

The background is a solid red color with a fine, leather-like texture. In the top right corner, a portion of a dark blue book spine is visible, resting on a white shelf. The spine has a small, aged, yellowish label with handwritten text.

CREATIVITY

creating better environments



Inspiration can draw on many different sources. Thanks to our large range of attractive floorings, we set no limits to our customers' design choices, enabling them to create distinctive and original spaces.



FLOORING SYSTEMS

CREATIVITY



DYNAMISM



Two divisions with leading market positions

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

Flooring Systems

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

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

Movement Systems

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

Strategic directions

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

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



FLOORING SYSTEMS

A photograph of a modern library interior. The floor is a vibrant red. In the foreground, there is a white bookshelf filled with green books. To the right, a white table with metal chairs is set up. A large potted plant sits on the table. The background features large windows and white pillars. The ceiling has circular lights.

— Creativity —

LASTING INSPIRATION

Linoleum is a pure natural product, 150 years young, that not only combines outstanding properties and genuine sustainability but also creates an atmosphere of well-being in which trends, aesthetics, and design all flourish. Our collections feature an outstanding variety of colors and patterns – unleashing the full creativity of our customers' wishes.

Flooring Systems:

A successful second half in 2013

'Faced with a changing market environment, we reinforced our distribution structures and enlarged our innovative product portfolio for private sector customer segments. This had a marked impact in the second half of the year. We successfully compensated for the downturn in demand in the public sector and in individual markets where the construction industry was in a slump. In the reporting year, we developed 13 new collections, for which we optimized designs and colors for various applications, perfected product specifications and formulations, and further increased the proportion of recycled material we use in order to promote sustainability and life cycle analyses. Side by side with these investments designed to drive future growth, we significantly increased operating profit on the strength, in particular, of high-margin offerings and a number of efficiency-boosting measures along the entire value chain. Given this solid foundation, we are confident that we can further consolidate our market position as a leading systems supplier in the commercial segment and build on the positive sales trend.'

The Flooring Systems division generated net sales of CHF 873.5 million in the 2013 business year (previous year: CHF 873.9 million). This is equivalent to a slight decline of 0.4% in local currencies. The division's share of Group sales came to 72.8%. The overriding factor governing the sales trend was, once again, cost-cutting in the public sector because our flooring business is dependent, directly or indirectly, on public spending. On the upside, however, sales in the second half of 2013 were higher than in the first six months. The main reason for this was that Forbo posted stronger turnover in private sector customer segments, which helped offset the weak demand in the public sector and in individual markets where the construction industry was in



Matthias P. Huenerwadel

Executive Vice President
Flooring Systems

a slump. Measures to increase efficiency along the entire value chain had a positive impact on operating profit (EBIT), which rose to CHF 113.3 million (previous year restated, without special items: CHF 109.1 million). Adjusted for the restatement effect, this comes to an increase of 6.5% over the previous year. After adjustment for the restatement effect, the EBIT margin was 13.0%, or 0.8 percentage points higher than the previous year.

Flooring Systems offsets weaker demand in the public sector

The division's efforts to adjust the strategy to the changed circumstances – by reinforcing distribution channels and strengthening new customer segments outside the public sector such as shop fittings, offices, hotels, and restaurants – are now having a significant impact. In this way, Flooring Systems offset weaker sales in high-revenue customer segments such as healthcare and education while at the same time largely making up for faltering demand in individual European markets.

Europe has not yet experienced a market rebound across the board, and to some extent this reflects the weakness of the construction industry in certain countries. There was a significant downturn in demand especially in the Netherlands and somewhat later in France. By contrast, Russia posted double-digit growth again, while the Germany/Austria/Switzerland region and Great Britain performed well amid a challenging environment. North America continued to feel the im-

pact of spending cuts in segments that are crucial for us such as education and healthcare. Canada generated gratifying growth because Forbo has become a direct market player since taking over our Canadian distributor in 2012. The Asia/Pacific markets reported mixed results. On the whole, sales were more or less on a par with the previous year. Some countries such as China, South Korea, and India posted double-digit growth, driven by major customer installations, while others such as Japan and Australia saw a dip in demand owing to the overall economic situation.

The building and construction adhesives activity reported net sales that were only slightly below the previous year on balance, despite the weak construction industry and a corresponding strong decline in demand in the Benelux countries, which account for the lion's share of turnover. The reason for this was the very satisfactory sales upturn in Russia and stable demand in Germany.

Premium-quality vinyl designer floors post further gains in a highly competitive market

The product portfolio with its extensive range of flooring collections showed mixed trends. The trendy, high-quality vinyl designer floors again posted double-digit growth rates, an impressive performance based on new designs, forms, and formats that expand the scope for design freedom. Sales of vinyl floorings for the commercial sector, of needle felt collections and of Flotex – the washable textile flooring – also outperformed the previous year. Linoleum – which is widely used in the healthcare and education sectors where investments in new builds and renovations often depend on publicly available funding – has not yet found its way back to the growth path. Demand for entrance flooring systems and carpet tiles was on the whole flat compared to the previous year. Owing to strategic portfolio adjustments, sales of floor coverings for the residential segment again decreased in the year under review.

Investments in innovative collections and automation

To mark the 150th anniversary of linoleum, Flooring Systems launched a new generation of attractive linoleum products in the spring of 2013. The broad range of new design options coupled with an impressive palette of colors opens up new applications in shop fittings, of-

fices, hotels, restaurants, and leisure facilities, in addition to traditional segments. In the year under review, the division developed 13 new collections across all product groups that are being launched in the first quarter of 2014, meeting customer needs in a range of segments from senior care facilities to modern learning environments. The collections are outstanding for their use of new materials, color combinations, and designs.

On the operational side, the division focused on optimizing its processes. Efficiency in the production plant for high-quality vinyl designer floorings was further increased by the installation of a new packaging facility that automates all process steps from cutting the tiles and planks right up to packaging. In the Netherlands, a new European logistics center was built from which floor coverings from various production sites can be coordinated and combined into a single delivery for the customer. The processes are supported by IT solutions that enhance customer service and optimize transport routes.

The requirements for profitable growth are in place

In 2014 we want to lock into the positive sales momentum in the second half of 2013 by exploiting to the full the market opportunities that are opening up. The new global linoleum collection launched in the reporting year along with the new product launches in 2014 will support this effort. In the coming year the division will push ahead with investments in innovative and sustainable product portfolios and actively pursue measures to boost operating efficiency.

Flooring Systems will place great emphasis in 2014 on expanding its activities in growth markets. One focal point is Russia, where in the year under review we launched a new vinyl collection for the local market and expanded the sales organization from Moscow all the way to Novosibirsk. Another focal point is the expansion of our sales organizations in Turkey, Brazil, and Asia/Pacific, especially China. In the saturated markets, we anticipate additional growth stimuli from America, where we now offer a comprehensive solution for the commercial sector that enables us to deliver turnkey projects to customers with floors that are professionally laid by certified floor layers.

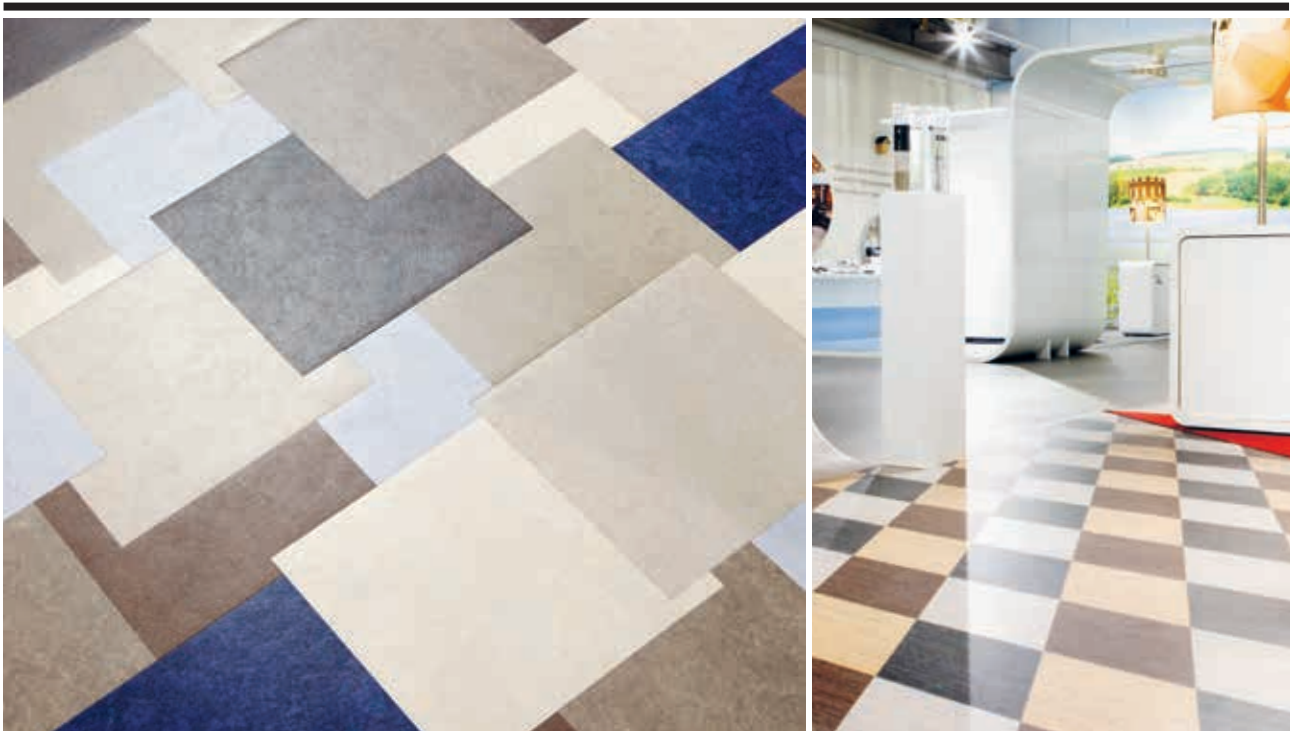
Modular designer flooring gains market share

With every change to the product line and every new development, Flooring Systems focuses on making its products and processes more sustainable and environmentally friendly. Forbo floorings combine attractive and innovative design with long life and high product quality. In the year under review, Forbo once again set benchmarks with new and varied trends.

Linoleum – trendy even after 150 years

To mark the 150th anniversary of linoleum, Flooring Systems in the reporting year launched a new generation of trendy linoleum globally, featuring traditional and fresh new color combinations. Linoleum is made of renewable natural materials such as linseed oil, resin, sawdust, and chalk, in other words a completely natural product. In functional terms, this flooring classic has always enjoyed popular acclaim because its formulation lends it a whole raft of positive features and options. The new surface coating Topshield 2 makes linoleum ideally suited for everyday use in high-intensity contexts, reduces maintenance, and prolongs the product's life cycle.

There is a growing trend in flooring toward modular designer floors. Compared with reel material, such floors are easier to transport, simpler to install, have fewer waste, and can readily be replaced in the event of wear and tear. Flooring Systems' product portfolio with carpet tiles and high-quality vinyl design tiles already meets these exacting demands. The range now



also features a highly versatile and flexible collection of modular linoleum, which will be available starting in the spring of 2014. These products offer a wide range of layout and design options with countless rectangular and square shapes and sizes as well as innumerable colors, opening up a host of new applications for shop fittings, offices, hotels, catering and leisure facilities.

tiles and planks are available in new sizes and designs, they feature new structures and natural embossing, and they are marketed in different thicknesses to enable customers to optimize sound absorption. With environmental considerations in mind, all new collections contain recycled material and are also available as a click system.

‘UNLIMITED DESIGN OPTIONS’

Enlarged offering of vinyl design tiles

For years, the fastest growing product group in the field of resilient flooring has been high-quality vinyl design tiles. Their highly realistic wood, stone, and metal designs offer architects, interior designers, and planners a vast gamut of creative spatial concepts. In the year under review, new collections were developed that expand the product range and diversity even further. The

A vinyl collection in tile and plank format has now also been designed for the residential sector. It encompasses wood and stone decors, and its completely natural design makes it perfect for spatial concepts in which the original material would require too much maintenance or is otherwise unsuitable.

