

—— 2013 at a glance ——

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FORBO IS A LEADING  
PRODUCER OF FLOOR  
COVERINGS, BUILD-  
ING AND CONSTRU-  
TION ADHESIVES,  
AS WELL AS POWER  
TRANSMISSION AND  
CONVEYOR BELT  
SOLUTIONS.

The company employs more than 5,000 people and has an international network of 24 production and distribution companies, 6 assembly operations and 40 sales organizations in a total of 36 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

# Forbo in figures

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

## Flooring Systems

15 production facilities in 6 countries and distribution companies in 22 countries. Sales offices in Europe, North, Central and South America as well as Asia/Pacific.

- Floor coverings
- Building and construction adhesives

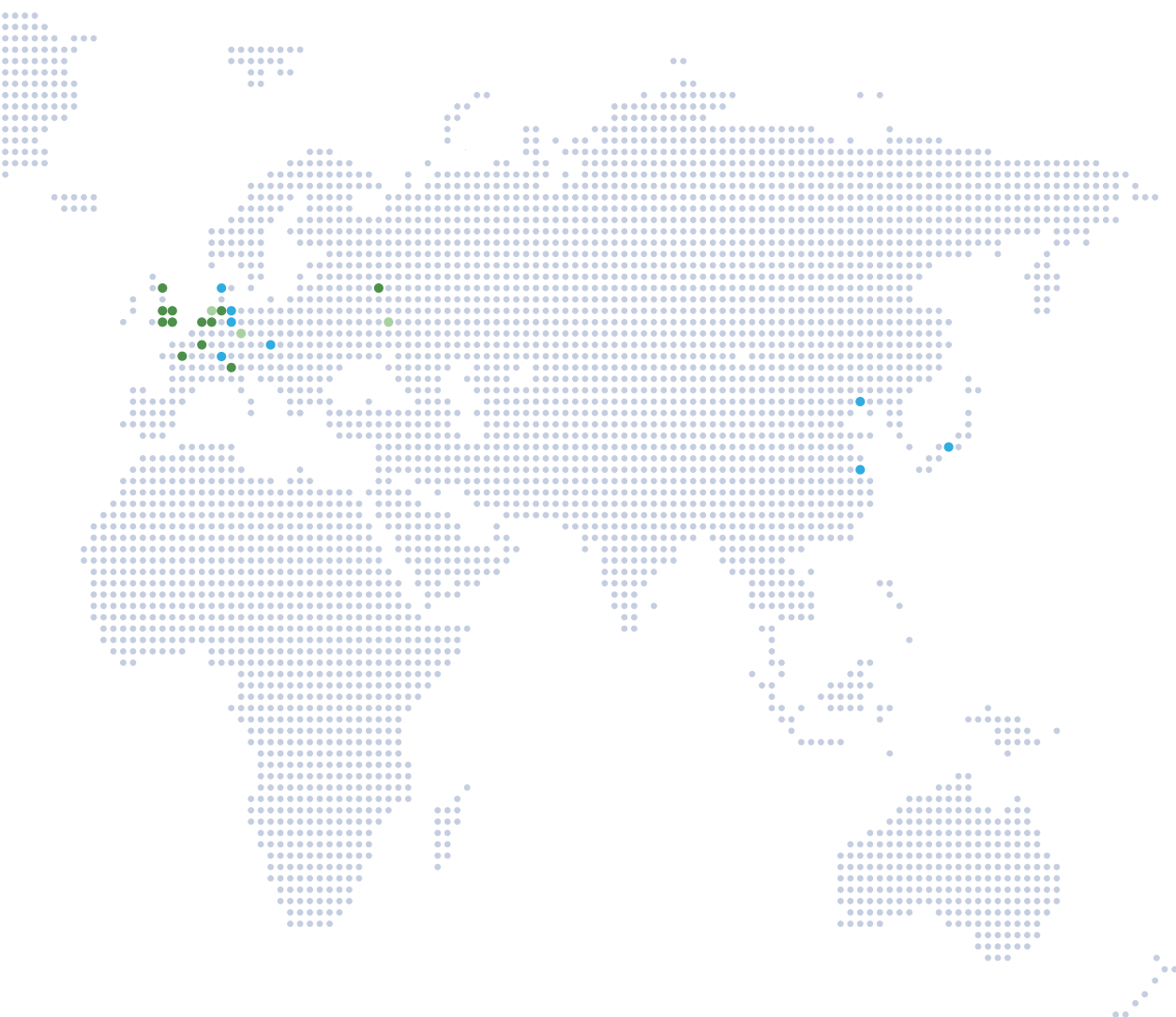
## Movement Systems

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

- Production facilities and assembly operations

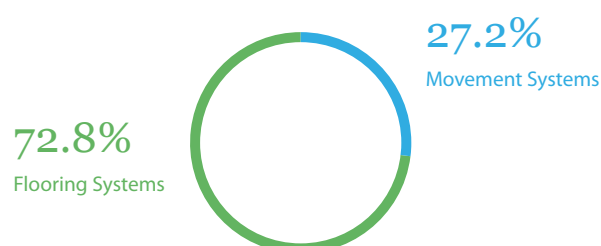


Net sales	CHF 1,199.7 m
EBIT	CHF 135.7 m
EBIT margin	11.3%
Group profit from continuing operations	CHF 110.2 m



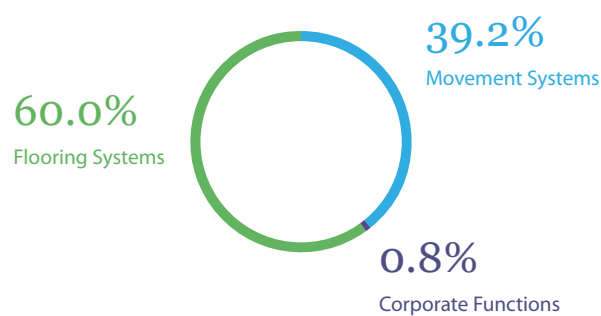
## Net sales by division

	CHF m 2013	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	873.5	-0.1	-0.4	72.8
Movement Systems	326.2	-0.3	2.4	27.2
<b>Total</b>	<b>1,199.7</b>	<b>-0.1</b>	<b>0.3</b>	<b>100.0</b>



## Employees by division

	Number 2013	Change on previous year in %		In % of total
Flooring Systems	3,030	-0.1		60.0
Movement Systems	1,976	2.6		39.2
Corporate Functions	41	0.0		0.8
<b>Total</b>	<b>5,047</b>	<b>0.9</b>		<b>100.0</b>



## Financial overview Group

	2013	2012	2013	2012
	<sup>1)</sup>	restated <sup>1)</sup>	prior to restatements <sup>1)</sup>	prior to restatements <sup>1)</sup>
<b>Income statement</b>	CHF m	CHF m	CHF m	CHF m
Net sales	1,199.7	1,201.1	1,199.7	1,201.1
Flooring Systems	873.5	873.9	873.5	873.9
Movement Systems	326.2	327.2	326.2	327.2
EBITDA	172.1	166.9 <sup>2)</sup>	171.1	160.6 <sup>2)</sup>
EBIT	135.7	126.1 <sup>2)</sup>	132.1	117.2 <sup>2)</sup>
Group profit from continuing operations	110.2	96.1 <sup>2)</sup>	107.4	90.1 <sup>2)</sup>
Group profit	117.6	213.3	114.8	197.2
<b>Balance sheet</b>	CHF m	CHF m	CHF m	CHF m
Total assets	1,127.0	1,213.3	1,245.6	1,333.9
Operating assets	788.4	792.5	907.0	913.7
Shareholders' equity	786.8	729.2	876.5	817.4
Net cash	306.9	258.3	306.9	258.3
<b>Cash flow statement</b>	CHF m	CHF m	CHF m	CHF m
Cash flow from operating activities	128.1	106.3	128.1	106.3
Cash flow from investing activities <sup>7)</sup>	52.9	183.5	52.9	183.5
Free cash flow	181.0	289.8	181.0	289.8
<b>Key ratios</b>	%	%	%	%
ROS (EBITDA/net sales)	14.3	13.9	14.3	13.4
Equity ratio (shareholders' equity/total assets)	69.8	60.1	70.4	61.3
Gearing (net debt/shareholders' equity)	-39.0	-35.4	-35.0	-31.6
<b>Employees (as at December 31)</b>	Number	Number	Number	Number
Total employees	5,047	5,000	5,047	5,000
<b>Ratios per share, from continuing operations</b>	CHF	CHF	CHF	CHF
Earnings per share (undiluted) <sup>6)</sup>	53.21	58.73	51.85	56.06
Equity (undiluted)	379.9	329.4	423.2	369.3
Dividend	14.0 <sup>3)</sup>	12.0 <sup>4)</sup>	14.0 <sup>3)</sup>	12.0 <sup>4)</sup>
<b>Stock market capitalization (as at December 31)</b>	CHF m	CHF m	CHF m	CHF m
Stock market capitalization <sup>5)</sup>	1,714.5	1,462.5	1,714.5	1,462.5

1) The first-time application of the revised accounting standard IAS 19 in the 2013 business year led to changes in the reporting of pension fund liabilities, and as a result the previous year's figures had to be restated. Accordingly, operating profit (EBIT) increased in the year under review by CHF 1.0 million (previous year: CHF 6.3 million). At the same time land and buildings were recognized at amortized cost. Operating profit (EBIT) accordingly rose by CHF 2.6 million in 2013 (previous year: CHF 2.6 million).

The above-mentioned restatements resulted in an aggregate increase in operating profit (EBIT) in the year under review of CHF 3.6 million (previous year: CHF 8.9 million) and an aggregate increase in Group profit of CHF 2.8 million (previous year: CHF 6.0 million).

2) Without special items

3) The Board of Directors proposes to the Ordinary General Meeting of April 25, 2014, the distribution of a dividend in the amount of CHF 14 per registered share.

4) Approval of a dividend of CHF 12 per registered share at the Ordinary General Meeting of April 26, 2013.

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

6) See note 15 'Earnings per share' on page 101 of the financial report.

7) As of 2012, 'Cash flow from investing activities' also contains interest received.

# Profitability much stronger amid stable sales

2013 was yet another successful business year in a challenging and mixed market environment. The Flooring Systems division by and large compensated for the decline in demand in the public sector and in individual European markets by opening up new market segments and launching attractive collections. The Movement Systems division increased net sales in all regions and successfully offset what was in some cases strong depreciation of currencies in its markets, especially in Japan. After declining slightly in the first half, Group sales picked up again in the second six months of the year.

The successful launch of high-margin and innovative products and collections combined with new market opportunities outside the public sector and further productivity gains enabled Forbo to substantially increase its earning power and profitability amid stable sales.

With our strong market positions, our sound balance sheet and our systematically implemented strategy, we are well placed to force the pace of expansion in growth markets.

## Sales at previous year's level

In the year under review, Forbo generated sales of CHF 1,199.7 million, about the same as the previous year (CHF 1,201.1 million). In local currency terms, this reflects a gain of 0.3%, while in the corporate currency it equates to a slight decrease of 0.1%.

In order to reduce our dependence on public spending and take even greater advantage of the potential in growth markets, Forbo has launched and implemented a number of strategic projects in recent years. Their aim is to add high-quality products to the product portfolio and open up new sales channels outside existing market segments and established geographic markets. These projects began to have an increasingly noticeable impact in the second half of the reporting year.

In 2013, the Flooring Systems division generated net sales of CHF 873.5 million, about the same as the previous year (CHF 873.9 million), though in local currencies sales decreased by 0.4%. The downturn in demand in the public sector and in individual markets with a weak construction industry was successfully offset by sales in private sector customer segments.

The Movement Systems division generated net sales of CHF 326.2 million in the year under review (previous year: CHF 327.2 million), which reflects an increase of 2.4% in local currency terms. In the corporate currency, however, sales declined marginally by 0.3% owing to negative currency effects, especially in Japan. All regions contributed to this performance, although the sales in individual markets were very mixed, with some countries reporting declines.

## Net sales by geographic area

		Change on previous year			2013 CHF m								
		%	in %	in local currencies in %		25	50	75	100	125	150	175	200
North, Central, and South America	18.3	−0.7	1.0	219.6									
France	14.0	−1.2	−3.2	167.4									
Asia/Pacific and Africa	13.4	−3.0	3.5	160.4									
Germany	11.8	3.6	1.5	141.7									
Benelux	10.8	−8.7	−10.6	129.5									
Great Britain/Ireland	10.1	4.7	7.1	121.7									
Scandinavia	9.5	1.4	−0.6	114.1									
Eastern Europe	5.4	5.3	6.2	64.6									
Southern Europe	4.4	6.9	4.8	53.2									
Switzerland	2.3	3.3	3.3	27.5									
<b>Total</b>	<b>100.0</b>	<b>−0.1</b>	<b>0.3</b>	<b>1,199.7</b>									

### Special effect from accounting restatement

The first-time application of the revised accounting standard IAS 19 in the 2013 business year led to changes in the reporting of pension fund liabilities, and as a result the previous year's figures had to be restated. Accordingly, operating profit (EBIT) increased in the year under review by CHF 1.0 million (previous year: CHF 6.3 million). At the same time, land and buildings were recognized at amortized cost. Operating profit (EBIT) accordingly rose by CHF 2.6 million in 2013 (previous year: CHF 2.6 million).

The above-mentioned restatements resulted in an aggregate increase in operating profit (EBIT) in the year under review of CHF 3.6 million (previous year: CHF 8.9 million) and an aggregate increase in Group profit of CHF 2.8 million (previous year: CHF 6.0 million).

### Significant increase in operating profit

After factoring out the effects of changes to the accounting standards (restatements), both divisions substantially improved both operating profit before depreciation and amortization (EBITDA) and operating profit (EBIT).

EBITDA at Group level rose by 6.5%, while at Flooring Systems it was up by 2.8% and at Movement Systems by a strong 7.5%. The EBITDA margin of the Group rose by 0.9 percentage points, while it was up by 0.4 percentage points at Flooring Systems and by 0.9 percentage points at Movement Systems.

When the restatements are factored in, Group EBITDA increased to CHF 172.1 million (previous year restated, without special items: CHF 166.9 million), while Flooring Systems' EBITDA came to CHF 138.8 million (previous year restated, without special items: CHF 137.6 million) and Movement Systems reported EBITDA of CHF 41.6 million (previous year restated: CHF 38.7 million). The Group increased its EBITDA margin to 14.3% (previous year restated: 13.9%), Flooring Systems to 15.9% (previous year restated: 15.7%), and Movement Systems to 12.8% (previous year restated: 11.8%).



## EBITDA by division

	2013 CHF m	Change on previous year in % <sup>1)</sup>	-25	0	25	50	75	100	125	150
Flooring Systems	138.8	2.8								
Movement Systems	41.6	7.5								
Corporate	-8.3	32.0								

1) Prior to special effects due to change in accounting standards (restatements).

Group operating profit (EBIT) increased to CHF 135.7 million (previous year restated, without special items: CHF 126.1 million), an increase of 12.7%, which is substantially higher than the previous year, after factoring out the restatement effects. The Group improved its EBIT margin to 11.3% (previous year restated: 10.5%). Before application of the restatements, however, the EBIT margin increased by 1.3 percentage points.




Owing to the substantial improvement in operating profit and the gratifying result for financial income, Forbo significantly increased Group profit from continuing operations by 19.2%, before the changes to the accounting standards are factored in. When the restatements are factored in, Group profit from continuing operations came to CHF 110.2 million (previous year restated, without special items: CHF 96.1 million).

### Taxes and financial income

The tax rate in the year under review was 21.8%, which was more or less the same as the previous year (previous year restated: 21.6%).

Financial expenses declined to CHF 5.7 million (previous year: CHF 11.2 million) mainly due to the complete repayment of the CHF 150 million bond issued on July 6, 2009, that matured on July 31, 2013. On the other hand, the Forbo Group posted financial income of CHF 10.9 million, due in particular to the investment of excess liquidity in a very firm market environment. On balance, the financial result came to CHF 5.2 million (previous year: CHF -5.5 million).

## Free cash flow

	2013 CHF m	2012 CHF m	0	50	100	150	200	250	300
Cash flow from operating activities	128.1	106.3							
Cash flow from investing activities	52.9	183.5							
Free cash flow	181.0	289.8							

### Cash flow from operating activities increased

In 2013, cash flow from operating activities came to CHF 128.1 million, which was CHF 21.8 million higher than the previous year (CHF 106.3 million), the main factor being the increase in EBITDA. Cash flow from investments came to CHF 52.9 million, which was substantially lower than the previous year (CHF 183.5 million) because the prior-year figure contained one-off cash proceeds from the sale of the industrial adhesives activity. Free cash flow thus amounted to CHF 181.0 million (previous year: CHF 289.8 million).

### Strong balance sheet

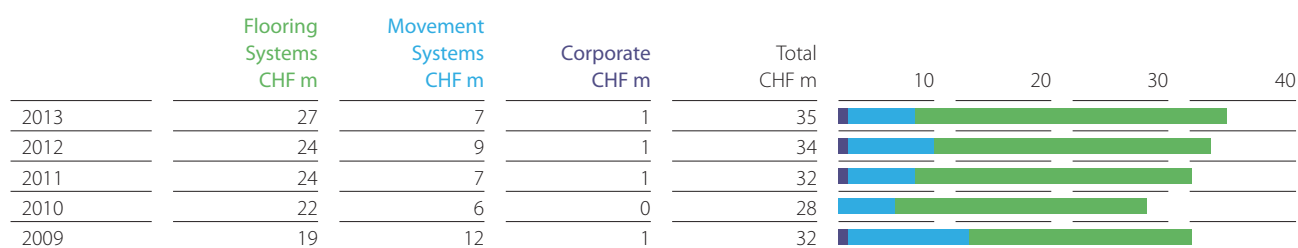
Total assets as at December 31, 2013, stood at CHF 1,127.0 million (previous year: CHF 1,213.3 million). Net liquidity came to CHF 306.9 million (previous year: CHF 258.3 million). Despite the share buyback, shareholders' equity as at the end of December 2013 rose to CHF 786.8 million (previous year: CHF 729.2 million). The equity ratio rose significantly to 69.8% (previous year restated: 60.1%).

### Investment focus on strategic activities

The Forbo Group's investment activity in the year under review focused on important operations and strategic projects designed to support market expansion, product technology, and efficiency gains. Accordingly, investments in fixed assets in 2013 came to CHF 34.6 million, an increase in investment volume totaling 2.7% over the previous year's figure of CHF 33.7 million. In the reporting period, Flooring Systems invested CHF 27.1 million, which was more than the previous year (CHF 23.7 million). The investments encompassed in particular a new packaging plant for the manufacture

of high-quality vinyl designer floors. With the new line, all process steps from cutting the tiles and planks right up to packaging are automated. The division also built a new, modern European logistics center from which floor coverings from different production sites can be coordinated and combined into a single delivery for the customer. At Movement Systems, investments in fixed assets came to CHF 7.1 million, which was lower than the previous year (CHF 9.2 million). The sums were spent primarily on developing and expanding new markets and product segments as well as expanding and renewing production plants.

## Investments 2009 – 2013



### Workforce development

At year-end 2013, the Forbo Group employed 5,047 people. This is altogether 47 employees more than at the end of the previous year. For 2013, the changes in workforce produce a picture similar to that in the previous year. The percentage decrease in headcount in the Netherlands, in Switzerland, Great Britain, France,

Scandinavia and southern Europe stems from the structural adjustments undertaken in these markets. The increases in Eastern Europe and Asia/Pacific reflect mainly the expansion of the sales and distribution organizations in these regions as well as the takeover of the former distributor of Movement Systems in Indonesia.

## Employees by geographic area

	%	Change on previous year in %	2013	200	400	600	800	1,000	1,200
Benelux	21.7	-1.3	1,094						
North, Central, and South America	13.8	1.0	694						
Asia/Pacific and Africa	13.4	8.2	677						
Germany	12.2	0.2	615						
Great Britain/Ireland	12.1	-2.3	612						
France	9.0	-0.9	452						
Eastern Europe	8.7	9.1	437						
Switzerland	3.7	-4.5	185						
Scandinavia	3.3	-2.2	166						
Southern Europe	2.1	-2.5	115						
<b>Total</b>	<b>100.0</b>	<b>0.9</b>	<b>5,047</b>						