Ltd, Baar

Report of the statutory auditor on the financial statements
As statutory auditor, we have audited the financial statements of Forbo Holding Ltd, which comprise the income statement, balance sheet and notes (pages 148 to 156), for the year ended December 31, 2011.

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

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

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

Opinion
In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

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

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

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

PricewaterhouseCoopers AG

Daniel Ketterer	Reto Tognina
Audit Expert	Audit Expert
Auditor in Charge	

Zurich, March 14, 2012

Publisher: Forbo Holding Ltd, Baar/**Concept and design:** Hotz Brand Consultants, Steinhausen/Zug
Photos: Luxwerk, Zurich/**Layout, lithography and printing:** Neidhart + Schön AG, Zurich

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

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

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