

2014 AT A GLANCE

FORBO IS A LEADING
PRODUCER OF
FLOOR COVERINGS,
BUILDING AND
CONSTRUCTION
ADHESIVES, AS WELL
AS POWER TRANS-
MISSION AND
CONVEYOR BELT
SOLUTIONS.

The company employs more than 5,100 people and has an international network of 24 production and distribution companies, 6 assembly operations and 42 pure 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 24 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 1,226.8 m

EBIT

CHF 149.4 m

EBIT margin

12.2%

Group profit

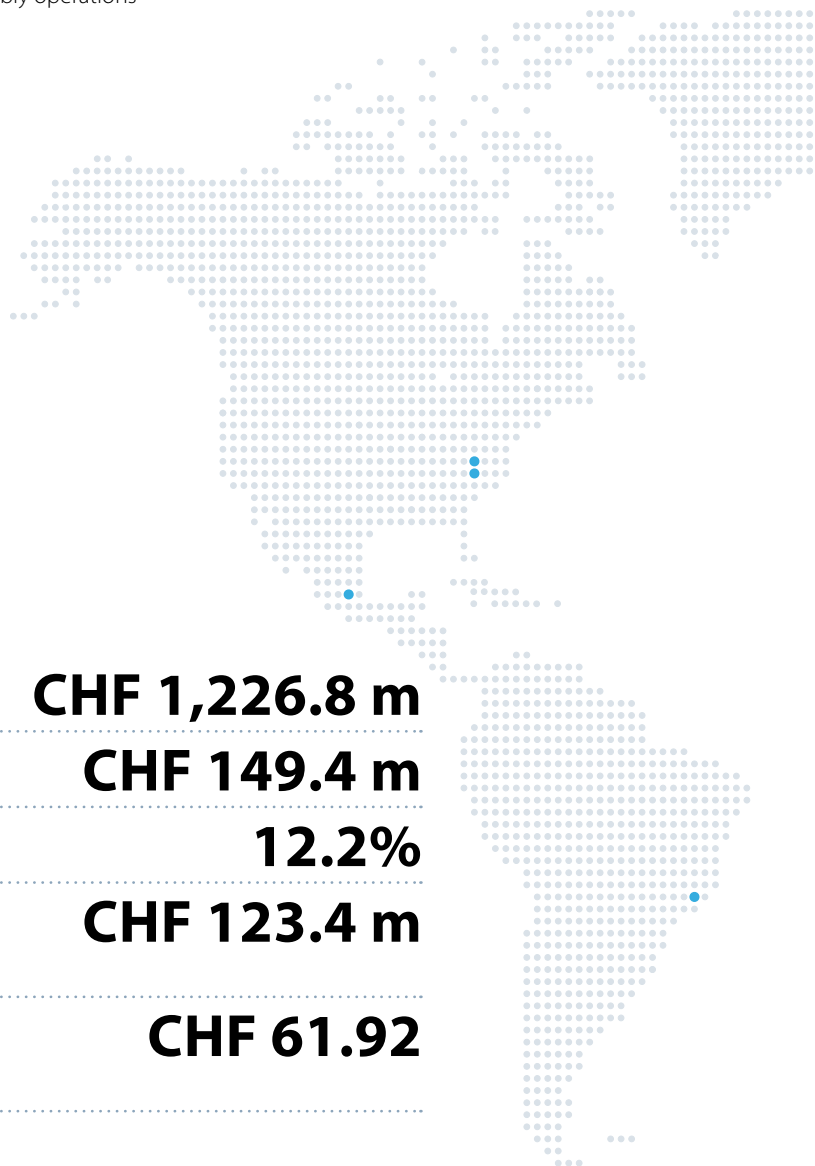
CHF 123.4 m

from continuing operations

Earnings per share

CHF 61.92

undiluted



Net sales

in local currencies

+ 4.6%

EBIT

+ 10.1%

Group profit

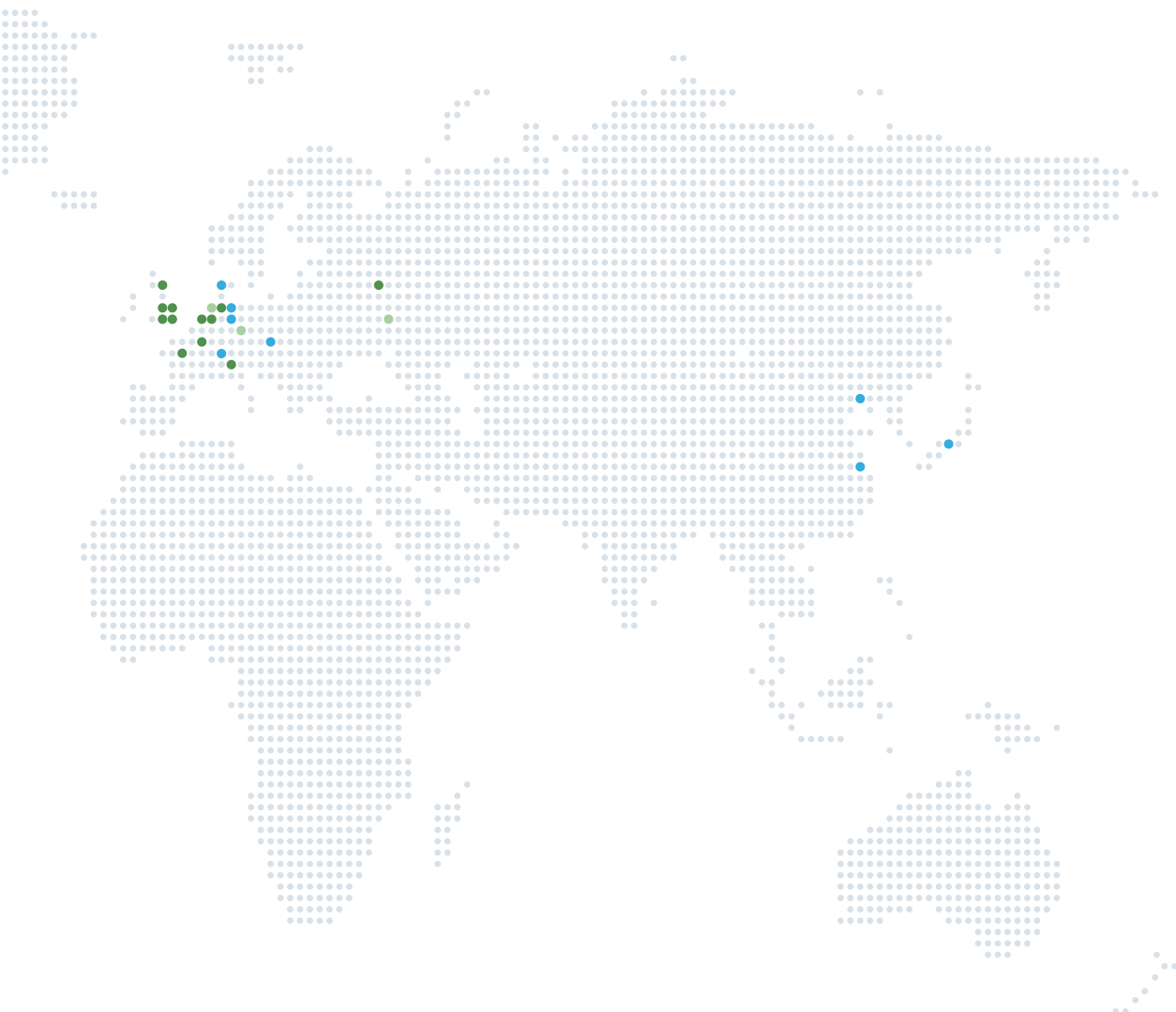
from continuing operations

+ 12.0%

Earnings per share

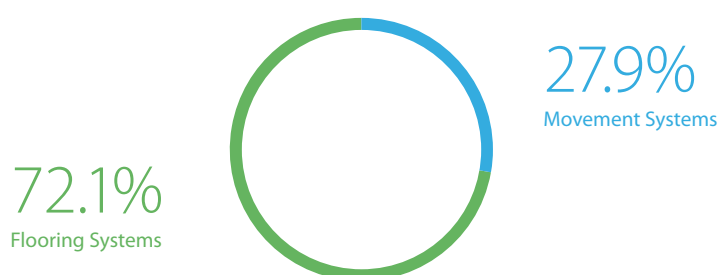
undiluted

+ 16.4%



Net sales by division

	CHF m 2014	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	884.6	+1.3	+3.4	72.1
Movement Systems	342.2	+4.9	+7.8	27.9
Total	1,226.8	+2.3	+4.6	100.0



Employees by division

	Number 2014	Change on previous year in %		In % of total
Flooring Systems	3,059	+1.0		59.3
Movement Systems	2,060	+4.3		39.9
Corporate Functions	42	+2.4		0.8
Total	5,161	+2.3		100.0



Financial overview Forbo Group

	2014	2013	Change on previous year
	CHF m	CHF m	in %
Income statement			
Net sales	1,226.8	1,199.7	+ 2.3
Flooring Systems	884.6	873.5	+ 1.3
Movement Systems	342.2	326.2	+ 4.9
EBITDA	185.1	172.1	+ 7.6
EBIT	149.4	135.7	+ 10.1
Group profit from continuing operations	123.4	110.2	+ 12.0
Group profit	123.6	117.6	+ 5.1
Balance sheet	CHF m	CHF m	in %
Total assets	1,095.6	1,127.0	- 2.8
Operating assets	803.5	788.4	+ 1.9
Shareholders' equity	738.8	786.8	- 6.1
Net cash	252.6	306.9	- 17.7
Cash flow statement	CHF m	CHF m	in %
Cash flow from operating activities	147.3	128.1	+ 15.0
Cash flow from investing activities	- 13.0	52.9	n/a
Free cash flow	134.3	181.0	- 25.8
Key ratios	%	%	in %
ROS (EBITDA/net sales)	15.1	14.3	+ 5.6
Equity ratio (shareholders' equity/total assets)	67.4	69.8	- 3.4
Gearing (net debt/shareholders' equity)	- 34.2	- 39.0	+ 12.3
Employees (as at December 31)	Number	Number	in %
Total employees	5,161	5,047	+ 2.3
Ratios per share, from continuing operations	CHF	CHF	in %
Earnings per share (undiluted) ¹⁾	61.92	53.21	+ 16.4
Equity (undiluted)	370.7	379.9	- 2.4
Dividend	16.0 ²⁾	14.0 ³⁾	+ 14.3
Stock market capitalization (as at December 31)	CHF m	CHF m	in %
Stock market capitalization ⁴⁾	2,138.2	1,714.5	+ 24.7

1) See note 14 'Earnings per share' on page 117 of the financial report.

2) The Board of Directors proposes to the Ordinary General Meeting of April 24, 2015, the distribution of a dividend in the amount of CHF 16 per registered share.

3) Approval of a dividend of CHF 14 per registered share at the Ordinary General Meeting of April 25, 2014.

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

STRONG GROWTH AND A SIGNIFICANT INCREASE IN EARNINGS

Amid challenging market conditions in the 2014 business year, Forbo stayed right on course and produced impressive results. Both divisions generated robust growth stimuli and contributed to the positive sales figures in all regions. This success was driven by a number of factors: the launch of new high-end products and collections offering added value for our customers, the ongoing development and expansion of local distribution sites and service points in fast-growing markets, and selective measures to improve customer service and logistics.

Taken together, the gratifying growth in sales plus targeted investments in new tools, steps to expand production, and productivity gains along the entire value chain produced sustained earnings power and profitability at Forbo.

With our very healthy balance sheet and our leading market positions, we are well placed to capitalize on future growth opportunities.

Sales trend remains firm

In 2014, Forbo generated gratifying growth in sales, which came to CHF 1,226.8 million (previous year: CHF 1,199.7 million). In local currencies, this is a gain of 4.6%, but in the corporate currency the increase came to only 2.3% owing to the negative impact of currency fluctuations. The adverse currency effects, affecting in particular the Japanese yen and the Russian ruble, had an impact of about CHF 28 million on sales.

The Flooring Systems division posted sales of CHF 884.6 million in the 2014 business year (previous year: CHF 873.5 million). In local currencies, this is a gain of 3.4%, but in the corporate currency the increase came to only 1.3% owing to the negative impact of currency fluctuations. The steady increase in sales since mid-year 2013 stems from the systematic implementation of our strategy, which calls for strengthening distribution channels and targeted expansion of the product portfolio for private sector customer segments.

The Movement Systems division generated sales of CHF 342.2 million in the year under review (previous year: CHF 326.2 million), which reflects a significant increase of 7.8% in local currency terms. In the corporate currency, the increase came to a gratifying 4.9% despite the negative currency effects. All regions – the saturated markets in Europe somewhat more modestly than the Asia/Pacific and Americas markets – contributed to this steep rise in sales and the corresponding gains in market share.

Net sales by geographic area

		Change on previous year		2014 CHF m										
		%	in %		25	50	75	100	125	150	175	200	225	230
North, Central, and South America	18.8	+4.3	+7.1	229.1										
Asia/Pacific and Africa	13.4	+2.9	+7.7	164.9										
France	13.3	-2.3	-1.0	163.6										
Germany	11.8	+2.2	+3.6	144.8										
Great Britain/Ireland	11.2	+13.2	+9.2	137.7										
Benelux	10.2	-3.6	-2.4	124.9										
Scandinavia	9.2	-1.0	+4.2	113.0										
Eastern Europe	5.1	-2.9	+7.0	62.7										
Southern Europe	4.7	+7.9	+9.4	57.4										
Switzerland	2.3	+4.2	+4.2	28.7										
Total	100.0	+2.3	+4.6	1,226.8										

Strong operating profit

Despite the continuous expansion of our business activities in growth markets, investments in production plants, and substantial expenditures for the development of high-end products plus global market launches, both divisions significantly improved both operating profit before depreciation and amortization (EBITDA) and operating profit (EBIT).

Group EBITDA rose by 7.6%, while in the divisions Flooring Systems raised EBITDA by 7.8% and Movement Systems by 10.8%.

Group EBITDA came to CHF 185.1 million (previous year: CHF 172.1 million), while Flooring Systems reported EBITDA of CHF 149.6 million (previous year: CHF 138.8 million), and Movement Systems CHF 46.1 million (previous year: CHF 41.6 million). The Group increased its EBITDA margin by 0.8 percentage points to 15.1% (previous year: 14.3%), Flooring Systems by 1.0 percentage points to 16.9% (previous year: 15.9%), and Movement Systems by 0.7 percentage points to 13.5% (previous year: 12.8%).

EBITDA by division

	2014 CHF m	Change on previous year in %	-25	0	25	50	75	100	125	150
Flooring Systems	149.6	+7.8								
Movement Systems	46.1	+10.8								
Corporate	-10.6	-27.7								

Forbo again reported a double-digit gain of 10.1% in operating profit (EBIT), which rose to CHF 149.4 million (previous year: CHF 135.7 million). The Group EBIT margin rose by 0.9 percentage points to 12.2% (previous year: 11.3%).

The marked improvement in operating profit plus the strong financial income once more resulted in a double-digit increase in Group profit from continuing operations, which rose by 12.0% to CHF 123.4 million in the reporting year from CHF 110.2 million the previous year.

Taxes and financial income

The tax rate in the year under review came to 20.1%, compared with 21.8% the previous year.

Financial expenses declined to CHF 1.0 million (previous year: CHF 5.7 million) owing to the complete repayment of the CHF 150 million bond issued in 2009 with residual maturity in the summer of 2013. On the other hand, the Forbo Group posted financial income of CHF 5.9 million, due in particular to the investment of excess liquidity in a positive market environment. On balance, the financial result came to CHF 4.9 million (previous year: CHF 5.2 million).

Free cash flow

	2014 CHF m	2013 CHF m	-50	0	50	100	150	200
Cash flow from operating activities	147.3	128.1						
Cash flow from investing activities	-13.0	52.9						
Free cash flow	134.3	181.0						

Net cash flow from operating activities

In the year under review, cash flow from operating activities came to CHF 147.3 million, which was CHF 19.2 million higher than the previous year (CHF 128.1 million), the main factor being the increase in operating profit. Cash flow from investing activities was negative in the year under review (CHF -13.0 million versus CHF 52.9 million the previous year). One reason is that investments in property, plant, and equipment were higher than the previous year, but another is the fact that far fewer financial instruments were sold compared with the previous year. Free cash flow thus amounted to CHF 134.3 million (previous year: CHF 181.0 million).

Balance sheet remains in great shape

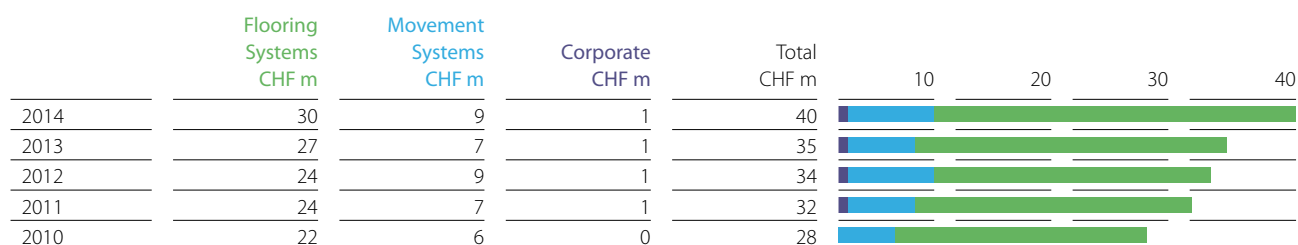
Total assets as at December 31, 2014 stood at CHF 1,095.6 million (previous year: CHF 1,127.0 million). Net cash decreased by CHF 54.3 million to CHF 252.6 million (previous year: CHF 306.9 million). This decline can be explained primarily by the share repurchases made in the reporting year. Likewise, shareholders' equity reduced to CHF 738.8 million as at the end of December 2014 (previous year: CHF 786.8 million) owing to the share buybacks. The equity ratio still remains at a high level of 67.4% (previous year: 69.8%).

Significant increase in investment volume

In order to continue growing sales and profitability, we significantly increased investments in expanding capacity and boosting efficiency. In the reporting year, we concentrated our resources on key activities and strategic projects in the areas of market expansion and product technology. Accordingly, total investments in fixed assets in 2014 came to CHF 39.5 million, an increase in investment volume of 14.2% compared with the previous year's figure of CHF 34.6 million. In the reporting period, Flooring Systems invested CHF 29.9 million, 10.3% more than the previous year (CHF 27.1 million). The investments included automation pro-

jects and the expansion in production of high-quality modular vinyl designer floorings, new tools for modular linoleum production, and additional warehouse capacity. At Movement Systems, investments in fixed assets came to CHF 9.4 million, which was 32.4% higher than the previous year (CHF 7.1 million). The resources were invested mainly in the expansion of the product portfolio for specific applications in complex plant constructions, new tools for the production of plastic modular belts, the extension of the production plant in China, further expansion in growth markets, and new manufacturing technologies worldwide in order to satisfy customer needs even better and more efficiently.

Investments 2010 – 2014



Increased headcount

At year-end 2014, the Forbo Group employed 5,161 people. This is altogether 114 employees more than at the end of the previous year. The individual percentage changes in staff levels by and large reflect market developments in the regions in question. The increases in Asia/Pacific, the Americas, and Eastern Europe were

driven by the expansion of the sales and distribution organizations in these fast-growing markets. In Germany and the UK, where new hiring has been restrictive for some years, there was a personnel build-up in some areas, whereas in France we have acted responsibly with regard to staff increases owing to the currently muted level of demand in this market.

Employees by geographic area

	%	Change on previous year in %	2014	200	400	600	800	1,000	1,200
Benelux	21.3	+0.5	1,100						
North, Central, and South America	14.0	+4.0	722						
Asia/Pacific and Africa	13.9	+6.3	719						
Germany	12.2	+2.9	632						
Great Britain/Ireland	12.1	+2.1	625						
Eastern Europe	8.9	+4.9	459						
France	8.5	-3.1	438						
Switzerland	3.6	0.0	185						
Scandinavia	3.2	-0.3	166						
Southern Europe	2.3	0.0	115						
Total	100.0	+2.2	5,161						