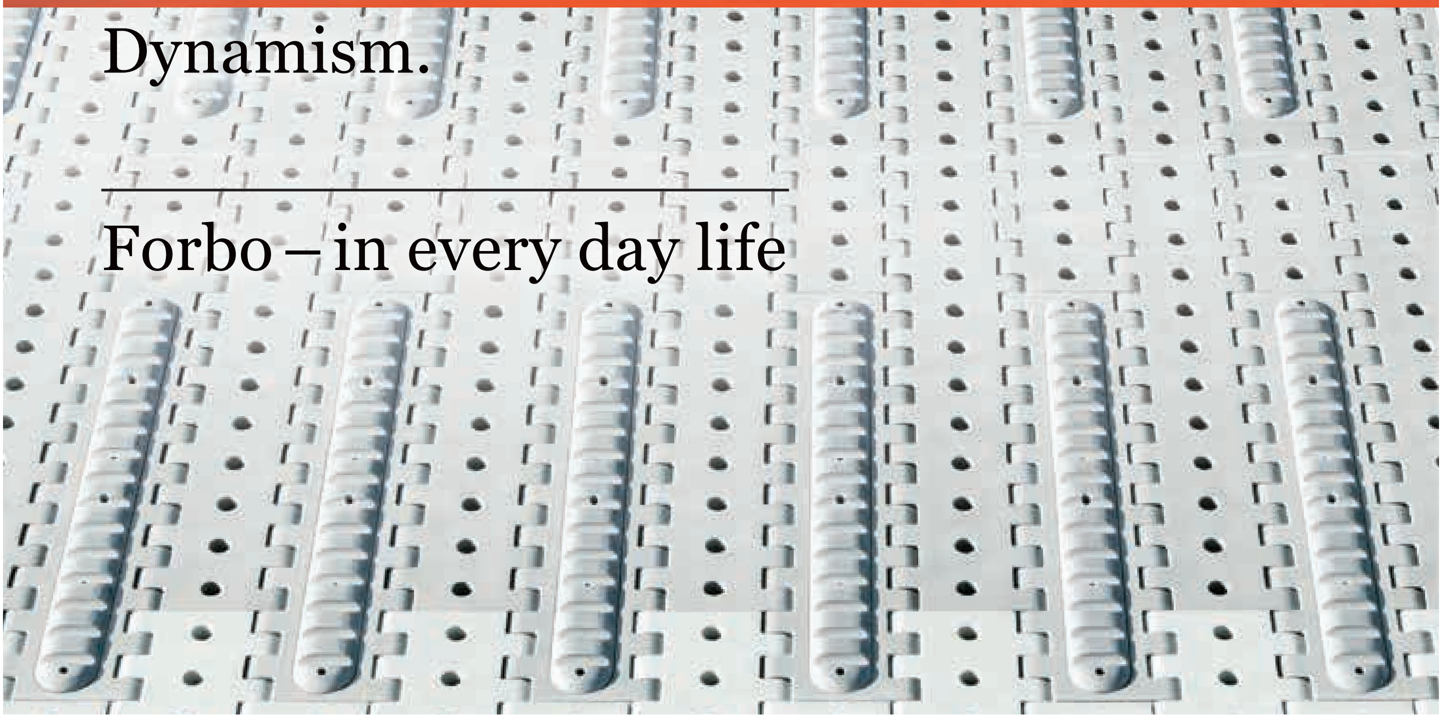
connect.

Annual Report 2013

Creativity.

Dynamism.



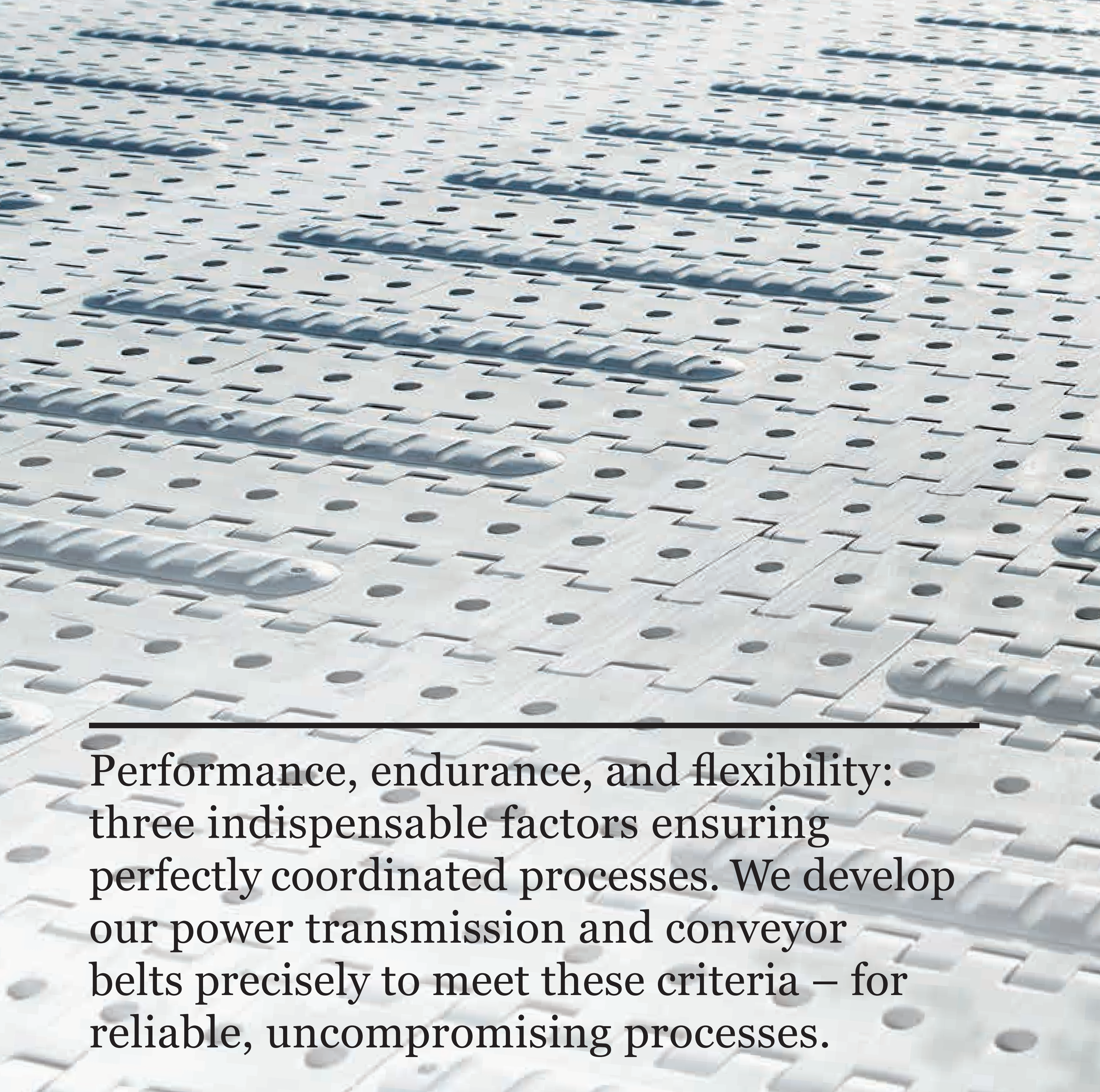
Forbo – in every day life

flooring. movement.

CREATIVITY

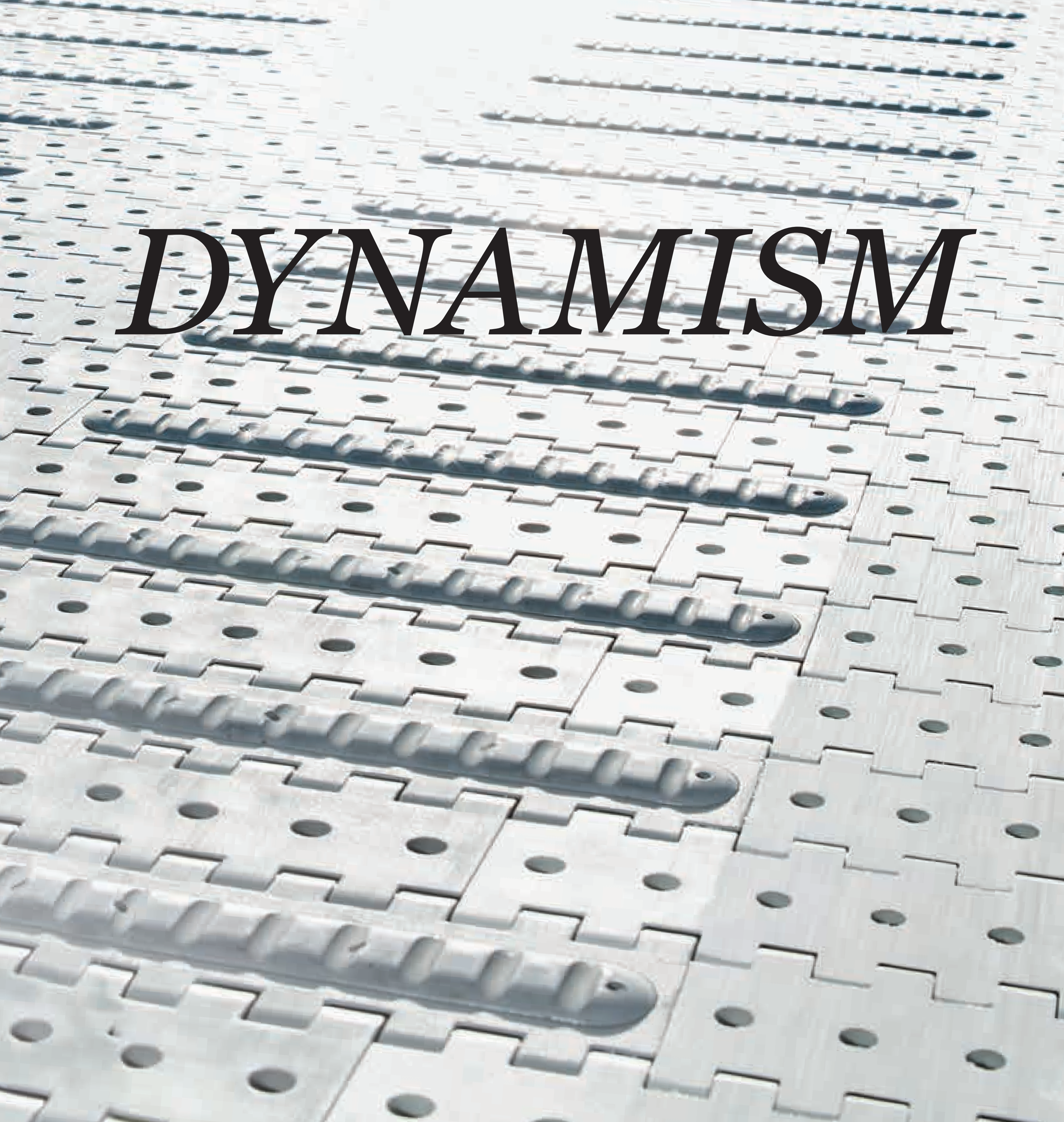
Inspiration can draw on many different sources. Thanks to our large range of attractive floorings, we set no limits to our customers’ design choices, enabling them to create distinctive and original spaces.

FLOORING SYSTEMS



Performance, endurance, and flexibility: three indispensable factors ensuring perfectly coordinated processes. We develop our power transmission and conveyor belts precisely to meet these criteria – for reliable, uncompromising processes.

DYNAMISM



MOVEMENT SYSTEMS

Dr. Albert Gnägi
Chairman of the Board of Directors

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

‘2013 was yet another successful year in a challenging market environment. By launching high-margin collections and innovative products and by penetrating new markets outside the public sector, we significantly strengthened our earning power and further improved the company’s profitability, amid stable sales.’

To our shareholders

Dear Madam, dear Sir,

Forbo again performed well in a challenging and mixed market environment. Flooring Systems to a large extent offset the slump in demand in the public sector and in individual European markets by opening up new market segments. Movement Systems increased sales in all regions and successfully compensated for what was in some cases strong depreciation of currencies in its markets, especially in Japan. After Group sales decreased slightly in the first half, it increased again in the second six months of the year.

The successful launch of high-margin and innovative products and collections, new market opportunities outside the public sector, and further productivity gains enabled Forbo to substantially increase its earning power and profitability, amid stable sales. Both divisions significantly raised both their gross margin and their operating margin on the strength of higher value added and more efficient processes in production and logistics.

Sales at previous year's level

Forbo compensates for weaker demand in the public sector and for currency effects
In the year under review, Forbo generated net sales of CHF 1,199.7 million, about the same as the previous year (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%.

Net sales at Flooring Systems came to CHF 873.5 million, just a shade off the previous year's figure (previous year: CHF 873.9 million); this marked a small decline of 0.4% in local currencies and 0.1% in the corporate currency. The division compensated to a large extent for the decrease in net sales in the public sector by opening up new market segments in the private sector and new geographic markets. Flooring Systems saw its sales decline in the first half of the year but they increased in the second half compared with the prior-year period.

Movement Systems generated gratifying sales growth of CHF 326.2 million (previous year: CHF 327.2 million), which came to a gain of 2.4% in local currencies. In the corporate currency, though, net sales decreased slightly by 0.3% owing to negative currency effects, especially in Japan.

Significant increase in operating profit

Strategic focus confirmed
In order to reduce our dependence on public spending and take even greater advantage of the potential in the growth markets, Forbo has launched a number of strategic projects in recent years. Their purpose was to add high-margin products to the product portfolio and to open up new sales channels outside the existing market segments and established geographic markets. In these areas, Forbo posted significantly higher sales growth, especially in the second half of the year.

The focus on high-margin products and the extension of the portfolio have led to a further improvement in the gross margin.

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).

Substantial improvement in operating profit
After factoring out the above-mentioned restatement effects, both divisions substantially improved both operating profit before depreciation and amortization (EBITDA) and operating profit (EBIT). The Group's EBITDA rose by 6.5%, while EBIT was up by 12.7%. The EBITDA margin rose by 0.9 percentage points to 14.3%, while the EBIT margin increased by 1.3 percentage points and came to 11.3%.

After application of these restatements, Group EBITDA came to CHF 172.1 million (previous year restated, without special items: CHF 166.9 million), while EBIT stood at CHF 135.7 million (previous year restated, without special items: CHF 126.1 million).

Significant increase in Group profit

Above-average financial result
Forbo's strong balance sheet enables it to invest some of its surplus liquidity in the capital markets. The strong capital markets were instrumental in Forbo's financial profit of CHF 5.2 million (previous year CHF – 5.5 million).

On the back of the considerably improved operating result plus the gratifying financial result, Group profit from continuing operations rose significantly by 19.2% prior to the application of the revised accounting standard. After the restatements, Group profit from continuing operations came to CHF 110.2 million (previous year restated, without special items: CHF 96.1 million).

Strong balance sheet

Net cash and equity ratio increase further
In the year under review, Forbo increased net cash from CHF 258.3 million to CHF 306.9 million. In addition, as at December 31, 2013, Forbo held treasury shares valued at CHF 165.6 million at the year-end share price. The equity ratio rose significantly to 69.8% (previous year restated: 60.1%).

Strong foundation for growth opportunities
With our focused market leadership, our sound balance sheet and our systematically implemented strategy, we are well placed to force the pace of expansion in growth markets while also taking advantage of external growth opportunities in order to position Forbo more strategically. However, we will make acquisitions only if we can thereby create added value for our shareholders. For the time being, we are holding the liquidity as a strategic reserve. The high level of net cash, plus cash generated in future from operations, enable the Board of Directors to make further share buybacks without restricting the Group's scope for future acquisitions.

Proposals to the Ordinary General Meeting

The Ordinance against Excessive Remuneration in Listed Public Companies entered into force on January 1, 2014. The ordinance allows a transition period until the end of 2015. The Board of Directors has decided to present a comprehensive amendment of the Articles of Association at the Ordinary General Meeting on April 25, 2014. The amendment of the articles of association and the implementation of the ordinance will affect the course of the forthcoming Ordinary General Meeting.

Change in the Chair of the Board of Directors
As announced a year ago, Dr. Albert Gnägi, who has been Chairman of the Board of Directors for the past nine years, will not stand for re-election at the Ordinary General Meeting in spring 2014 as he will have then reached the statutory age of retirement. The Board of Directors proposes to the Ordinary General Meeting the election of This E. Schneider, who has been Delegate of the Board of Directors and CEO for the past ten years, as Executive Chairman of the Board.

Elections to the Board of Directors
At the same time, the Board of Directors proposes electing Claudia Coninx-Kaczynski as a new member of the Board of Directors. She has a degree in law from the University of Zurich and a Master of Law from the London School of Economics. Amongst others, Claudia Coninx-Kaczynski is also a member of the Board of Directors of Tamedia AG.

All the other current members of the Board of Directors are proposed for re-election for a term of one year.

Increase in the dividend from CHF 12 to CHF 14
The Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend of CHF 14 per share for 2013 (previous year: CHF 12). This dividend will be paid out to shareholders as a tax-exempt distribution from capital contribution reserves.

Share buyback program
The Board of Directors will propose to the Ordinary General Meeting that the treasury shares that have been repurchased on the SIX Swiss Exchange via the second trading line be destroyed. The Board of Directors will also propose that over the next three years further treasury shares up to 10 percent of the total share capital be repurchased in order to reduce capital. The repurchase shall take place via a second trading line on the SIX Swiss Exchange or via some other means.

Strengthened for 2014

Long-term succession planning
In connection with the change of the Chairman of the Board of Directors, Stephan Bauer was appointed as the new CEO and Chairman of the Executive Board of the Forbo Group starting on January 1, 2014. He joined our company in September 2013 and has spent this time preparing in depth for his new role. The division of responsibilities between the Executive Chairman of the Board and the CEO is described on page 49 of this Annual Report.

Outlook for 2014
On balance, we anticipate a slightly improved, though very mixed, economic environment in the coming business year. Our two divisions are very well positioned, and we can call on the necessary resources to enable us to implement our strategy systematically and to focus on achieving operational excellence and an impressively strong market performance.

Barring any significant change in the current economic conditions, especially with regard to exchange rates and raw material prices, we expect a slight increase in sales and somewhat higher Group profit from continuing operations in the 2014 business year compared with the year 2013.

Thank you

Thanks to employees, business partners, and shareholders
Owing to close cooperation at all levels, we succeeded in taking advantage of opportunities in growth markets and new customer segments. Our sincere thanks to all our employees whose firm commitment has made this possible.

We also wish to thank our customers and business partners for their professionalism and the confidence they have placed in our company.

On behalf of the Board of Directors and the Executive Board, we thank you, too, dear shareholders, for the deep trust and loyalty you show to Forbo.

Baar, March 2014

Dr. Albert Gnägi
Chairman of the Board of Directors

This E. Schneider
Delegate of the Board of Directors

Financial calendar

Ordinary General Meeting:	April 25, 2014
Publication of Half-Year Report 2014:	August 19, 2014
Publication of Annual Report 2014:	March 17, 2015

Annual report 2013

At a glance

2013 at a glance

FORBO IS A LEADING PRODUCER OF FLOOR COVERINGS, BUILDING AND CONSTRUCTION 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.

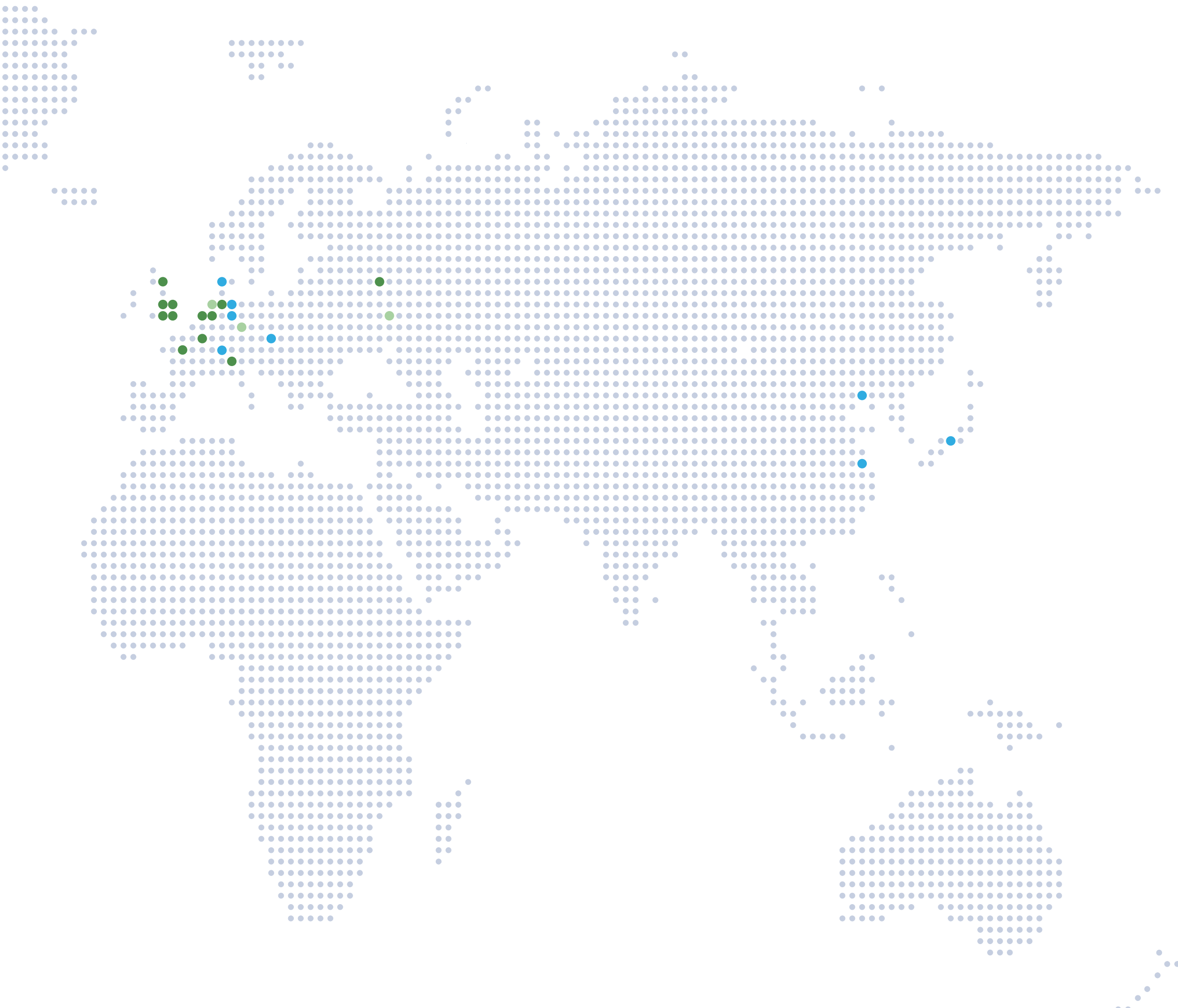
Flooring Systems
15 production facilities in 6 countries and distribution companies in 22 countries. Sales offices in Europe, North, Central and South America as well as Asia/Pacific.

- 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

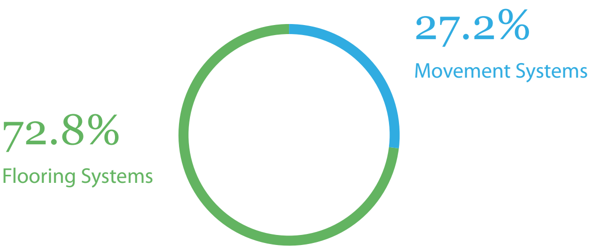
- Production facilities and assembly operations

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



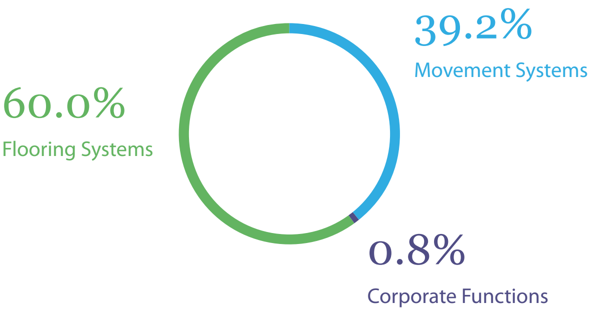
Net sales by division

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



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
Total	**5,047**	**0.9**	**100.0**



Financial overview Group

	2013	2012	2013	2012
	[1]	restated[1]	prior to restatements[1]	prior to restatements[1]
Income statement	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[2]	171.1	160.6[2]
EBIT	135.7	126.1[2]	132.1	117.2[2]
Group profit from continuing operations	110.2	96.1[2]	107.4	90.1[2]
Group profit	117.6	213.3	114.8	197.2
Balance sheet	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
Cash flow statement	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[7]	52.9	183.5	52.9	183.5
Free cash flow	181.0	289.8	181.0	289.8
Key ratios	%	%	%	%
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
Employees (as at December 31)	Number	Number	Number	Number
Total employees	5,047	5,000	5,047	5,000
Ratios per share, from continuing operations	CHF	CHF	CHF	CHF
Earnings per share (undiluted)[6]	53.21	58.73	51.85	56.06
Equity (undiluted)	379.9	329.4	423.2	369.3
Dividend	14.0[3]	12.0[4]	14.0[3]	12.0[4]
Stock market capitalization (as at December 31)	CHF m	CHF m	CHF m	CHF m
Stock market capitalization[5]	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%.

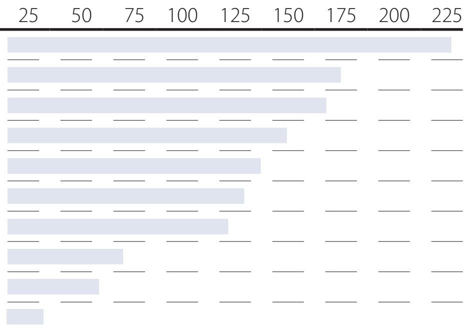
In order to reduce our dependence on public spending and take even greater advantage of the potential in growth markets, Forbo has launched and implemented a number of strategic projects in recent years. Their aim is to add high-quality products to the product portfolio and open up new sales channels 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 in %	Change on previous year in local currencies in %	2013 CHF m
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
Total	**100.0**	**– 0.1**	**0.3**	**1,199.7**



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).

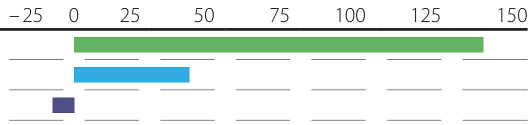
Significant increase in operating profit
After factoring out the effects of changes to the accounting standards (restatements), both divisions substantially improved both operating profit before depreciation and amortization (EBITDA) and operating profit (EBIT).

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 %[1]
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).

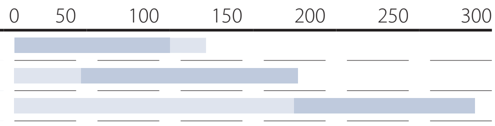
Taxes and financial income

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
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).

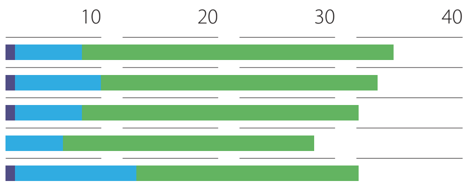
Strong balance sheet
Total assets as at December 31, 2013, stood at CHF 1,127.0 million (previous year: CHF 1,213.3 million). Net liquidity came to CHF 306.9 million (previous year: CHF 258.3 million). Despite the share buyback, shareholders' equity as at the end of December 2013 rose to CHF 786.8 million (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

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2013	27	7	1	35
2012	24	9	1	34
2011	24	7	1	32
2010	22	6	0	28
2009	19	12	1	32

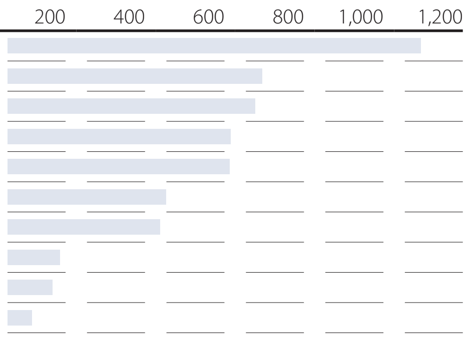


Workforce development

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
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
Total	**100.0**	**0.9**	**5,047**



Sustainable value creation

A responsible attitude towards the management of resources is one of the fundamental values at Forbo. We are committed to protecting the environment and continuously investing in a sustainable future. As a manufacturer and employer conscious of its responsibilities, Forbo sets very high standards for health, safety, environment, and quality.

Social dimension
Forbo cultivates a high-performance culture to fulfill the high demands of our customers and business partners as well as our own demands on ourselves. This is why we promote the necessary capabilities and competences on all organizational levels and support this internally with seminars and further training activities.

This means that the divisions provide internal training in a wide range of areas regarding products and applications, sales and marketing, finance, operations, project management, strategy implementation, and the Forbo values. On the Group level Forbo has successfully established an internal management training program in collaboration with the University of St. Gallen, other external partners and internal experts. This practice-oriented advanced training program for senior managers as well as persons in key positions consists of a first training week that includes various modules from management, sales and marketing as well as operations. A second training week building on this contains additional leadership modules, and focuses on strategic implementation and leadership themes such as dealing with organizational and team changes as well as performance management.

Ecological dimension
Protection of the environment and the generation of ecological added-value are important factors in all of Forbo's development and investment decisions. Our customers also demand efficient and sustainable products and services.

Both divisions have purely natural products in their product portfolio. With linoleum, Flooring Systems offers a floor covering made of 97 percent renewable raw materials. Linoleum is made from the natural raw materials linseed oil, natural resin, wood flour, and limestone dust as well as jute and pigments. A natural product through and through which, in view of its long service life and positive ecological balance, is regarded as the most environmentally friendly resilient floor covering available. At the end of its long service life it can be composted, as it is biodegradable.

With the BioBelt, Movement Systems is the first conveyor belt manufacturer worldwide to develop a biodegradable conveyor belt whose physical and dynamic properties are equal to standard belts. The same applies to its performance and long service life. In BioBelt products, oil-based raw materials and synthetic-technical materials have been largely substituted by materials from renewable, plant-based raw materials.
In order to maximize environmental compatibility and at the same time increase the product advantages, Movement Systems patented a special coating (AmpMiser) that significantly reduces the friction between the underside of the belt and the slider bed compared with conventional conveyor belts. Conveyor belts coated with AmpMiser display their advantages most clearly where goods are being continuously conveyed and many belts are in use, for example at airports or in logistics and distribution centers. For this type of application, energy savings for the overall systems of up to 40 percent are achieved.

With these two innovative products Movement Systems won the silver medal at the prestigious SolVin Award, an international competition that takes place every three years to honor the most innovative PVC solutions.

We have also made it our aim to continually shape our own activities more sustainably and efficiently. We do this by using less material and energy to realize equivalent or even better solutions. Both divisions are working constantly on the optimization of production processes in terms of water and energy consumption, reduction of emissions, reuse of heat generated in the production process, and in the reduction, and the efficient recycling of waste material in order to reduce the

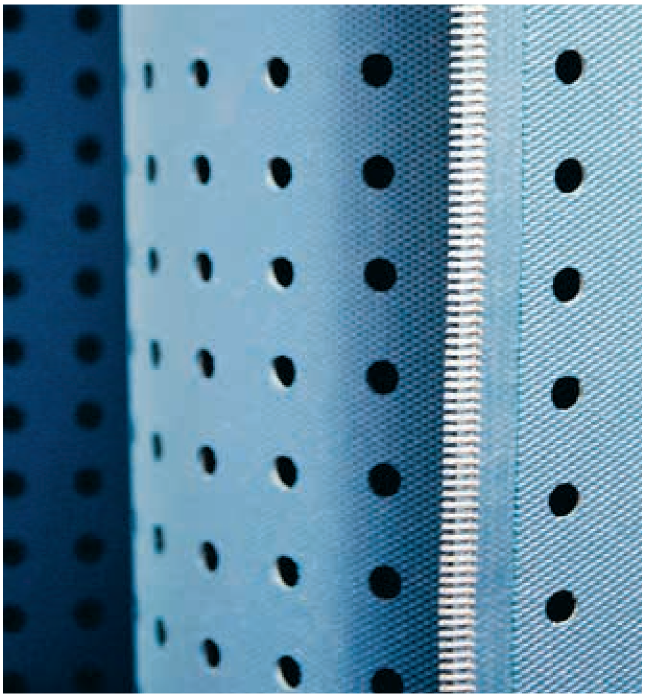
Sustainable value creation

burden on the environment. At the same time, we are working on innovative ideas regarding the materials used in the production process as well as new application techniques.

FLOORING SYSTEMS
Flooring Systems focuses its sustainability activities on the four terms: reduce, renew, reuse, and recycle. Reducing the amount of material used and the energy consumed in a production process as well as keeping waste material as low as possible make the greatest impact. At present, 97 percent of the electricity consumed at our production locations comes from renewable energy sources. In the reporting year, just under 80 percent of the waste material from our own production processes was reused as raw material or recycled (by Forbo itself for other product groups or by external third parties as a raw material). Viewed over all product groups, the proportion of material reused and recycled is 24 percent. For some years now increasing attention is being paid to the reuse of sections of waste material left over after the installation of the flooring. At present such recycling programs are offered in the Netherlands, Sweden, Great Britain, and North America. In the reporting year, for example, more than 140 metric tons of flooring material found their way back into the production process.

In order to be able to apply a measurement value to the sustainability of its products, Flooring Systems works with the life cycle assessment method. This is a method used to measure the environmental impact in various impact categories of a product per square meter from production, through the usage phase, right up to disposal.

MOVEMENT SYSTEMS
Movement Systems' resources management is based on the continuous improvement of consumption efficiency by the development and the targeted implementation of measures for the optimization of electricity, gas, and water consumption. Alongside saving energy, energy recovery is an important factor, i.e. the use of energy released in the downstream incineration plant for the purposes of heating and/or power generation. In order to reduce water consumption and avoid unnecessary waste, Movement Systems is increasingly using closed water circulation systems. Some of the



used water can be used in another production step in order to minimize water requirements. In Germany it was thus possible to significantly reduce the annual water consumption per square meter of finished material. The optimization of a cooling water plant with a newly programmed control system led to savings of around 60 percent in terms of kilowatt-hours. The reduction and productive reuse of waste material is increasingly the focus of sustainability initiatives. Cut-offs from the belts we produce in Germany and in Switzerland are sold to other companies to be reused in their production. The locations in North America collect sanding dust in filters which is then processed as material by external partners in their production. Some of the waste from plastic modular belts and polyurethane offcuts are recycled back into our own production.

Various certifications and calculations on lifecycle costs are the central factors in the decision to purchase our products.

Another ever-present issue at Forbo is safety in the workplace, which is generally founded on three pillars: work methods, processes, and employees. Various initiatives were also launched in this regard in the reporting year in order to refocus attention on a wide range of issues. Examples include the 5S work organization concept, which optimizes all areas of work organization in production and finishing, and the reporting of small incidents or near-misses, which can reveal hidden uncertainties and possible hazards.

Economic dimension

As a listed company, Forbo is also concerned with the economic dimension of sustainability. Compliance is enormously important for the reputation and positioning of a company. Forbo has continued its efforts, among other things, with regard to training in the code of conduct, competition law and anti-corruption principles, as well as further reinforcing the risk management processes.

Activity report

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

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.'

Matthias P. Huenerwadel

Executive Vice President
Flooring Systems

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 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 impact 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, offices, 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.

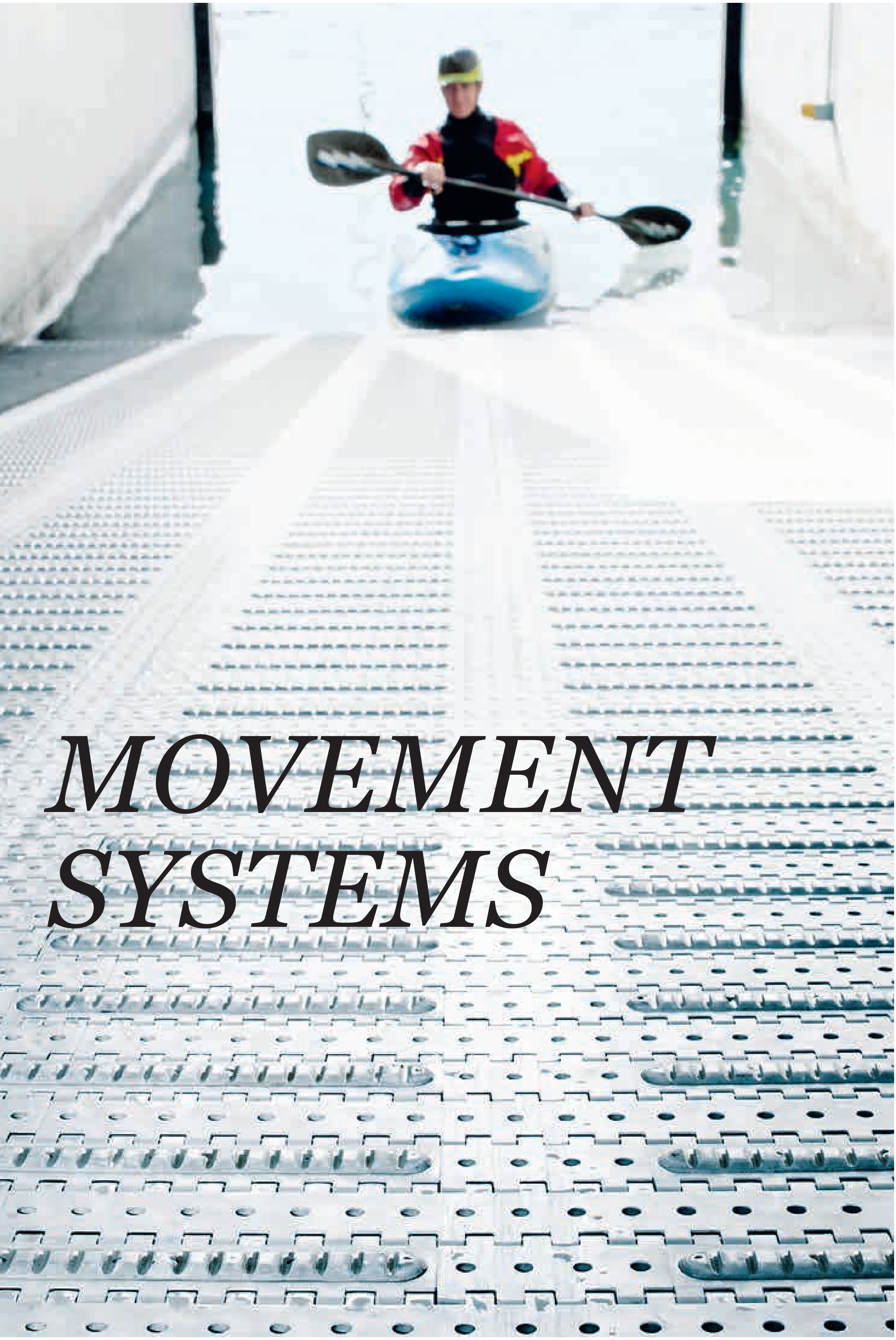
There is a growing trend in flooring toward modular designer floors. Compared with reel material, such floors are easier to transport, simpler to install, have fewer waste, and can readily be replaced in the event of wear and tear. Flooring Systems' product portfolio with carpet tiles and high-quality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

'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 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.

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.



MOVEMENT SYSTEMS

— *Dynamism* —

TOP PER-FORMANCE

Performance can only be distinctive and unique if it is adapted to specific needs and then translated into functional results. That's why the solutions we develop for our customers are tailor-made and long-term. Our products combine reliable quality with cost effectiveness and safety – that's our promise, worldwide.

Movement Systems:

Significant increase in profitability

‘We look back on a solid and successful year. Although business conditions were very challenging in some local markets, we increased sales revenue in all regions. Key factors in this uptrend were a double-digit increase in sales in most growth markets coupled with double-digit growth in plastic modular belts. Our customers are enthusiastic about our innovative, application-specific product portfolios featuring properties that generate added value in the production or logistics process, and they’re impressed by the application know-how of our employees. Optimization along the entire global value chain has been instrumental in the significant increase in our operating profit. Holding fast to our strategic focus, we will systematically pursue our goals as we seek to further strengthen and expand our market position.’

Jean-Michel Wins

Executive Vice President
Movement Systems

The Movement Systems division generated net sales of CHF 326.2 million in the year under review (previous year: CHF 327.2 million), which marked an increase of 2.4% in local currency terms. All regions contributed to this performance, although sales in individual markets were very mixed, with some countries reporting declines. In the corporate currency, however, sales declined marginally by 0.3% owing to negative currency effects, especially in Japan. The division’s share of Group sales came to 27.2%. Measures to increase efficiency, especially in production and assembly processes, had a positive impact on operating profit (EBIT), which rose substantially to CHF 31.7 million (previous year restated: CHF 27.6 million). Adjusted for the restatement effect, this comes to an increase of 15.2% over the previous year. After adjustment for the restatement effect, the EBIT margin was 9.7%, or 1.3 percentage points higher than the previous year.

All regions on the growth path

In the year under review, all three regions contributed to sales growth, even though some markets saw turnover decrease. North America posted a respectable increase in its sales revenue amid a challenging business environment. Europe, too, reported marginal growth on the whole, although the revenue picture in this region was quite mixed. Germany, an important pillar of sales, posted a slight downturn in demand, while Benelux and southern Europe turned in an impressive increase in sales. The remaining countries were more or less flat compared with the previous year. Despite Japan and Australia, Asia/Pacific reported gratifying sales growth. For one thing, growth markets where we have strengthened and enlarged the local organizations in recent years turned in double-digit sales increases. For another, the main market China enjoyed more buoyant demand.

In the reporting year, the division continued the strategic and sustainable development and expansion of its organization in growth markets by reinforcing existing companies in the areas of sales and assembly. In South Korea, we enlarged the new organization that we had developed the previous year. In order to strengthen the attractive market in Indonesia, we took over a distributor so that we can now offer the division’s entire product portfolio. In Thailand, preliminary work for servicing the local market has been completed, and the goal is for the division to operate its own company here in 2014.

Double-digit growth for plastic modular belts

The Prolink plastic modular belt product group, which the division has developed globally through focused efforts in recent years, again posted double-digit sales growth rates in the year under review. The products have been acclaimed by customers, especially for applications in the food industry and in the automotive and tire industries.

The strategic customer segments turned in a mixed performance. Demand for various belt types for the food-processing industry was very satisfactory in all regions, and this uptrend was no doubt due to innovative product line extensions that feature high-quality properties. Demand for professional applications in the logistics sector was restrained towards the beginning of the year, but gained significant momentum in the second half. In the tobacco industry, project business with original equipment manufacturers (OEMs) was instrumental in driving sales growth. The textiles and raw materials customer segments turned in an impressive performance on the back of specific range extensions and the launch of new products in the previous year. The industrial production, sports treadmills and paper/printing segments were either flat or slightly weaker owing to the general business conditions.

Impressive product innovations

In the year under review, the division again made substantial investments in developing and completing its product portfolio, especially for plastic modular belts. In close cooperation with its partners and customers, Movement Systems developed other belt types with different kinds of surface structures and properties. They can be used especially in applications where the goods have relatively little contact with the surface of the belt and nevertheless a consistent grip is essential at all times. They are ideal for conveying tires, bags, packaging, oily foodstuffs and bread upwards or downwards and for funneling goods or separating them if they have become jammed. For the food-processing industry, we have developed new belt solutions designed especially to convey either water-treated or adhesive products such as lettuces or other leafy goods such as spinach and cabbage or frozen foods. These innovations have advantages for water drainage and equipment ventilation, and they stand out for their excellent cleaning properties.

Flat belts also play an important role in the food-processing industry. Box-folding belts with grey rubber coating now ensure gentler and smoother handling of cardboard boxes, corrugated cardboard, and sanitary tissue. With the new friction coating, these belts are approved for direct contact with unpackaged foodstuffs and ideal for use in hygiene-critical areas. This is always important if the inside of the carton is in contact with the belt and afterwards in contact with the unpackaged foodstuff. The belts not only need no re-tensioning but they are also durable, abrasion-resistant and have strong edges, which ensures that the equipment has a long service life without unnecessary downtimes for our customers.

Focus on growth markets and operational excellence

In the 2014 business year, the division will continue to push ahead with its strategic initiatives. We will again focus on investing our resources in the development and expansion of growth markets. The division will concentrate in particular on Asia/Pacific, Turkey, and Eastern Europe, where we see better-than-average growth potential and intend to build up sales and service teams and our assembly competencies.

In larger, established markets such as America, Germany, or Japan, we aim to generate additional sales growth by offering attractive and innovative products, convincing applications and reliable, top-notch services.

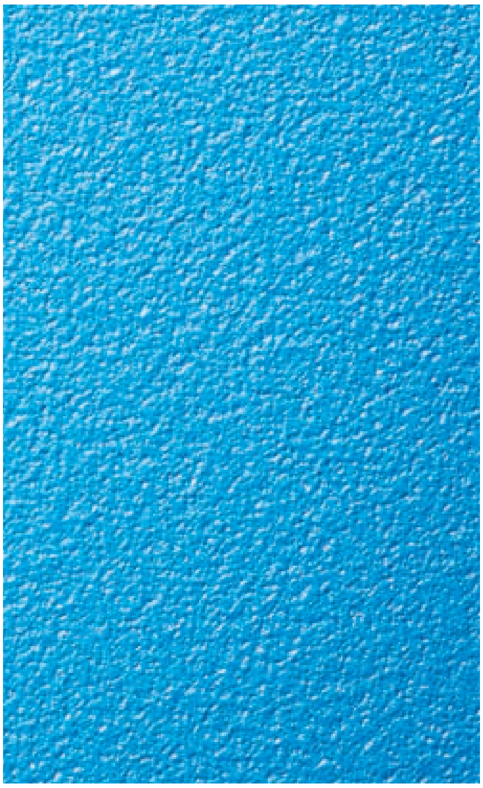
Our goal in production and assembly and in the procurement and supply chain is to streamline our global processes and work methods so that our greater efficiency produces operational excellence for our customers.

New sector-specific products win acclaim

Though not always visible, Movement Systems is present almost everywhere, ensuring optimum process reliability. Again in the year under review, Forbo stood out as a professional partner in the development of sector-specific, future-oriented solutions for drives, transport, and manufacturing.

Innovation for pizza production

The quartz sand conveyor belt recently developed by Movement Systems combines problem-free grip with perfect release properties, which is all made possible by the hard surface layer with a new quartz sand pattern. These product features have paid off, especially for pizza dough. Once rolled out and flattened, the pizza dough has good adhesion to the belt, which means that the dough doesn't contract and it retains the desired shape. Nevertheless, once the dough rolls reach the point where they are transferred from the belt to the oven, they release easily so that spraying the belt with oil to improve the release isn't necessary. Moreover, any impurities can easily be removed from the belt, and the belt is also simple to clean. The belt has a fray-free – and hence fluff-free – design, and its blue color ensures a strong contrast so that the foods can be clearly distinguished. This is ideal for hygiene-critical applications.



Additionally, the quartz sand pattern helps reduce flour dust, and this in turn cuts down on the amount of flour used and improves working conditions.

'APPLICATIONS THAT STAND FOR RELIABILITY AND QUALITY'

Versatile plastic modular belts

Owing to their construction, conventional conveyor belts are not entirely suitable for some conveyance and process tasks. So Movement Systems is focusing on expanding its range of plastic modular belts as a perfect complement to conveyor belts. In the year under review, it launched various new products that boast numerous advantages. For the food-processing industry, a new application has been developed especially for conveying products that are treated with water or have good adhesion, for instance lettuces or other leafy goods such as spinach or cabbage and frozen foods as well.

New belt types have been created especially for applications where the goods have relatively little contact with the belt surface and nevertheless a consistent grip is essential at all times. They are ideal for conveying tires, bags, packaging, oily foodstuffs and bread upwards or downwards and for funneling goods or separating them if they have become jammed.

In the automotive industry – where 'just in time' manufacturing and delivery are essential – heavy-duty worker belts are used because they must withstand high tensile forces, ensure high availability of the installation, and ensure long conveyor lines: after all, heavy vehicles have to be transported on these robust belts over several processing steps. With the new, roughened surface structure, employees will find kneeling on the softer belt much more pleasant than on the old anti-slip belts with their harder profile.

Organization

Executive Board

Jean-Michel Wins, Stephan Bauer, This E. Schneider, Andreas Spreiter, Matthias P. Huenerwadel

This E. Schneider

Delegate of the Board of Directors and CEO

This E. Schneider was born in 1952 and 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 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 publicly 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. He is also a member of the Board of Directors of Galenica SA, Rieter Holding AG, and Autoneum Holding AG.

Dr. Albert Gnägi, who has been Chairman of the Board of Directors for the past nine years, will not stand for re-election at the Ordinary General Meeting in spring 2014 as he will have then reached the statutory age of retirement. In the interest of continuity and forward-looking succession planning, the Board of Directors has expressed the wish that This E. Schneider should continue to play an important role in the development of Forbo. The Board of Directors will therefore propose the election of This E. Schneider as executive Chairman of the Board of Directors at the Ordinary General Meeting on April 25, 2014.

Stephan Bauer

Chief Executive Officer (effective January 1, 2014)

In view of the plan to elect This E. Schneider as executive Chairman of the Board of Directors, the Board of Directors has appointed Stephan Bauer as the new CEO and Chairman of the Executive Board of the Forbo Group, effective January 1, 2014. He joined our company in September 2013.

Stephan Bauer was born in 1961 and is a German citizen. He took a degree in Engineering and Management at the Munich University of Applied Sciences (FH) and began his professional career at BMW in Munich in 1987 as a project manager for the launch of new vehicle models. From 1991 to 2008 he worked for Siemens VDO Automotive AG (which became Continental Automotive in 2007) in various regional and global management positions in the field of sales and marketing and general management. In 2004 he was appointed CEO of Diesel Systems. From 2008 to 2013 Stephan Bauer was CEO and President Control Products & Systems at the Siemens Building Technologies division, where he was responsible for the entire product spectrum.

Andreas Spreiter

Chief Financial Officer

Andreas Spreiter was born in 1968 and is both a Swiss and a British citizen. He studied at the Federal Institute of Technology (ETH) in Zurich where he was awarded his engineering degree in plant production and engineering. From 1993 to 1998 he was Business Unit Controller at Landis + Gyr (Europe) AG. He then joined Siemens Metering AG, where he was Head of Finance and Controlling for two years and was then appointed to head the Electronic Meters Competence Center. From 2002 to 2012 he was Executive Vice President and Group Chief Financial Officer of Landis + Gyr AG. He is a member of the Board of Directors at Reichle & De-Massari AG. Andreas Spreiter joined the Forbo Group in January 2013 as a member of the Executive Board and Chief Financial Officer.

Matthias P. Huenerwadel

Executive Vice President Flooring Systems

Matthias P. Huenerwadel was born in 1968 and is a Swiss citizen. He studied engineering at the Federal Institute of Technology (ETH), specializing in manufacturing technologies and technology management. He began his professional career as assistant to the Executive Board of Franke Holding AG. In 1996, he moved to the USA, where he was responsible for logistics, information technology, and customer service with Federal Home Products, Ruston. From 1999, he held various managerial positions for Franke Foodservice Systems and managed its European operations from 2002 to 2005. Matthias P. Huenerwadel joined the Forbo Group as a member of the Executive Board in October 2005 where he was appointed head of the Movement Systems division. He has been Head of the Flooring Systems division since January 1, 2013.

Jean-Michel Wins

Executive Vice President Movement Systems

Jean-Michel Wins was born in 1967 and is a Belgian citizen. He studied business administration and languages at the IPET in Nivelles, Belgium, and began his professional career in Germany at Calberson GmbH, where he held various specialist functions. He then moved to Simut Sicherheit GmbH for two years, where he was in charge of sales and marketing. From 1992 to 1996 he was Export Manager at Brabus GmbH and from 1996 to 2002 he held various sales and managerial functions at Hirschmann Electronics. In 2002 he switched to Grammer AG, headquartered in Germany, where he held a number of international sales and senior management positions; in 2009 he was appointed Vice President responsible for the Offroad Seating Business Unit. As a member of the Executive Board, Jean-Michel Wins took over management of the Movement Systems division in January 2013.

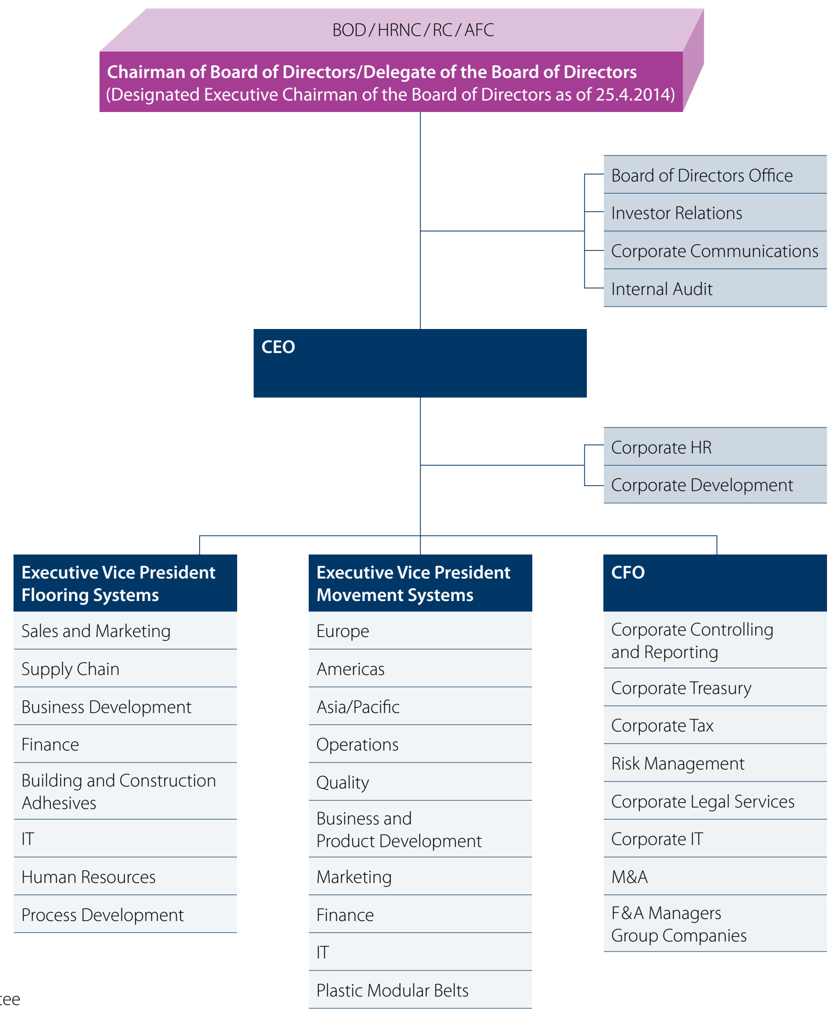
Group structure

Forbo has performed better than average in recent years compared with other listed companies. With its two focused divisions, the Group is now a world leader in its markets, free of debt and in possession of significant resources for further strategic development. The task Forbo is facing now is, on the one hand, to maintain its successful performance of recent years and, on the other, to reinforce and expand its positions in the global market with the means available through strong organic growth and acquisitions.

Whereas Forbo has been managed over the past ten years by the Delegate of the Board of Directors and CEO in a dual function, the forthcoming change will redefine the tasks and responsibilities of the highest executive by appointing a separate Executive Chairman of the Board of Directors and a CEO.

Tasks of the Executive Chairman of the Board of Directors
- Leading the Board of Directors
- Preparing the decisions of the Board of Directors and ensuring they are executed
- Representing and positioning the Group in the public
- Overall management of strategy development and involvement in realizing key strategic projects
- Management of relationships with key accounts and business, sector and capital market partners

Tasks of the Chief Executive Officer
- Operational management of the Group
- Leading the Executive Board
- Development and operational implementation of the strategies
- Implementation and monitoring of multi-year planning and budgets
- Supporting the Executive Chairman of the Board of Directors in preparing important projects relating to strategy, personnel, and finances for discussion and decision-taking by the Board of Directors



BOD Board of Directors
HRNC Human Resources and Nomination Committee
RC Remuneration Committee
AFC Audit and Finance Committee

■ Member of the Executive Board

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 2014.[1)]

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 2016.[1)]

Owner of the Artemis Holding AG (formerly Franke Holding AG), Aarburg.
Chairman of the Management Board of Artemis Management AG (formerly Franke Holding 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 and CEO/Elected until 2014.[1)]

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.[1)]

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 Trustees of Werner Abegg Fonds, Zurich.
Member of the Board of other private and foreign banks and non-listed investment and real-estate companies in Switzerland.

Dr. Reto Müller
Member/Elected until 2015.[1)]

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 2015.[1)]

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.

1) With the entry into force of the Ordinance against Excessive Remuneration in Listed Public Companies (OaER) on January 1, 2014, the term of office of all members of the Board of Directors ends in 2014. With the exception of Dr. Albert Gnägi, who will reach the statutory retirement age in the spring of 2014 and will therefore step down from the Board of Directors, all members of the Board of Directors will be proposed for re-election for one year at the Ordinary General Meeting on April 25, 2014.

The Forbo share

The Forbo share

The Swiss Performance Index (SPI) rose by more than 25% in the first five months of 2013. However, the market then corrected sharply, shedding within about one month more than half of the performance gains made in the previous five months. Calm eventually returned to the market, and the SPI again posted significant gains in the final months of the year, closing 2013 with a positive performance of 24.6%.

The price of the Forbo share rose from its year-end-2012 level of CHF 585 to close to CHF 650 by the spring of 2013, but by June 2013 it had fallen slightly below its year-end-2012 level again. In the following months, the Forbo share price posted significant gains and by year-end 2013 it had once again outperformed the SPI. The share closed the year at CHF 762, equivalent to an increase of 30.3%.

The Forbo share in comparison to the SPI

Share capital

		2013 Number	2012 Number	2011 Number	2010 Number	2009 Number
Issued registered shares[1]		2,250,000	2,500,000	2,500,000	2,713,152	2,713,152
Thereof:						
Shares outstanding		2,032,703	2,052,740	2,298,758	2,339,162	2,266,593
Share buyback second line		99,470	250,000		213,152	213,152
Other treasury shares		96,408	175,841	179,823	139,419	211,988
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		225,000	250,000	250,000	271,315	271,315
Thereof:						
Shares outstanding		203,270	205,274	229,876	233,916	226,659
Share buyback second line		9,947	25,000		21,315	21,315
Other treasury shares		9,641	17,584	17,982	13,942	21,199
Reserve shares (without dividend rights)		2,142	2,142	2,142	2,142	2,142

Data per share

		CHF	CHF	CHF	CHF	CHF
Group shareholders' equity per share[6]		380	329	349	320	301
Group profit per share[2] [6]		56.8	96.4	62.8	71.6	33.7
Gross dividend and cash distribution		14.0[3]	12.0	12.0	12.0	6.0
Gross dividend yield (in %)	High	1.8[4]	1.8[4]	1.7[4]	2.0[4]	1.8[4]
	Low	2.4[4]	2.5[4]	3.5[4]	3.5[4]	4.3[4]
Payout ratio[5] (in %)		26	13	19	17	18

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	769	685	713	595	343
	Low	580	484	343	343	140
	Year-end	762	585	493	590	340
Market capitalization (m)[7]	High	1,730	1,712	1,782	1,614	931
	Low	1,305	1,210	857	931	380
	Year-end	1,715	1,463	1,232	1,601	922

1) Par value per share in 2013, 2012, 2011, 2010, and 2009: CHF 0.10
2) See note 15 'Earnings per share' on page 101 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 dividend.
5) Gross cash distribution as a percentage of Group profit.
6) Based on the weighted average of the number of shares as set out in note 15 'Earnings per share' on page 101 of the financial report.
7) Total number of shares multiplied by the corresponding 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 subsidiaries, directly or indirectly, that belong to the Forbo Group. The operational structure of the Group is shown in the organizational chart on page 47. 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 132 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 company to the Group's businesses can also be found in that section of this Annual Report.

Significant shareholders

As of December 31, 2013, 1,937 shareholders were listed in the share register of Forbo Holding Ltd, or 227 (10%) fewer than in the previous year. As of December 31, 2013, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2013 as a percentage
Michael Pieper[1)]	30.30
Forbo Holding Ltd[2)]	9.66
This E. Schneider	3.84
UBS Fund Management (Switzerland) AG	3–5
Norges Bank	3–5

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.
2) – First trading line 5.24%, second trading line 4.42%.
– 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).

UBS Fund Management (Switzerland) AG reported to Forbo Holding Ltd on January 8, 2013, that it had exceeded the threshold of 3% and held a total of 99,447 registered shares of Forbo Holding Ltd, equivalent to 3.98% of the voting rights.

Forbo Holding Ltd reported on January 22, 2013, that, as a result of the implementation of the capital reduction that had been approved by the Extraordinary General Meeting of Forbo Holding Ltd on November 5, 2012, it had fallen below the threshold of 10% as at January 22, 2013, and that it held, directly or indirectly through Forbo International SA, Baar (CH) and Forbo Finanz AG, Baar (CH), 196,117 of its own shares, equivalent to 8.716% of the voting rights. In addition, Forbo Holding Ltd had granted 30,601 purchase rights for 30,601 registered shares of Forbo Holding Ltd, equivalent to 1.36% of the voting rights.

Norges Bank reported to Forbo Holding Ltd on May 23, 2013, that it had exceeded the threshold of 3% and held a total of 67,741 registered shares of Forbo Holding Ltd, equivalent to 3.01% of the voting rights.

No other disclosures were made in 2013.

For further information on significant shareholders or shareholder groups, we refer the reader to the table on page 58 and to page 146 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, 2013, Forbo Holding Ltd had a fully paid up share capital of CHF 225,000, which was divided into 2,250,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

– 68.88% were registered in the name of 1,911 shareholders with voting rights
– 23.76% were shares of banks or of SIX SIS AG pending registration of transfer
– 7.35% 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 Forbo shares can be found on pages 54 and 55. Further information on the rights of participation associated with shares can be found on pages 70 and 71 of this Annual Report.

At the Extraordinary General Meeting of Forbo Holding Ltd of November 5, 2012, the Board of Directors was authorized to buy back own shares up to a maximum of 10% of the share capital over a period of three years either on a second trading line at the SIX Swiss Exchange or otherwise, with the purpose of extinguishing them at a later stage. The Board of Directors reserves the right to interrupt or terminate the share buyback program if this should become necessary in order to finance external growth. The Board of Directors opted for a two-stage procedure in which the shareholders took the basic decision at the Extraordinary General Meeting of Forbo Holding Ltd on November 5, 2012, and will be asked to approve the cancellation of the repurchased shares at one of the forthcoming General Meetings. By December 31, 2012, Forbo Holding Ltd had repurchased 99,470 shares via the second trading line, equivalent to 4.42% of share capital.

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 granted in connection with the bonds issued by the company or one of its subsidiaries, or through the exercise of option rights granted to 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 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
In 2013, except for the implementation of the decision of the Extraordinary General Meeting of November 5, 2012, there was no change to the capital of Forbo Holding Ltd.

The Extraordinary General Meeting of Forbo Holding Ltd on November 5, 2012, decided, based on the audit report of an accredited auditor, to reduce the ordinary share capital of the company by CHF 25,000 from CHF 250,000 to CHF 225,000 by extinguishing 250,000 shares with a par value of CHF 0.10 each. It was further decided to amend the Articles of Association accordingly.

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 extinguishing 213,152 shares with a par value of CHF 0.10 each. It was further decided to amend the Articles of Association accordingly.

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

Limitations on transferability and nominee registrations
Forbo Holding Ltd does not have any percentage limitations on voting rights. The Board of Directors may only refuse to register stock in the share register if the purchaser of the stock does not expressly declare at the company's request that he/she has acquired the shares in his/her own name and for his/her 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 require a majority of two-thirds of the votes represented at the General Meeting and the absolute majority of the par value of the shares represented.

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

Convertible bonds and warrants/options
Forbo Holding Ltd has no outstanding convertible bonds nor has it issued any marketable warrants/options. Information on the option program available to the Executive Board can be found on page 69, as well as on pages 109 and 110 of this Annual Report.

Board of Directors

Members of the Board of Directors
The cutoff date for the following information is December 31, 2013.

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 Artemis Group (formerly 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 47 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 private and foreign banks and unlisted investment and real estate 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, from 2000 to 2011 as Chairman of the Board and CEO. 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 April 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 for 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, 2013

	First elected	Elected until OGM[1]	AFC	HRC
Chairman				
DR. ALBERT GNÄGI	2005	2014	M	C
Non-executive director				
Vice Chairman				
MICHAEL PIEPER	2000	2016	–	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	2015	M	–
Non-executive director				
VINCENT STUDER	2009	2015	C	–
Non-executive director				
Secretary of the Board				
NICOLE GRAF				
Non-member				

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

1) With the entry into force of the Ordinance against Excessive Remuneration in Listed Public Companies (OaER) on January 1, 2014, the term of office of all members of the Board of Directors ends in 2014. With the exception of Dr. Albert Gnägi, who will reach the statutory retirement age in the spring of 2014 and will therefore step down from the Board of Directors, all members of the Board of Directors will be proposed for re-election for one year at the Ordinary General Meeting on April 25, 2014.

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 roughly 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 26, 2013, Dr. Albert Gnägi and Michael Pieper were re-elected for a term of office of one and three years respectively in individual elections. Further details on the terms of office of the other members of the Board of Directors are contained in the table on page 62. As of 2014, all members of the Board of Directors will be elected in individual votes for a one-year term of office, in accordance with the Ordinance against Excessive Remuneration in Listed Public Companies (OaER). 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. 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 62.

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. 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 and the Executive Vice Presidents of the two divisions report to him for this function.

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

The Board of Directors meets on being convened by the Chairman as often as business requires but at least four times a year. When the Board is convened, the items on the agenda must be announced at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2013, the Board of Directors met seven 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 and the CFO 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 2013 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 all 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 2013 business year, two meetings were held, each lasting about half a day.

Areas of responsibility
The Board of Directors bears ultimate responsibility for the management of Forbo Holding Ltd. The main duties of the Board of Directors 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
- definition of 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 over-indebtedness

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, CFO, and the Executive Vice Presidents of the two 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 2013 business year, eleven meetings were held, each lasting from half a day to a full day.

At the meetings of the Board of Directors, any member may request information about any matter 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 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 63 and 64.

The Board of Directors furthermore fulfills 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 2013 as there were no special incidents or topics for discussion.

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 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 CFO 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 2013, a total of six internal audits 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. Three companies in each division were 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 and business interruption 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 127 to 131 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 pages 127 to 131 (note 37 'Risk assessment and financial risk management').

Executive Board

Members of the Executive Board, other 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 47 and 48 of this Annual Report.

Changes on the Executive Board
Matthias P. Huenerwadel, who headed the Movement Systems division with great success for seven years, took over the Flooring Systems division as of January 1, 2013. Movement Systems has been headed by Jean-Michel Wins since the start of the year under review. Andreas Spreiter took over the expanded CFO function as of January 1, 2013.

Stephan Bauer was appointed as the new CEO and Chairman of the Executive Board of the Forbo Group as per January 1, 2014. It is planned that This E. Schneider, Delegate of the Board of Directors and CEO, will take over as Executive Chairman of the Board of Directors in the spring of 2014, replacing Dr. Albert Gnägi, who will reach the statutory retirement age in the spring of 2014 and will therefore step down from the Board of Directors.

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

Compensation, shareholdings, and loans

CONTENT AND METHODOLOGY OF DETERMINING THE COMPENSATION AND 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 if and when they 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 percent of the consideration is distributed to the Board of Directors as Forbo stock. These shares are locked-up for a 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 is 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 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 126 and 147 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 if 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, and based on 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 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 25% of the total variable component; the remaining portion of the variable component is a function of the achievement of 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, free cash flow and EBIT. The financial (quantitative) targets for Executive Board members who are in charge of a division are net sales, free cash flow, EBIT, and the net current assets of the division, as well as EBIT at Group level. The financial (quantitative) targets of Executive Board members with corporate functions are consolidated net sales, free cash flow and

EBIT of the Group. The variable component can be a maximum of 200% of the fixed compensation, depending on the function and individual's target achievement.

The bonus payment is linked to the Management Investment Plan (MIP), which was introduced in 2006 and revised in 2012. According to this plan, at least 50% of the annual bonus of Executive Board members is paid into the MIP. Under the previous plan, 25% of the payments were invested in options and 75% in shares of Forbo Holding Ltd. The shares and options were locked-up for a period of three years, and the lifetime of the options was five years. As can be seen from the table below, the options issued in connection with the MIP come to maturity no later than April 21, 2017. Following the revision of the MIP, the sums paid into the MIP are no longer invested in options and shares as of January 1, 2013, but solely in shares of Forbo Holding Ltd. These shares are subject to a lock-up period of three years.

Of special note with regard to the options issued before the revision of the MIP is the treatment of these options in the event of termination of the employment contract, disability, or retirement. If notice is given terminating the employment contract during the lock-up period, the MIP participants may either buy back the options (the repurchase price then corresponds to the difference between the strike price of the option and the average price of the shares during the last five trading days before the employment contract was terminated) or they may keep the options and sell or exercise them after the lock-up period during their remaining lifetime. In the event of disability or retirement (including early retirement), the options – regardless of whether or not they are still subject to a lock-up period – may be sold during the entire remaining period to maturity from the moment the disability or retirement begins.

As of the balance sheet date of December 31, 2013, the Executive Board held the following options:

Allocation	No. of registered shares	Term	Locked-up until	Subscription ratio	Strike price (CHF)
2010	565	15.03.2010 – 16.03.2015	15.03.2013	1:1	434.75
2011	2,033	01.04.2011 – 02.04.2016	01.04.2014	1:1	733.25
2012	3,051	20.04.2012 – 21.04.2017	20.04.2015	1:1	616.33

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 109, 110, 126, 127 as well as 147 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 other usual social insurance benefits.

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).

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 were locked-up until December 31, 2013. The modalities are similar to a very large extent to the provisions of the first contract. 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. No severance payment was agreed.

The employment contract with the Delegate of the Board of Directors and CEO, which ended on April 30, 2013, was extended until December 31, 2016. The total compensation was described in detail in the 2012 Annual Report. The bulk of the compensation will again be paid in locked-up shares which have lock-up periods of three, four, and five years respectively, and in a cash payment for taxes and for employee contributions to social security. With this share package and this cash remuneration, all compensations such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked-up shares will be available on May 1, 2018, at the earliest. This compensation model is thus geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders.

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. According to Article 28 of this ordinance, employment contracts must be adjusted to the OaER by no later than December 31, 2015. Consequently, all payments that had been agreed and were paid out for 2016 have to be reversed by December 31, 2015, at the latest. In order to comply with and implement the provisions of the OaER, Forbo and the Delegate of the Board of Directors have agreed that he will repay Forbo in cash the amount of his fixed compensation for the period from January 1, 2016, to December 31, 2016, plus interest from May 1, 2013, to December 31, 2013. The repayment was made before year-end 2013. The compensation package and the relevant agreements were adjusted accordingly.

The relevant figures for this compensation model are found on pages 126 and 147 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/she has acquired and is holding the shares in his/her own name and for his/her 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 require a majority of two-thirds of the votes represented at the General Meeting and the absolute majority of the par value of the shares represented.

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 Paragraph 13 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 2013, 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 0.9 million in the year under review.

Additional fees
The additional consultancy fees that were invoiced by the auditing company amounted to CHF 0.4 million in 2013. These fees consist in the main of general tax advice.

Information instruments of the external auditors
The external auditors prepare for the CEO and the CFO 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 to 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 road shows 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 8 of this Annual Report. Further information on the Forbo share is printed on pages 52 and 53 of this Annual Report.

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Financial report

Consolidated balance sheet

		31.12.2013	31.12.2012	1.1.2012
Assets				
CHF m	Note		(restated)	(restated)
Non-current assets		**408.2**	**410.4**	**412.9**
Property, plant, and equipment	16	232.3	233.8	235.5
Intangible assets	17	146.4	149.2	153.5
Deferred tax assets	14	29.3	27.2	22.7
Investments in associates and other non-current assets	18	0.2	0.2	1.2
Current assets		**718.8**	**802.9**	**950.1**
Assets held for sale	31			346.0
Inventories	19	213.4	218.6	219.6
Trade receivables	20	148.8	150.2	159.2
Other receivables		29.2	28.9	24.8
Deferred income and prepaid charges		18.3	11.8	8.0
Other current financial instruments	21	68.1	142.1	0.1
Cash and cash equivalents	22	241.0	251.3	192.4
Total assets		**1,127.0**	**1,213.3**	**1,363.0**
Shareholders' equity and liabilities				
CHF m				
Shareholders' equity		**786.8**	**729.2**	**715.4**
Share capital	24	0.2	0.3	0.3
Treasury shares		– 0.1	– 0.1	– 0.1
Reserves and retained earnings		786.7	729.0	715.2
Non-current liabilities		**99.1**	**105.0**	**242.5**
Non-current financial debt	26	1.2	2.6	144.5
Employee benefit obligations	27	51.8	51.1	39.0
Non-current provisions	28	26.1	35.8	39.5
Deferred tax liabilities	14	20.0	15.5	19.5
Current liabilities		**241.1**	**379.1**	**405.1**
Trade payables		87.2	84.7	86.1
Current provisions	28	17.3	16.4	18.3
Accrued expenses	29	88.5	96.5	106.7
Current financial debt	30	0.7	132.5	47.5
Current tax liabilities		14.5	26.6	27.6
Other current liabilities		32.9	22.4	26.6
Liabilities directly associated with assets held for sale	31			92.3
Total liabilities		**340.2**	**484.1**	**647.6**
Total shareholders' equity and liabilities		**1,127.0**	**1,213.3**	**1,363.0**

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

Consolidated income statement

CHF m	Note	2013	2012 (restated)
Continuing operations			
Net sales	6	**1,199.7**	**1,201.1**
Cost of goods sold		– 747.3	– 761.2
Gross profit		**452.4**	**439.9**
Development costs	7	– 16.4	– 16.3
Marketing and distribution costs		– 197.1	– 194.0
Administrative costs	8	– 90.7	– 96.6
Other operating expenses	9	– 19.3	– 25.3
Other operating income	10	6.8	63.8
Operating profit		**135.7**	**171.5**
Financial income	12	10.9	5.7
Financial expenses	13	– 5.7	– 11.2
Group profit before taxes		**140.9**	**166.0**
Income taxes	14	– 30.7	– 35.9
Group profit for the year from continuing operations		**110.2**	**130.1**
Group profit for the year from discontinued operations after taxes	31	**7.4**	**83.2**
Group profit for the year		**117.6**	**213.3**
Earnings per share, total			
CHF			
Basic earnings per share	15	56.78	96.36
Diluted earnings per share	15	56.76	96.31
Earnings per share from continuing operations			
CHF			
Basic earnings per share	15	53.21	58.73
Diluted earnings per share	15	53.19	58.70
Earnings per share from discontinued operations			
CHF			
Basic earnings per share	15	3.57	37.63
Diluted earnings per share	15	3.57	37.61

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

Comprehensive income statement

CHF m	2013	2012 (restated)
Group profit for the year	**117.6**	**213.3**
Items that will not be reclassified to the income statement:		
Remeasurements of employee benefit obligations, net of taxes	0.9	– 62.5
Items that may be subsequently reclassified to the income statement:		
Translation differences	– 8.2	– 6.5
Translation differences reclassified to the income statement		41.2
Fair value adjustments of cash flow hedges		1.7
Other comprehensive income for the year, net of tax	**– 7.3**	**– 26.1**
Total comprehensive income	**110.3**	**187.2**

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

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

Consolidated shareholders' equity

2013

CHF m	Share capital	Treasury shares	Reserves	Revaluation reserve	Reserves from cash flow hedges	Translation differences	Total
December 31, 2012 (restated)	**0.3**	**– 0.1**	**965.6**	**0.0**	**0.0**	**– 236.6**	**729.2**
Group profit for the year			117.6				117.6
Other comprehensive income for the year, net of tax			0.9			– 8.2	– 7.3
Total comprehensive income			**118.5**			**– 8.2**	**110.3**
Share-based payments			3.1				3.1
Treasury shares	– 0.1	0.0	– 30.8				– 30.9
Dividend payment			– 24.9				– 24.9
December 31, 2013	**0.2**	**– 0.1**	**1,031.5**	**0.0**	**0.0**	**– 244.8**	**786.8**

2012 (restated)

CHF m	Share capital	Treasury shares	Reserves	Revaluation reserve	Reserves from cash flow hedges	Translation differences	Total
January 1, 2012 (published)	**0.3**	**– 0.1**	**978.2**	**128.0**	**– 1.7**	**– 289.4**	**815.3**
Restatement			10.0	– 128.0		18.1	– 99.9
January 1, 2012 (restated)	**0.3**	**– 0.1**	**988.2**	**0.0**	**– 1.7**	**– 271.3**	**715.4**
Group profit for the year			213.3				213.3
Other comprehensive income for the year, net of tax			– 62.5		1.7	34.7	– 26.1
Total comprehensive income			**150.8**		**1.7**	**34.7**	**187.2**
Share-based payments			2.0				2.0
Treasury shares			– 147.9				– 147.9
Dividend payment			– 27.5				– 27.5
December 31, 2012 (restated)	**0.3**	**– 0.1**	**965.6**	**0.0**	**0.0**	**– 236.6**	**729.2**

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

Consolidated cash flow statement

	2013	2012
Cash flow from operating activities		
CHF m		(restated)
Group profit for the year	117.6	213.3
Tax expense	30.7	35.9
Group profit before taxes	**148.3**	**249.2**
Financial result	– 5.2	5.5
Depreciation and impairment of property, plant, and equipment	33.3	33.5
Amortization and impairment of intangible assets	3.1	7.3
Profit from disposal of discontinued operations	– 7.4	– 83.2
Share-based payments	3.1	2.0
Income tax paid	– 24.9	– 30.5
Decrease in provisions and employee benefit obligations	– 5.7	– 71.8
Increase in other current assets	– 17.8	– 15.4
Decrease in net operating working capital[1]	1.3	9.7
Net cash flow from operating activities	**128.1**	**106.3**
Cash flow from investing activities		
CHF m		
Purchase of business operations net of cash acquired	– 0.3	– 12.4
Sale of Group companies net of cash disposed of	0.0	368.0
Purchase of non-current assets	– 34.6	– 32.7
Proceeds from the disposal of non-current assets	1.6	0.3
Purchase of current financial instruments	– 0.8	– 141.6
Sale of current financial instruments	86.2	0.0
Interest received	0.8	1.9
Net cash flow from investing activities	**52.9**	**183.5**
Cash flow from financing activities		
CHF m		
Repayment of current financial debt	– 132.4	– 46.2
Repayment of non-current financial debt	– 1.4	– 12.7
Interest paid	– 5.5	– 8.8
Purchase of treasury shares	– 62.2	– 162.0
Proceeds from sale of treasury shares	37.4	13.1
Dividend payment	– 24.9	– 27.5
Net cash flow from financing activities	**– 189.0**	**– 244.1**
Change in cash and cash equivalents		
CHF m		
Decrease (–)/increase in cash and cash equivalents	– 8.0	45.7
Translation differences on cash and cash equivalents	– 2.3	0.3
Total cash and cash equivalents at beginning of year	251.3	205.3
Total cash and cash equivalents at year-end	**241.0**	**251.3**

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) manufacture floorings, construction adhesives, and drive and conveyor technology. The Group has a global network of locations with production and distribution as well as 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 12, 2014, and released for publication on March 18, 2014. The report is subject to approval by the Ordinary General Meeting of April 25, 2014.

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 were 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, 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, 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% 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 as a general rule recognized as the proportionate share of the fair value of the net assets acquired. Goodwill is the excess of the consideration of the business combination and the amount of the non-controlling interest over the identifiable net assets assessed at fair value. 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 at least after each reporting date or earlier if there are any indications of a possible impairment.

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% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition 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 132 of this report).

Foreign currency translation
The individual companies generally prepare their financial statements in their functional currency, which generally corresponds to the local currency. The functional currency is 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 transaction 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. The Swiss franc is both the functional currency and the reporting currency of the company. 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 recognized in other comprehensive income and taken to profit or loss for the period (reclassified) in the event the company is disposed of.

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

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

			Income statement (average exchange rates for the year)		Balance sheet (year-end exchange rates)	
			2013	2012	2013	2012
Exchange rates						
Euro zone	EUR	1	1.2307	1.2052	1.2256	1.2087
USA	USD	1	0.9271	0.9379	0.8915	0.9107
Great Britain	GBP	1	1.4494	1.4862	1.4698	1.4730
Japan	JPY	100	0.9517	1.1766	0.8478	1.0592
China	CNY	100	15.0800	14.8629	14.6900	14.6000
Sweden	SEK	100	14.2328	13.8499	13.6790	14.0143

Current and non-current classification
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 operating segments and combinations of operating segments that meet specific criteria. Operating segments are components of a company for which separate financial information is available that is regularly reviewed 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 transacted at arm's length, and the prices applied are therefore comparable to those that would have applied in a transaction with a third party.

Segment result is determined on operating profit level (EBIT). Allocation of interest and taxes to the individual divisions and Corporate is not appropriate owing to the highly centralized Finance and Tax functions.

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 distinguished from the rest of the Group, both operationally and for accounting purposes. 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 presented 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 disclosed separately in the notes.

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

The Group recognizes 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 instruments are granted. The fair value of the share options is determined by the Black-Scholes model. The anticipated life of the option 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. The fair value determined on granting equity-settled share-based payments is recognized in 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 their tax bases 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 unused tax losses and tax credits, but only to the extent as it is probable that sufficient taxable profits will be available against which these differences can be offset. Deferred tax liabilities are not recognized if temporary differences arise from the initial recognition of goodwill.

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.

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 or recognized in other comprehensive income. In this case, the corresponding tax effect is also to be recognized directly in shareholders' equity or 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

Property is recognized at cost on acquisition. Property is not amortized by the straight-line method, but allowances are set aside for impairments that have occurred. All other fixed assets such as machines, vehicles and operational assets are reported at cost on acquisition less accrued depreciations and impairments.

Depreciation is calculated according to the straight-line method over the following estimated useful life:

Land	no depreciation
Buildings	20 to 40 years
Modifications and installations	5 to 10 years or duration of rental contract
Machines and tools	5 to 10 years
Other operational assets	3 to 10 years
Vehicles	5 years
IT	3 to 5 years
Assets under construction	no depreciation

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. 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 which are held in financial leasing 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 costs of short-term leasing are charged directly to the income statement. The corresponding liabilities are disclosed in the notes (see note 33 'Leasing').

Intangible assets

Goodwill is the excess of the consideration paid or payable of a business combination and the amount of the non-controlling interest over the identifiable net assets assessed at fair value. Goodwill derived in a business combination is included in 'Intangible assets'. Goodwill is tested at least 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 disposed of.

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, such as goodwill and certain trademarks, are not subject to regular amortization. They are tested for impairment at least 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 the Group 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. 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 incidental to 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 recognized 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 other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in other comprehensive income are reclassified 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 reclassified 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. The derivatives used are accounted for on the day the trade is conducted. Derivative financial instruments are recognized, in accordance with IAS 39, at market value in the balance sheet under 'Other current financial instruments' or under 'Liabilities from current financial debt'.

To hedge its currency risks, the Group uses mainly currency spot transactions, forward currency contracts, and currency swap transactions. The fair values of the various derivative instruments used for hedging purposes are disclosed in note 34 'Additional information on financial instruments'.

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 on the reporting date.

Inventories

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

Inventories are for the greater part measured at average cost. Adjustments are made for unsaleable inventories and inventories with insufficient turnover. Inter-company profits on intra-Group deliveries are eliminated in the income statement.

Trade receivables
Trade receivables are stated invoiced amounts less allowances for doubtful risks. 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.

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 maturities of up to three months.

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 bonds, bank loans, and finance lease obligations. It is stated at amortized cost (less transaction costs).

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 and 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 curtailments or settlements 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 valid 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.

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

3 Critical judgements, estimates and appraisals by management

CRITICAL ASSUMPTIONS AND ESTIMATES REGARDING ACCOUNTING AND MEASUREMENT
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. Important assumptions in these calculations include growth rates, margins, estimates and management's expectations of the future development of net working capital, and discount rates. The actual cash flows may deviate from the planned discounted future values. Likewise, the useful lives may be shortened or non-current 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 inflation rate as well as assumptions for 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 income 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'.

CRITICAL JUDGEMENT IN THE APPLICATION OF ACCOUNTING PRINCIPLES

Cash-generating units

If a non-financial asset itself does not generate independent cash flows, the impairment test must be performed for the cash-generating unit that contains this asset. A cash-generating unit is defined as the smallest identifiable group of assets generating cash flows that are largely independent of the cash flows of other assets or other groups of assets. In particular, the goodwill acquired with a business combination does not generate cash flows that are independent from other assets or groups of assets. The identification and definition of cash-generating units requires judgement by management. 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.

Currency translation of intercompany financial items

The Group finances its Group companies with intercompany loans. Balances that are denominated in another currency than the functional currency of the reporting unit have to be translated at the exchange rate on the balance sheet date. The recognition of currency differences to profit and loss or to other comprehensive income depends on management's assessment as to whether these loans are to be considered part of net investment or not. A monetary item for which repayment is neither planned nor likely in the foreseeable future constitutes part of the net investment in a foreign operation. Therefore, management must make an appraisal judgement of intercompany loans with regard to whether repayment is planned or likely.

4 Application of new or revised accounting standards

Applied new and revised standards

The following new or revised standards and interpretations of the International Accounting Standards Board (IASB) were applied for the first time in the business year that began on January 1, 2013:

- *IAS 1 (revised)* — *'Presentation of financial statements'*
- *IAS 19 (revised)* — *'Employee benefits'*
- *IFRS 7 (revised)* — *'Financial instruments: disclosures'*
- *IFRS 10 (new)* — *'Consolidated financial statements'*
- *IFRS 11 (new)* — *'Joint arrangements'*
- *IFRS 12 (new)* — *'Disclosure of interests in other entities'*
- *IFRS 13 (new)* — *'Fair-value measurement'*

The first-time application of the IFRS standards 7 (revised), 10, 11, and 12 had no effect on the Annual Report presented here.

IFRS 13 affects primarily how the fair value of certain assets and liabilities is measured and introduces a number of new disclosures that are presented in note '34 Additional information on financial instruments'.

IAS 1 (revised) requires companies to group together items of other comprehensive income according to whether they can be reclassified to the income statement if the prerequisites are met or whether they cannot be reclassified, together with the relevant income tax effects. The changes are to be applied retroactively, i.e. the presentation of other comprehensive income in the prior-year period was restated accordingly.

The first-time adoption of IAS 19 (revised) led to changes in the accounting of employee benefit obligations. The expected return on plan assets and the interest cost previously recognized in the pension costs were replaced by recognition of net interest expense/income calculated on net liabilities or net assets. The impact of the implementation of IAS 19 (revised) is presented in note 5 'Restatement due to changes in accounting and valuation principles' and note 27 'Employee benefit obligations'.

The Forbo Group has not early adopted standards, interpretations or amendments that have been published but are not yet mandatory.

Standards approved but not yet applied
The following new or revised standards and interpretations had been published, though they had not yet become effective 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 estimate by management.

Standards

Standard/Interpretation		Date effective	Planned application
IAS 32 (revised) – 'Offsetting Financial Assets and Financial Liabilities'	*	January 1, 2014	2014 business year
IAS 36 (revised) – 'Recoverable Amount Disclosures for Non-Financial Assets'	*	January 1, 2014	2014 business year
IAS 39 (revised) – 'Novation of Derivatives and Continuation of Hedge Accounting'	*	January 1, 2014	2014 business year
IAS 19 (revised) – 'Defined benefit plans: Employee contributions'	*	July 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.

Moreover, various adjustments to the standards were published as part of the Annual Improvement Project that will be applied for the first time in the business year beginning on January 1, 2014. Since they have little impact on the financial statements, no detailed list of the changes is given.

5 Restatement due to changes in accounting and valuation principles

The accounting principles applied to employee benefits and to property, plant, and equipment were changed in the year under review and the previous year's figures have been restated accordingly.

The first-time application of IAS 19 (revised) resulted in changes to the reporting of employee benefit obligations (see note 27 'Employee benefit obligations'). Furthermore, land and buildings have now been recognized at amortized cost and no longer at fair value at the date of revaluation, less cumulative depreciations and impairments. The retrospective applications required an adjustment to the opening balance as at January 1, 2012, as if the valuation method had always been applied (see Note 16 'Property, plant, and equipment'). As a result of applying the cost method, the Forbo Group's financial figures can now be compared directly with those of similar companies.

The application of IAS 19 (revised) and the change in the valuation method for land and buildings had the following effects on the consolidated financial statements:

Restatements	2013				2012			
CHF m		Restatement IAS 8 – change of valuation method	Restatement IAS 19 – revised standard			Restatement IAS 8 – change of valuation method	Restatement IAS 19 – revised standard	
Effect on consolidated balance sheet	31.12. before restatement			31.12. published	31.12. before restatement			31.12. restated
Property, plant and equipment	350.9	– 118.6		232.3	355.0	– 121.2		233.8
Shareholders' equity	876.5	– 89.7		786.8	817.4	– 91.2	3.0	729.2
Employee benefit obligations	51.8			51.8	54.8		– 3.7	51.1
Deferred tax assets/liabilities (–), net	– 19.6	28.9		9.3	– 17.7	30.1	– 0.7	11.7

Restatements	2013				2012			
CHF m		Restatement IAS 8 – change of valuation method	Restatement IAS 19 – revised standard			Restatement IAS 8 – change of valuation method	Restatement IAS 19 – revised standard	
Effect on consolidated income statement	before restatement			published	before restatement			after restatement
Costs of goods sold	– 749.3	2.0		– 747.3	– 763.2	2.0		– 761.2
Administrative costs	– 92.3	0.6	1.0	– 90.7	– 103.4	0.6	6.3	– 96.6
Operating profit	132.1	2.6	1.0	135.7	162.6	2.6	6.3	171.5
Income taxes	– 29.9	– 0.6	– 0.2	– 30.7	– 33.0	– 1.4	– 1.5	– 35.9
Group profit for the year from continuing operations	107.4	2.0	0.8	110.2	124.1	1.2	4.8	130.1
Group profit for the year from discontinued operations after taxes	7.4			7.4	73.1	10.1		83.2
Group profit for the year	114.8	2.0	0.8	117.6	197.2	11.3	4.8	213.3
Earnings per share	55.42	0.97	0.39	56.78	88.58	5.46	2.32	96.36
Earnings per share (diluted)	55.40	0.97	0.39	56.76	88.54	5.45	2.32	96.31

Notes

6 Segment reporting

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

In the Flooring Systems division, the Group develops, produces, and sells Forbo linoleum, vinyl floorings, entrance flooring systems, carpet tiles, needle felt floor coverings, and building and construction adhesives as well as the various accessory products required for laying, processing, cleaning, and care of flooring. In the Movement Systems division, the Group develops, produces, and sells high-quality conveyor and processing belts, as well as plastic modular belts, and drive, timing and flat belts made of synthetic materials. Corporate includes the costs of the Group headquarters and certain items of income and expenses that are not directly attributable to a specific business.

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

Segment information on the reportable segments for the reporting year:

2013

CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	873.5	326.2		1,199.7
Inter-segment sales	– 0.0		0.0	0.0
Net sales to third parties	873.5	326.2		1,199.7
EBIT	113.3	31.7	– 9.3	135.7
Operating assets	552.6	206.8	29.0	788.4
Number of employees (December 31)	3,030	1,976	41	5,047

Segment information on the reportable segments for the prior year:

2012 (restated)

CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	874.3	327.2	– 0.4	1,201.1
Inter-segment sales	– 0.4		0.4	
Net sales to third parties	873.9	327.2		1,201.1
EBIT before special items	109.1	27.6	– 10.6	126.1
Special items	45.4			45.4
EBIT	154.5	27.6	– 10.6	171.5
Operating assets	559.1	209.1	24.3	792.5
Number of employees (December 31)	3,034	1,925	41	5,000

The special items in the Flooring Systems division in the previous year contained the gain from the settlement of the Dutch pension plan amounting to CHF 45.4 million. For further details, see Note 27 'Employee benefit obligations'.

Management reporting and the internal control system are based on the same accounting principles as external reporting.

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

Inter-segment sales are transacted 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.

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

	2013	2012
CHF m		(restated)
Segment result (EBIT)	**135.7**	**171.5**
Financial result	5.2	– 5.5
Group profit before taxes	**140.9**	**166.0**

	31.12.2013	31.12.2012
CHF m		(restated)
Operating assets	**788.4**	**792.5**
Non-operating assets	338.6	420.8
Total assets	**1,127.0**	**1,213.3**

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

CHF m	2013 Third-party sales	2012 Third-party sales
Switzerland (domicile)	27.5	26.7
France	167.4	169.4
Germany	141.7	136.7
Benelux	129.5	141.9
Great Britain and Ireland	121.7	116.1
Scandinavia	114.1	112.6
Eastern Europe	64.6	61.3
Southern Europe	53.2	49.8
Europe	**819.7**	**814.5**
North, Central, and South America	**219.6**	**221.2**
Asia/Pacific and Africa	**160.4**	**165.4**
Total net sales to third parties	**1,199.7**	**1,201.1**

CHF m	31.12.2013 Operating assets	31.12.2012 Operating assets (restated)
Switzerland (domicile)	32.7	29.9
France	77.0	82.0
Germany	85.0	81.6
Benelux	207.0	201.2
Great Britain and Ireland	161.8	161.1
Scandinavia	26.3	27.2
Eastern Europe	22.8	25.6
Southern Europe	19.2	19.2
Europe	**631.8**	**627.8**
North, Central, and South America	**83.9**	**88.6**
Asia/Pacific and Africa	**72.7**	**76.1**
Total operating assets	**788.4**	**792.5**

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 16.4 million in the reporting year (2012: CHF 16.3 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, structural measures, legal costs, warranties, costs for consulting and auditing, insurance costs, taxes on capital, and levies based on local legislation.

10 Other operating income

'Other operating income' resulted mainly from the release of provisions and the sale of material for recycling purposes and also contained the gain on the settlement of the Dutch pension plan in the previous year amounting to CHF 45.4 million (note 27 'Employee benefit obligations').

11 Personnel expenses

	2013	2012
Personnel expenses		
CHF m		(restated)
Salaries and wages	278.9	276.2
Social security contributions	61.4	57.8
Employee benefit expenses for defined benefit plans	6.5	12.3
Total personnel expenses	**346.8**	**346.3**

As at December 31, 2013, the headcount was 5,047 (2012: 5,000). The average headcount over the year was 5,072 (2012: 4,990).

Salaries and wages include share-based payments expenses of CHF 3.1 million (2012: CHF 2.0 million). A bonus program is available for around 120 managers, which is linked to achieving financial targets set for the Group, the divisions, and individual objectives.

12 Financial income

	2013	2012
Financial income		
CHF m		
Interest income	0.8	1.9
Gains on sale of available-for-sale financial assets	3.2	1.3
Increase in fair value of financial assets classified as being at fair value through profit and loss	6.9	2.5
Total financial income	**10.9**	**5.7**

The improvement in financial income in the year under review was due to price gains and income from securities.

13 Financial expenses

Financial expenses CHF m	2013	2012
Interest expenditure from financial liabilities valued at amortized cost	3.4	8.9
Reduction in fair value of financial assets classified as being at fair value through profit and loss		0.9
Amortization of issuance costs for private placement and bond	0.2	0.3
Foreign exchange losses net	1.7	0.5
Other financial expenses	0.4	0.6
Total financial expenses	**5.7**	**11.2**

Interest expenses decreased in the reporting year owing to the complete repayment of the CHF 150.0 million bond issued on July 6, 2009 with maturity on July 31, 2013. The average interest rate on interest-bearing debt in 2013 was 4.1% (2012: 4.5%).

14 Income taxes

Income taxes CHF m	2013	2012 (restated)
Current income taxes	32.1	37.3
Deferred income taxes	– 1.4	– 1.4
Total income taxes	**30.7**	**35.9**

Analysis of tax expense

The following reconciliation explains the difference between the expected and the effective tax expense.

	2013	2012
CHF m		(restated)
Group profit before taxes	140.9	166.0
Tax expense at the expected tax rate	**– 32.5**	**– 43.3**
Tax effects of:		
Non-tax-deductible expenses and tax-exempt income	– 1.8	– 0.6
Tax losses for which no deferred tax assets have been capitalized	2.0	1.7
Utilization of tax losses not capitalized in previous years	0.2	13.8
Previous-year and other positions	1.4	– 7.5
Effective income tax expenses	**– 30.7**	**– 35.9**

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 year under review was 23.1% (2012: 26.1%).

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

2013 CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.2	1.9	2.1
2 years	0.4		0.4
3 years	0.3		0.3
4 years	1.8		1.8
5 years	1.4	0.4	1.8
More than 5 years	120.5	33.5	154.0
Total tax loss carry forwards	**124.6**	**35.8**	**160.4**

2012 CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.1	2.2	2.3
2 years	0.2	1.9	2.1
3 years	0.2		0.2
4 years	0.3		0.3
5 years	0.4		0.4
More than 5 years	77.3	34.8	112.1
Total tax loss carry forwards	**78.5**	**38.9**	**117.4**

In 2013, CHF 0.5 million (2012: CHF 3.7 million) of unused tax loss carry forwards expired. The non-capitalized tax losses increased in the year under review owing to definitive tax assessments.

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:

CHF m	31.12.2013	31.12.2012 (restated)
Deferred tax assets	29.3	27.2
Deferred tax liabilities	– 20.0	– 15.5
Deferred tax assets, net	**9.3**	**11.7**

Deferred tax assets and liabilities, tax credits, and tax charges from deferred taxes (gross):

Deferred tax assets							
CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry forwards	Employee benefit obligations	Other	Total
As at December 31, 2012 (published)	**6.4**	**2.5**	**13.0**	**10.6**	**11.7**	**9.1**	**53.3**
Restatement					0.7		0.7
As at December 31, 2012 (restated)	**6.4**	**2.5**	**13.0**	**10.6**	**12.4**	**9.1**	**54.0**
Increase/decrease (–) in deferred tax assets	– 1.0	1.2	– 5.1	– 0.9	– 2.8	– 2.0	– 10.6
As at December 31, 2013	**5.4**	**3.7**	**7.9**	**9.7**	**9.6**	**7.1**	**43.4**

Deferred tax liabilities							
CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Other		Total
As at December 31, 2012 (published)	**3.4**	**33.2**	**7.3**	**18.9**	**8.2**		**71.0**
Restatement		– 28.7					– 28.7
As at December 31, 2012 (restated)	**3.4**	**4.5**	**7.3**	**18.9**	**8.2**		**42.3**
Increase/decrease (–) in deferred tax liabilities	0.0	0.6	– 1.4	– 0.5	– 6.9		– 8.2
As at December 31, 2013	**3.4**	**5.1**	**5.9**	**18.4**	**1.3**		**34.1**

Decrease in deferred tax assets, net	**– 2.4**
Of which recognized in other comprehensive income	– 1.2
Of which recognized in the income statement	1.4
Of which deferred tax expense of discontinued operations	– 2.6

As at December 31, 2013, no deferred tax liabilities on undistributed profits from consolidated companies have been recognized, since this income is deemed to have been reinvested for an indefinite period. Should there be a distribution, withholding and other taxes might be incurred, which upon decision may be provided for accordingly.

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

			2013			2012 (restated)
CHF m	Before tax	Tax expense (–)/income	After tax	Before tax	Tax expense (–)/income	After tax
Actuarial gains/losses (–) on pension obligations	1.3	– 0.4	0.9	– 83.0	20.5	– 62.5
Cash flow hedges				1.7		1.7
Translation differences	– 7.4	– 0.8	– 8.2	36.5	– 1.8	34.7
Other comprehensive income	**– 6.1**	**– 1.2**	**– 7.3**	**– 44.8**	**18.7**	**– 26.1**

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 250,000 registered shares cancelled in the reporting year as part of the reduction in share capital had no effect on the earnings per share in the year under review as they were already included as treasury shares in the previous 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:

	2013	2012
Weighted average number of shares	2,070,986	2,213,669
Amount of shares adjusted for stock option plans	734	1,125
Weighted average number of shares used to calculate diluted earnings per share	2,071,720	2,214,794

16 Property, plant, and equipment

Cost on acquisition 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, 2011 (published)	**261.2**	**661.0**	**120.5**	**10.6**	**1,053.3**
Restatement	– 133.7				– 133.7
As at January 1, 2012 (restated)	**127.5**	**661.0**	**120.5**	**10.6**	**919.6**
Acquisition		0.2	0.1		0.3
Additions	3.3	6.7	3.2	20.5	33.7
Disposals	– 0.3	– 1.8	– 2.6		– 4.7
Transfers	1.8	14.3	3.8	– 19.9	0.0
Translation differences	– 4.6	– 4.3	– 1.0		– 9.9
As at December 31, 2012 (restated)	**127.7**	**676.1**	**124.0**	**11.2**	**939.0**
Acquisition		0.1			0.1
Additions	1.8	7.5	2.2	22.9	34.4
Disposals	– 1.9	– 9.3	– 2.2		– 13.4
Transfers	6.9	16.5	3.1	– 26.5	0.0
Translation differences	– 3.0	1.1	– 0.3	0.2	– 2.0
As at December 31, 2013	**131.5**	**692.0**	**126.8**	**7.8**	**958.1**

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, 2011 (published)	**15.5**	**564.7**	**111.7**	**1.6**	**693.5**
Restatement	– 9.4				– 9.4
As at January 1, 2012 (restated)	**6.1**	**564.7**	**111.7**	**1.6**	**684.1**
Depreciation	7.3	21.9	4.3		33.5
Disposals	– 0.3	– 1.6	– 2.5		– 4.4
Transfers			– 0.2		– 0.2
Translation differences	– 3.2	– 3.8	– 0.8		– 7.8
As at December 31, 2012 (restated)	**9.9**	**581.2**	**112.5**	**1.6**	**705.2**
Depreciation	6.9	21.7	4.7		33.3
Disposals	– 0.7	– 9.0	– 2.1		– 11.8
Transfers	– 0.4		0.4		0.0
Translation differences	– 1.9	0.9	0.1		– 0.9
As at December 31, 2013	**13.8**	**594.8**	**115.6**	**1.6**	**725.8**
Net carrying amount					
As at December 31, 2012 (restated)	117.8	94.9	11.5	9.6	233.8
As at December 31, 2013	117.7	97.2	11.2	6.2	232.3

Land and buildings are recognized at amortized cost and no longer at fair value at the date of revaluation, less cumulative depreciations and impairments. The impairments previously reported in conjunction with the revaluation remained unchanged because they would also have had to be recognized under amortized cost. The impact of the restatement on the consolidated balance sheet and income statement for 2013 and 2012 is presented in note 5 'Restatements due to changes in accounting and valuation principles'.

Property, plant, and equipment also include leased assets with a net book value of CHF 0.1 million (2012: CHF 1.3 million).

The insured value of buildings, machinery, equipment, and inventories was CHF 1,718.8 million (2012: CHF 1,688.4 million).

Maintenance and repair costs amounted to CHF 20.1 million (2012: CHF 21.4 million). The depreciation expense of CHF 33.3 million (2012: CHF 33.5 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.

17 Intangible assets

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2011	**92.5**	**37.7**	**83.7**	**213.9**
Acquisition			1.7	1.7
Additions			0.5	0.5
Disposals		–3.8		–3.8
Translation differences	–0.3	0.1	0.7	0.5
As at December 31, 2012	**92.2**	**34.0**	**86.6**	**212.8**
Additions			0.2	0.2
Disposals				
Translation differences	0.5	–0.1	–0.3	0.1
As at December 31, 2013	**92.7**	**33.9**	**86.5**	**213.1**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2011	**8.2**	**29.1**	**23.1**	**60.4**
Amortization			3.3	3.3
Impairments	1.8	0.5	1.7	4.0
Disposals		–3.8		–3.8
Translation differences	–0.4	0.0	0.1	–0.3
As at December 31, 2012	**9.6**	**25.8**	**28.2**	**63.6**
Amortization			3.1	3.1
Disposals				
Translation differences	0.1	0.0	–0.1	0.0
As at December 31, 2013	**9.7**	**25.8**	**31.2**	**66.7**
Net carrying amount				
As at December 31, 2012	82.6	8.2	58.4	149.2
As at December 31, 2013	83.0	8.1	55.3	146.4

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. Cash flow for the five years is estimated on the basis of the plan approved by management (detailed planning period). Cash flows beyond the detailed planning period are extrapolated to the terminal value by means of using sustainable earnings. During the detailed planning period, relatively constant EBITDA margins are assumed, which are around 17% for Flooring Systems and around 13% for Movement Systems. The discount rate corresponds to the total weighted cost of capital before taxes including an average risk charge estimated by management, which lies between 9.8% and 11.4% (previous year between 8.0% and 12.1%). The intangible assets with an indefinite useful life were also subject to impairment testing in the form of sensitivity analyses.

Goodwill is distributed among the following groups of cash-generating units:

	31.12.2013	31.12.2012
Flooring Systems	79.0	78.5
Movement Systems	4.0	4.1
	83.0	**82.6**

The goodwill in Flooring Systems as at December 31, 2013, comprises mainly the goodwill acquired in connection with the acquisition of Bonar Floors in 2008. The item 'Brands' includes mainly the trademarks acquired as part of the acquisition of Bonar Floors. 'Other intangible assets' consists mainly of the customer relations and technologies as part of the acquisition of Bonar Floors, as well as acquired software.

The annual impairment test of goodwill yielded a value in use that was greater than the carrying amount. In the previous year, an impairment of CHF 1.8 million in the Flooring Systems division was taken to 'Other operating expenses'.

The impairment tests conducted in connection with trademarks are based on the sales turnover achieved with these trademarks. The relief-from-royalty method was used, in which the economic benefit of the trademark holder is determined by means of the discounted royalty savings. The cash flow forecasts during the detailed planning period are based on expected royalty savings of between 1% and 2% of net sales. In the year under review, no impairment was determined. In the previous year, the Flooring Systems division had taken an impairment of CHF 2.2 million to 'Other operating expenses' owing to the lower expectations regarding the probable future sales associated with the trademark Westbond and the related adhesive technology.

As in the previous year, no development costs were capitalized in the year under review.

18 Investments in associates and other non-current assets

	31.12.2013	31.12.2012
Investments in associates and other non-current assets		
CHF m		
Investments in associates	0.0	0.0
Other non-current financial assets	0.2	0.2
Total investments in associates and other non-current assets	**0.2**	**0.2**

19 Inventories

Inventories CHF m	31.12.2013	31.12.2012
Raw materials and supplies	39.8	42.3
Work in progress	67.7	66.4
Finished goods	135.5	138.9
Valuation allowance for inventories	– 29.6	– 29.0
Total inventories	**213.4**	**218.6**

Valuation allowances for inventories amounted to CHF 29.6 million (2012: CHF 29.0 million).

Expenses for inventories (cost of goods sold) recognized in the reporting year came to CHF 480.8 million (2012: CHF 498.7 million).

20 Trade receivables

Trade receivables CHF m	31.12.2013	31.12.2012
Accounts receivable	135.9	134.2
Notes receivable	20.0	23.0
Allowance for doubtful trade receivables	– 7.1	– 7.0
Total trade receivables	**148.8**	**150.2**

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. Valuation allowances are made in the form of specific valuation allowances. 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.

Trade receivables recognized as at the balance sheet date:

CHF m	31.12.2013	31.12.2012
Total trade receivables, gross	**155.9**	**157.2**
Of which not due	134.0	132.9
Of which past due for:		
Less than 30 days	10.7	12.9
Between 31 and 90 days	5.6	5.8
Between 91 and 180 days	2.9	3.4
Between 181 days and 1 year	2.0	2.0
Over 1 year	0.7	0.2
Allowance for doubtful trade receivables	– 7.1	– 7.0
Total trade receivables	**148.8**	**150.2**

Of the total of CHF 21.9 million in trade receivables past due as at December 31, 2013 (2012: CHF 24.3 million), CHF 16.3 million (2012: CHF 19.8 million) was not subjected to a valuation allowance. Overall, valuation allowances were made for receivables with a nominal value of CHF 25.2 million (2012: CHF 29.4 million).

Gross value of trade receivables by currency:

CHF m	31.12.2013	31.12.2012
CHF	1.6	1.3
EUR	76.6	74.1
USD	15.9	15.9
GBP	14.4	13.4
JPY	12.5	15.5
CNY	9.0	8.1
SEK	5.8	5.9
Other	20.1	23.0
Total trade receivables, gross	**155.9**	**157.2**

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

CHF m	2013	2012
As at January 1	**– 7.0**	**– 8.1**
Additions	– 1.5	– 1.5
Release	0.6	0.8
Use	0.6	1.6
Translation differences	0.2	0.2
As at December 31	**– 7.1**	**– 7.0**

Allowances of CHF 2.2 million were made for trade receivables not yet due and of CHF 4.9 million for trade receivables past due.

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

21 Other current financial instruments

The item 'Other current financial instruments' contains mainly securities (stocks, bonds, and funds) as well as fixed-term deposits with a maturity between three and twelve months. For further details, see note 34 'Additional information on financial instruments'.

22 Cash

	31.12.2013	31.12.2012
Cash and cash equivalents		
CHF m		
Cash	0.1	0.2
Bank accounts	215.7	157.6
Short-term deposits with banks	25.2	93.5
Total cash and cash equivalents	**241.0**	**251.3**

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

As at December 31, 2013, the share capital of Forbo Holding Ltd stood at CHF 225,000 (2012: CHF 250,000), divided into 2,250,000 registered shares with a par value of CHF 0.10 each. Thereof 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors. Consequently, 2,228,581 registered shares were eligible for dividends as at December 31, 2013.

Change of shares issued and outstanding:

	31.12.2013	Change	31.12.2012
	Number	Number	Number
Total shares outstanding	**2,250,000**	**– 250,000**	**2,500,000**
Treasury shares			
Shares with dividend rights:			
Treasury shares	96,408	– 79,433	175,841
Share buyback programs	99,470	– 150,530	250,000
Shares with no dividend rights	21,419	0	21,419
Total treasury shares	**217,297**	**– 229,963**	**447,260**
Total shares issued and outstanding	**2,032,703**	**– 20,037**	**2,052,740**

At the extraordinary General Meeting of Forbo Holding Ltd held on November 5, 2012, the shareholders approved a capital reduction from CHF 250,000 to CHF 225,000 by cancellation of the shares acquired in connection with the share buyback program approved at the Ordinary General Meeting on April 29, 2011, and the corresponding amendment to the Articles of Association. Following the legally mandatory notice to creditors, the capital reduction was entered in the Commercial Register on January 17, 2013. The Board of Directors was furthermore authorized to buy back the company's own shares, over a period of three years, for the purpose of subsequent cancellation of the share certificates, up to a maximum of 10% of the share capital. In the framework of this new share buyback program approved at the extraordinary general meeting of Forbo Holding Ltd on November 5, 2012, 99,470 shares had been repurchased by the end of the year under review.

25 Employee participation plan

Variable compensation for the Executive Board is linked with the Management Investment Plan (MIP), which was introduced in 2006 and amended in 2012. The Board of Directors and the Delegate of the Board and CEO are not party to the MIP. According to this plan, at least 50% of the annual variable compensation of Executive Board members is paid into the MIP. Under the previous plan, 25% of the payments were invested in options and 75% in shares of Forbo Holding Ltd. The shares and options were subject to a three year lock-up period and the term of the options was five years. The options issued under the MIP will come to maturity by April 21, 2017, at the latest. Following the amendment of the MIP, all the sums paid into it will be invested in shares of Forbo Holding Ltd as of January 1, 2013. These shares, too, are subject to a three year lock-up period. The shares and options issued under the MIP are equity-settled.

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 that were distributed under the MIP up to and including 2012 were issued at the average market price for the first 14 trading days in January of the current year. The shares that were distributed starting in 2013 are issued at the unweighted average closing price of the Forbo share for the first 14 trading days in January of the year in which they are distributed.

The options were issued on the basis of a valuation by an independent bank, whereby the valuation was based on the average market price of the shares in the first 14 trading days in January of the respective year.

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

	2013		2012	
	Weighted average strike price in CHF	Number of options	Weighted average strike price in CHF	Number of options
Options outstanding as at January 1	**675**	**31,744**	**568**	**32,438**
Granted			616	9,047
Exercised	435	– 3,612	232	– 8,823
Expired	822	– 6,044	565	– 918
Options outstanding as at December 31	**674**	**22,088**	**675**	**31,744**

In the year under review, no expense was charged to the income statement, whereas in application of IFRS 2 the expense for equity-settled options amounted to CHF 1.2 million in the previous year.

Of the 22,088 options outstanding (2012: 31,744), 847 are exercisable as at December 31, 2013 (2012: 6,044). The exercise of 3,612 options (2012: 8,823) resulted in the issue of 3,612 Forbo Holding shares (2012: 8,823) at a weighted average issue price of CHF 435 (2012: CHF 232). The weighted average share price on the exercise days was CHF 625 (2012: CHF 628).

Information on the outstanding options as at December 31, 2013:

Series	Strike price (CHF)	Number of outstanding options	Average remaining term (years)	Number of exercisable options
2010	435	847	1.2	847
2011	733	12,194	2.3	
2012	616	9,047	3.4	
Total options outstanding		**22,088**		

In the year under review, no equity-settled options were issued under the MIP (2012: 9,047).

Shares
In the year under review, 368 shares of Forbo Holding Ltd were issued under the MIP (2012: 1,213). A further 112 shares were allocated to Executive Board members in the reporting year as part of base remuneration. The share price at valuation date was CHF 606 (2012: CHF 630).

The Delegate of the Board of Directors and CEO is compensated primarily with shares. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period until the end of April 2013. The remuneration was again paid mainly in shares and, in accordance with IFRS 2, had to be recognized on a pro rata basis.

The employment contract with the Delegate of the Board of Directors and CEO, which ended on April 30, 2013, was extended until December 31, 2016. The detailed information and figures for this compensation model can be found on pages 126 and 147. Compensation is again being paid mainly in shares and, in accordance with IFRS 2, had to be recognized on a pro rata basis.

In the year under review, the amount charged to the income statement in application of IFRS 2 for shares issued to the Executive Board and the Board of Directors came to CHF 3.1 million (2012: CHF 0.8 million).

26 Non-current financial debt

	31.12.2013	31.12.2012
CHF m		
Outstanding private placement and bond	0.0	132.4
Unamortized issuance cost	0.0	– 0.2
Total outstanding private placement and bond	**0.0**	**132.2**
Lease obligations	1.3	2.6
Less current portion	– 0.1	– 132.2
Total non-current financial debt	**1.2**	**2.6**

	31.12.2013	31.12.2012
Maturities of non-current financial debt		
CHF m		
After 1 year	0.1	1.2
After 2 years	0.1	0.2
After 3 years	0.2	0.1
5+ years	0.8	1.1
Total non-current financial debt	**1.2**	**2.6**

In the year under review Forbo Holding Ltd repaid in full the CHF 150.0 million bond issued on July 6, 2009, that matured on July 31, 2013.

Derivatives:

Financial derivatives	Number of contracts	Gross value hedged CHF m	Fair value CHF m
Derivative financial instruments as at December 31, 2012	6	1.9	0.0
Derivative financial instruments as at December 31, 2013	2	0.1	0.2

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. Both defined contribution and defined benefit plans exist in the Group that insure employees against the risks of death and invalidity and provide old-age pensions.

The liabilities and assets under the main defined benefit plans are assessed annually by independent actuaries using the projected unit credit method. Following the conversion of the Dutch Forbo plan into a defined contribution plan in the previous year, the Group's main defined benefit plans are in the United Kingdom and Switzerland.

Pension plans in the United Kingdom
The Group has two defined benefit pension plans in the United Kingdom. The main one is the Forbo Superannuation Fund (the FSF), which accounts for about 65% of the Group's total pension liabilities. The FSF is a pension plan whose benefits are based on the final salary and which pays out a guaranteed pension for life to its members. The FSF is closed to new entrants, but benefits continue to accrue for a small number of existing members. The composition of the pension liabilities is as follows: 6% to active employees, 37% to deferred members and 57% to current beneficiaries. New employees in the United Kingdom who meet certain criteria are now offered a defined contribution plan.

The FSF operates under trust law and is managed and administered by the trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The FSF's assets are held by the trust. Responsibility for governance of the FSF – including investment decisions and contribution schedules – lies jointly with the company and the trustees. The board of the trustees must be composed of representatives of the company and plan participants in accordance with the FSF's regulations and British pension law.

The pension plan follows an investment strategy that is geared to the structure of the pension liabilities (LDI – liability-driven investment approach). The core elements of this strategy are:

- Hedging of liabilities: 60% of the assets of the fund are held in physical form in corporate bonds and a further 10% in funds geared to the pension liabilities. This approach hedges a substantial portion of interest rate and inflation risks. The target hedge ratio is 80% of the assets held by the FSF.
- Return-seeking assets: 30% of the assets of the FSF are held in the form of diversified growth investment funds.

The use of any surplus is not subject to any restriction under the FSF's articles of incorporation and may be used freely by the Group. These surpluses are therefore recognized in the balance sheet as assets in accordance with IAS 19 revised.

Switzerland
The Group pays contributions to an independent pension fund as part of the occupational pension provision (known in Switzerland as the 'second pillar'). As a minimum benefit, this independent pension fund must provide the beneficiary with an old-age pension at the time of retirement. This pension is paid out of the retirement savings capital at the start of the pension. The Group meets these liabilities through agreements with pension funds that cover the pension liabilities in full.

The pension liabilities of the Swiss Group companies account for about 16% of the Group's entire pension liabilities. 94% of the liabilities are to active members and 6% to retired beneficiaries.

The Swiss pension system includes guarantees that expose the company to the risk that it may have to provide additional financing. Such a situation may occur, for instance, if the pension fund is unable to meet its obligations or decides to end the insurance relationship. The pension fund guarantees a minimum return and is responsible for the payment of a pension for life once the insurance benefits fall due. As a result of these guarantees, Swiss pension plans are treated as defined benefit plans under IFRS, even though they contain essential elements of defined contribution plans.

The company cannot participate in any surplus of the pension plan. According to Swiss pension law, all surpluses belong to the pension plan and hence to its members.

Others

The Group has a number of other, smaller defined contribution and defined benefit plans in other countries, in accordance with the legal provisions for employees. The main plans exist in France, Germany, Japan, Norway, Sweden, and the USA. The previous year's figures include the defined benefit plan in the Netherlands, which was converted into a defined contribution plan on January 1, 2013, so that this pension plan no longer presents any actuarial risks for the Group in future. The derecognition of the corresponding liability and of the assets belonging to the defined benefit pension plan in the Netherlands resulted in a gain of CHF 45.4 million after inclusion of the lump sum payment of CHF 18.0 million (EUR 15.0 million) in connection with the conversion. This gain was recognized in the previous year in 'Other operating income'.

The latest actuarial valuations of the present values of defined benefit liabilities and of service costs were performed as at December 31, 2013, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2013, based on the information available when the annual financial statements were prepared. The average duration of the pension plans until payment of benefits (plan duration) is 14.8 years for the United Kingdom, 18.1 years for Switzerland, and 15.0 years for the other regions.

The principal assumptions underlying the actuarial calculations are summarized as follows.

	2013				2012			
Actuarial Assumptions	Switzerland	UK	Other	Weighted	Switzerland	UK	Other	Weighted
Discount rate (in %)	2.4	4.3	3.1	3.8	2.0	4.3	2.7	3.8
Future increases in salaries (in %)	2.0	4.2	2.6	3.6	2.0	3.7	2.3	3.2
Inflation rate (in %)	1.5	3.5	1.6	2.9	1.0	2.9	1.5	2.4
Life expectancy at age of 65 (in years)								
Year of birth 1948								
Men	21	22	19		21	22	19	
Women	24	24	23		24	24	23	
Year of birth 1963								
Men	23	23	21		23	23	21	
Women	25	26	24		25	25	24	

The amounts reported in the consolidated income statement and in equity can be summarized as follows:

Pension costs for defined benefit plans:

Pension costs CHF m	2013 Switzerland	2013 UK	2013 Other	2013 Total	2012 (restated) Switzerland	2012 (restated) UK	2012 (restated) Other	2012 (restated) Total
Current service cost, net	2.5	0.6	2.3	5.4	2.5	0.0	8.1	10.6
Interest costs	1.2	9.2	1.3	11.7	1.5	9.7	17.6	28.8
Interest income on plan assets	– 0.9	– 9.4	– 0.3	– 10.6	– 1.2	– 10.2	– 15.7	– 27.1
Curtailments and settlements							– 45.4	– 45.4
Total actuarial net periodic pension costs/income (–)	**2.8**	**0.4**	**3.3**	**6.5**	**2.8**	**– 0.5**	**– 35.4**	**– 33.1**

Changes in pension liabilities under the defined benefit plans:

Benefit obligations CHF m	2013 Switzerland	2013 UK	2013 Other	2013 Total	2012 (restated) Switzerland	2012 (restated) UK	2012 (restated) Other	2012 (restated) Total
As at January 1	**59.0**	**222.7**	**48.7**	**330.4**	**58.2**	**198.7**	**323.7**	**580.6**
Current service cost, net	2.5	0.6	2.3	5.4	2.5	0.0	8.1	10.6
Employee contributions	1.0	0.0	0.0	1.0	1.6	0.0	2.9	4.5
Interest costs	1.2	9.2	1.3	11.7	1.5	9.7	17.6	28.8
Benefits paid	– 8.5	– 9.6	– 2.0	– 20.1	– 8.2	– 8.9	– 11.3	– 28.4
Actuarial gains (–)/losses	– 4.6	– 1.1	– 1.4	– 7.1	3.4	21.1	90.4	114.9
Curtailments and settlements							– 378.0	– 378.0
Translation differences		– 0.6	– 0.7	– 1.3		2.1	– 4.7	– 2.6
As at December 31	**50.6**	**221.2**	**48.2**	**320.0**	**59.0**	**222.7**	**48.7**	**330.4**

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

Plan assets	2013				2012 (restated)			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**46.0**	**226.1**	**7.2**	**279.3**	**49.7**	**212.0**	**279.9**	**541.6**
Interest income on plan assets	0.9	9.4	0.3	10.6	1.2	10.2	15.7	27.1
Employer contributions	1.7	0.1	2.0	3.8	1.7	0.0	34.2	35.9
Employee contributions	1.0	0.0	0.0	1.0	1.6	0.0	2.9	4.5
Return on pension assets (excluding amounts in interest income)	– 0.2	– 5.9	0.3	– 5.8	0.0	10.5	21.4	31.9
Benefits paid	– 8.5	– 9.6	– 2.0	– 20.1	– 8.2	– 8.9	– 11.3	– 28.4
Curtailments and settlements							– 332.6	– 332.6
Translation differences		– 0.6		– 0.6		2.3	– 3.0	– 0.7
As at December 31	**40.9**	**219.5**	**7.8**	**268.2**	**46.0**	**226.1**	**7.2**	**279.3**

In the reporting period there were no plan curtailments or settlements. There were also no changes occurring as a result of changes to the scope of consolidation.

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

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
CHF m		(restated)	(published)		
Present value of defined benefit liabilities	320.0	330.4	584.3	599.9	635.5
Fair value of plan assets	– 268.2	– 279.3	– 541.6	– 525.2	– 566.9
Net liabilities recognized in the balance sheet	**51.8**	**51.1**	**42.7**	**74.7**	**68.6**

Actuarial gains and losses are recognized in the balance sheet under 'Pension liabilities' and accounted for 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 (2012: CHF 33.4 million) out of a total of CHF 320.0 million (2012: CHF 330.4 million) are unfunded.

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

Net liabilities				2013				2012 (restated)
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**13.0**	**– 3.4**	**41.5**	**51.1**	**8.5**	**– 13.3**	**43.8**	**39.0**
Pension income/costs	2.8	0.4	3.3	6.5	2.8	– 0.5	– 35.4	– 33.1
Employer contributions	– 1.7	– 0.1	– 2.0	– 3.8	– 1.7	0.0	– 34.2	– 35.9
Actuarial gains (–)/losses	– 4.4	4.8	– 1.7	– 1.3	3.4	10.6	69.0	83.0
Translation differences			– 0.7	– 0.7		– 0.2	– 1.7	– 1.9
Net liabilities as at December 31	**9.7**	**1.7**	**40.4**	**51.8**	**13.0**	**– 3.4**	**41.5**	**51.1**

Gains and losses of defined benefit pension plans offset in the comprehensive income statement for all divisions:

Recognized gains and losses				2013				2012 (restated)
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial losses (–)/gains in the current period:	5.1	– 6.7	0.7	– 0.9	– 3.4	– 20.9	– 90.4	– 114.7
Based on adjustment of demographic assumptions	1.5		– 0.2	1.3		0.1		0.1
Based on adjustment of economic assumptions	3.6	– 6.7	0.9	– 2.2	– 3.4	– 21.0	– 90.4	– 114.8
Experience adjustment	– 0.5	7.8	0.7	8.0		– 0.2		– 0.2
Return on pension assets (excluding amounts in interest income)	– 0.2	– 5.9	0.3	– 5.8		10.5	21.4	31.9
Total gains/losses (–) recognized in the comprehensive income statement	**4.4**	**– 4.8**	**1.7**	**1.3**	**– 3.4**	**– 10.6**	**– 69.0**	**– 83.0**

Change in the present value of defined benefit liabilities:

Sensitivities	+0.5%			–0.5%		
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	–4.3	–15.2	–2.9	4.8	17.0	3.1
Rate of salary increase	1.5	0.5	2.3	–1.3	–0.4	–2.3
Inflation rate	1.3	8.3	3.1	–1.0	–7.6	–2.5
Interest credits on retirement assets	1.3			–1.1		

The above table describes the effect of the principal actuarial assumptions on pension liabilities. The table shows the effect of an isolated change of a single parameter, assuming that all other parameters remain unchanged. The table illustrates the overall effect for each region. However, sensitivities may differ for individual plans within the regions. Sensitivity analysis aims to visualize the uncertainty in valuating pension liabilities under market conditions at the date of valuation. The results cannot be extrapolated owing to possible non-linear effects in the event of changes to the actuarial assumptions. Moreover, the analysis cannot say anything about the likelihood of these changes occurring, nor can it present the view of the Group regarding anticipated future changes in pension liabilities. Any measures taken by management to reduce the risks inherent in pension liabilities are also not taken into account in the analysis.

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

	2013	2012
%		
Shares	2.2	3.4
Bonds	56.8	75.8
Real estate	0.2	2.9
Cash and other investments	40.8	17.9
Total plan assets as at December 31	**100.0**	**100.0**

Cash and other investments amounting to 40.8% consist of listed investments (25.5%) and unlisted investments (15.3%). The shares, bonds, and real estate are all listed investments. The plan assets do not include any shares or other securities of the Forbo Group.

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

The expense for the contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 10.2 million in 2013 (2012: CHF 4.3 million).

Other non-current benefits

The Group does not finance any other non-current benefits. The plans for long-service bonuses and other benefits related to years of service are negligible or do not qualify as plans for other non-current benefits. Partial retirement agreements with employees in Germany no longer exist, and there is only a negligible provision for earlier benefit promises.

28 Provisions

Provisions

CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total 2013	Total 2012
As at January 1	**1.7**	**11.4**	**15.6**	**15.7**	**7.8**	**52.2**	**57.8**
Additions	1.7	0.7	1.4	4.5	0.1	8.4	7.9
Used during the year	– 0.8		0.0	– 3.6	– 0.3	– 4.7	– 4.6
Reversed during the year	– 0.3		– 3.0	– 4.6	– 4.6	– 12.5	– 8.9
Translation differences	0.0	0.0	– 0.1		0.1	0.0	0.0
As at December 31	**2.3**	**12.1**	**13.9**	**12.0**	**3.1**	**43.4**	**52.2**
Of which current provisions	2.0	0.0	1.5	11.9	1.9	17.3	16.4
Of which non-current provisions	0.3	12.1	12.4	0.1	1.2	26.1	35.8

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 include in particular the bonus programs, provisions for paid leave, and severance payments.

Of the original provision of CHF 21.0 million made in connection with the sale of the industrial adhesives activity, including synthetic polymers, CHF 10.0 million was released in the year under review owing to the expiry of warranty deadlines: CHF 3.0 million for legal claims, CHF 3.0 million for personnel and CHF 4.0 million for other. The remaining provisions of CHF 11.0 million are kept for anticipated cash outflows in connection with risks in the areas of environmental (CHF 7.0 million), legal claims (CHF 3.0 million) and other (CHF 1.0 million).

29 Accrued expenses

Accrued expenses	31.12.2013	31.12.2012
CHF m		
Accrued expenses for compensation and employee benefits	36.1	40.7
Other accrued expenses	52.4	55.8
Total accrued expenses	**88.5**	**96.5**

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.

30 Current financial debt

Current financial debt	31.12.2013	31.12.2012
CHF m		
Current bank loans and overdrafts	0.6	0.3
Current portion of non-current debt	0.1	132.2
Total current financial debt	**0.7**	**132.5**

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

Forbo signed a contract with H.B. Fuller Company on December 21, 2011, regarding the sale of its industrial adhesives business, including synthetic polymers, belonging to the former Bonding Systems division. The sale price was CHF 384.7 million. On fulfillment of all conditions, the transaction was successfully closed on March 5, 2012.

In the consolidated balance sheet, the assets and liabilities of the discontinued operations were reported as at December 31, 2011, under the items 'Assets held for sale' and 'Liabilities directly associated with assets held for sale'. Since land and buildings in the present consolidated balance sheet are no longer recognized at fair value at the date of revaluation, less cumulative depreciations and impairments, but rather reported at amortized cost, the opening balance was adjusted retroactively as at January 1, 2012, as if the valuation method had always been applied.

The property, plant, and equipment and the deferred tax liabilities of the discontinued operations based on them are therefore shown in the opening balance as at January 1, 2012, at CHF 15.4 million respectively CHF 5.3 million lower. The profit from the sale of the discontinued operations, restated in the prior-year period, was consequently CHF 10.1 million higher. The restatement did not affect either cash flows of the discontinued operations or the cash flow from the disposal.

Owing to the release of provisions, that had been accrued for risks in connection with the sale of the industrial adhesives activity, including synthetic polymers (see also note 28 'Provisions'), a profit of CHF 10.0 million before tax, or CHF 7.4 million after tax, was generated in the reporting year from the sale of the discontinued operations.

Cash flows from discontinued operations:

	2013	2012
CHF m		
Cash flow from operating activities	0.0	4.4
Cash flow from investment activities	0.0	– 2.2
Cash flow from financing activities	0.0	0.1

The balance sheet items 'Assets held for sale' and 'Liabilities in connection with assets held for sale' were restated in the opening balance as at January 1, 2012 as follows:

	1.1.2012	31.12.2011
CHF m	(restated)	
Property, plant, and equipment	68.5	83.9
Other assets	277.5	277.5
Total assets of discontinued operations	**346.0**	**361.4**

CHF m	1.1.2012 (restated)	31.12.2011
Deferred taxes	12.0	17.3
Other liabilities	80.3	80.3
Total liabilities directly associated with assets held for sale	**92.3**	**97.6**

Group profit from discontinued operations:

CHF m	2013	2012 (restated)
Net sales	**0.0**	**90.2**
Cost of goods sold	0.0	– 73.6
Gross profit	**0.0**	**16.6**
Other functional costs and other operating expenses	0.0	– 11.1
Operating profit	0.0	5.5
Profit before taxes	0.0	5.5
Related income taxes	0.0	– 0.5
Profit after taxes	**0.0**	**5.0**
Profit from the sale of the discontinued operations before taxes	**10.0**	**83.7**
Related income taxes	– 2.6	– 5.5
Profit from the sale of the discontinued operations after taxes	**7.4**	**78.2**
Group profit from discontinued operations	**7.4**	**83.2**

The profit before tax from the sale can be determined as follows:

CHF m	2013	2012 (restated)
Sales price in cash	0.0	384.7
Compensation for loans to discontinued operations	0.0	– 186.0
Net assets disposed of	0.0	– 71.0
Cumulative translation differences	0.0	– 41.2
Transaction costs	0.0	– 2.8
Profit from sale before taxes	**0.0**	**83.7**

The restated outgoing net assets are distributed among the following asset categories:

CHF m	2012 (restated)
Property, plant, and equipment	66.2
Intangible assets	107.1
Other non-current assets	13.1
Inventories	68.2
Receivables and other current assets	90.5
Cash and cash equivalents	15.2
Total assets of discontinued operations	**360.3**
Financial debt	186.0
Employee benefit liabilities, provisions, and other non-current liabilities	27.5
Trade payables	54.4
Provisions and other current liabilities	21.4
Total liabilities in connection with discontinued operations	**289.3**
Total net assets of the discontinued operations	**71.0**

The sale resulted in proceeds of CHF 368.0 million, which is made up of the difference between the sale price in cash amounting to CHF 383.2 million less cash and cash equivalents of the divested subsidiaries (CHF 15.2 million). As at December 31, 2013, Forbo still had a receivable of CHF 1.5 million from H.B. Fuller Company arising from the sale.

32 Contingent liabilities

CHF m	31.12.2013	31.12.2012
Contingent liabilities	0.6	2.2

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

Furthermore, as announced in a media release on July 3, 2013, the activity of Forbo Flooring Systems in France is being investigated by the French competition authorities. The investigation affects the flooring market in France and was instituted on suspicion of anti-competitive practices by leading manufacturers. As the investigation is ongoing, the Group is unable to provide any further information at present or estimate the possible repercussions.

33 Leasing

	2013	2012
Leasing		
CHF m		
Operating leasing liabilities:		
Up to 1 year	8.1	8.4
2 – 5 years	15.4	18.9
More than 5 years	3.2	2.9
Total operating leasing liabilities	**26.7**	**30.2**

Expenses for operating leasing and rentals charged to the 2013 income statement totaled CHF 21.4 million (2012: CHF 20.4 million). The Group has no individually significant operational leasing contracts.

Finance lease liabilities stood at CHF 1.3 million at year-end 2013 (2012: CHF 2.6 million) and appear under 'Non-current financial debt'.

34 Additional information on financial instruments

Financial instruments that are valued at fair value are classified in a three-level hierarchy as follows:

- 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).
- The Group held the following financial instruments on the balance sheet date: there were no significant financial instruments in the fair value hierarchy level 3 nor was there any regrouping between the levels of the fair-value hierarchy. There were also no non-recurring fair-value measurements of financial instruments. The financial instruments held at the balance sheet date fall into the following categories:

	As at December 31, 2013	Level 1	Level 2
Fair-value measurement of financial instruments using the method of the fair-value hierarchy			
CHF m		Listed market prices	Significant other observable input factors
Assets			
Financial instruments valued at amortized cost:			
Trade receivables and other receivables	178.0		
Cash and cash equivalents	241.0		
Financial instruments valued at fair value:			
Other current financial instruments	67.9	67.9	
Derivative financial instruments	0.2		0.2
Total	**487.1**	**67.9**	**0.2**

CHF m			
Shareholders' equity and liabilities			
Financial instruments valued at amortized cost:			
Interest-bearing debt	1.3		
Trade payables and other payables	97.2		
Financial instruments valued at fair value:			
Derivative financial instruments	0.0		
Total	**98.5**	**0.0**	**0.0**

As at December 31, 2013

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial assets available-for-sale
Assets				
Trade receivables and other receivables		178.0		
Other financial non-current assets				
Cash and cash equivalents	241.0			
Other current financial instruments				67.9
Derivative financial instruments			0.2	
Total	**241.0**	**178.0**	**0.2**	**67.9**

CHF m		Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities				
Interest-bearing debt		1.3		
Derivative financial instruments				
Trade payables and other payables		97.2		
Total	**0.0**	**98.5**	**0.0**	**0.0**

As at December 31, 2012

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial assets available-for-sale
Assets				
Trade receivables and other receivables		179.2		
Other financial non-current assets				
Cash and cash equivalents	251.3			
Other current financial instruments				142.1
Derivative financial instruments			0.1	
Total	**251.3**	**179.2**	**0.1**	**142.1**

CHF m	Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities			
Interest-bearing debt	135.2		
Derivative financial instruments			
Trade payables and other payables	95.4		
Total	**230.6**		

35 Acquisition of operations

The Group acquired the assets of CV-Wisma Belt-Indo domiciled in Bandung, Indonesia, effective March 22, 2013. CV-Wisma Belt-Indo was a distributor selling conveyor belts and flat belts in the Indonesian market. The acquired assets of CV-Wisma Belt-Indo were integrated in the newly established PT Forbo Siegling Indonesia in Bandung and are reported as part of the Movement Systems division.

The cost of the acquisition was CHF 0.3 million, and it was paid in cash. The identifiable assets and liabilities valued at fair value at the date of acquisition are divided equally between fixed assets and inventories. No goodwill was generated. The purchase price and the values of the acquired assets are definitive. The transaction costs were recognized in the income statement. The takeover had only a negligible effect on Group profit.

36 Related party transactions

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

	Executive Board		Board of Directors		Total	
CHF m	2013	2012	2013	2012	2013	2012
Remuneration	1.2	2.2	1.1	0.9	2.3	3.1
Employer contributions to the pension scheme	0.2	0.4	0.2	0.2	0.4	0.6
Share-based payments	0.9	0.2	2.2	1.5	3.1	1.7
Total payments	**2.3**	**2.8**	**3.5**[1]	**2.6**[1]	**5.8**	**5.4**

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

The remuneration paid to the Executive Board in the reporting year consists of the gross base salary, private use of the company car, and social security payments made by the company. The decrease compared with the previous year is due to changes on the Executive Board. Employer contributions to the pension fund are reported separately. Share-based payments to the Executive Board consist of the proportion of the gross base salary of CHF 0.3 million, which is paid in shares of Forbo Holding Ltd, and the estimated performance-based variable remuneration within the framework of the MIP (see note 25 'Employee participation plan') for the reporting year, amounting to CHF 1.3 million (payable in spring 2014) less the difference, amounting to CHF 0.7 million, between the bonuses deferred at the end of the previous year (payable in equity instruments) and the value of the equity instruments actually issued in the year under review.

The remuneration paid to the Board of Directors includes CHF 0.45 million (2012: CHF 0.3 million) for the Delegate of the Board of Directors and CEO. This includes annual amounts of CHF 0.26 million (2012: CHF 0.15 million) for employee contributions to the pension fund and social insurance payments, and of CHF 0.19 million (2012: CHF 0.15 million) for private use of the company car, employer contributions to other usual social insurances 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 (2012: CHF 0.6 million).

With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period until the end of April 2013. The remuneration is again being paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares were vested until December 31, 2013.

The 2012 Annual Report described in detail the total compensation of the Delegate of the Board of Directors and CEO from the period from May 1, 2013, to December 31, 2016. The bulk of the compensation will again be paid in locked up shares which have lock-up periods of three, four, and five years respectively, and in an annual cash payment of CHF 310,000 to be used for taxes and for employee contributions to the pension fund and social security payments. The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which Forbo Holding shares were traded on the stock market in 2012 (CHF 522.12), less the discount as a result of the shares being locked up. The share package corresponds to annual compensation of CHF 2,200,000 (5,314 shares). With this share package and the cash remuneration, all benefits such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked up shares will be available on May 1, 2018, at the earliest. This compensation model is thus geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders. The total compensation was approved by a 98 percent majority in a consultative vote at the Ordinary General Meeting of April 26, 2013.

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. According to Article 28 of this Ordinance, employment contracts must be adjusted to OaER no later than December 31, 2015. Consequently, all payments that had been agreed and were paid out for 2016 have to be reversed by December 31, 2015, at the latest. The amount of the fixed compensation of the Delegate of the Board of Directors for 2016 comes to CHF 2,200,000. In order to comply with and implement the provisions of OaER, the Group and This E. Schneider have agreed that he will repay Forbo in cash the amount of his fixed compensation for the period from January 1, 2016, to December 31, 2016, plus interest of 0.5% from May 1, 2013, to December 31, 2013. The repayment was made before year-end 2013. The compensation package and the relevant agreements were adjusted accordingly.

Included in the share-based payments to the Board of Directors is the pro rata share of the Forbo Holding Ltd stock allocated to the Delegate of the Board of Directors and CEO in the amount of CHF 0.4 million (2012: CHF 1.1 million) from the employment contract until end of April 2013 and CHF 1.4 million from the new employment contract valid as of May 1, 2013, which, in accordance with IFRS 2, must be recognized on a pro rata basis.

Moreover, the share-based payments made to the Board of Directors includes the 627 Forbo Holding Ltd shares allocated to the non-executive Board members in 2013 (2012: 588 shares) with a market value of CHF 0.4 million (2012: CHF 0.4 million).

Further details relating to the compensation paid to the Executive Board and the Board of Directors can be found in note 19 '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.

As at December 31, 2013 and 2012, Forbo had no significant receivables due from or liabilities to related parties.

37 Risk assessment and financial risk management

The tasks of the Board of Directors include identifying risks, determining suitable measures, and implementing 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 that they are 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.

Foreign exchange 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 15 months to hedge against transaction 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.

Sensitivity analysis of existing foreign exchange positions on the balance sheet date
The following table shows the sensitivity of profit before tax to changes in the exchange rate of the US dollar, the euro, and the pound sterling against the Swiss franc. The table only displays sensitivity in relation to transaction risks from financial instruments.

Translation risks and the effects of loans that qualify as net investments are not taken into account. Except for the effect on profit, the same change in exchange rates with a sensitivity of +/– 5% has no effect on equity.

2013

CHF m	Change in exchange rate	Impact on profit before tax
EUR/CHF	5%	0.5
	– 5%	– 0.5
USD/CHF	5%	0.2
	– 5%	– 0.2
EUR/USD	5%	0.0
	– 5%	0.0
GBP/USD	5%	0.1
	– 5%	– 0.1

2012

CHF m	Change in exchange rate	Impact on profit before tax
EUR/CHF	5%	0.4
	– 5%	– 0.4
USD/CHF	5%	0.1
	– 5%	– 0.1
EUR/USD	5%	0.0
	– 5%	0.0
GBP/USD	5%	0.0
	– 5%	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 only the sensitivity of profit before tax to the stated changes in interest rates for cash and cash equivalents, interest-bearing debt, and financial derivatives. Except for the effect on profit, the same change in interest rates of +/– 50 bp has no effect on equity.

An average figure calculated from the opening and closing balance has been used for cash and cash equivalents since the final amount is not appropriate for calculating interest-rate sensitivity.

2013

CHF m	Change in interest rate	Impact on profit before tax
EUR	50 bp	0.2
	– 50 bp	– 0.2
USD	50 bp	0.1
	– 50 bp	– 0.1
CHF	50 bp	0.7
	– 50 bp	– 0.7

2012

CHF m	Change in interest rate	Impact on profit before tax
EUR	50 bp	0.2
	– 50 bp	– 0.2
USD	50 bp	0.0
	– 50 bp	0.0
CHF	50 bp	0.5
	– 50 bp	– 0.5

Management of liquidity risks

Group companies need sufficient cash in order to meet their commitments. 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 73% on December 31, 2013. The Group has sufficient liquidity reserves (as at December 31, 2013 these stood at CHF 241.0 million in cash and CHF 68.1 million in current financial instruments) to be able to meet its commitments at any time. At present, the Group regards a cash level of roughly CHF 50 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, 2013

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
Interest-free liabilities	97.2			
Leasing contract liabilities	0.1	0.1	0.3	0.8
Liabilities from bonds	0.0			
Cash outflow from financial derivatives	0.0			
Cash inflow from financial derivatives	0.2			

As at December 31, 2012

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
Interest-free liabilities	95.1	0.2		0.1
Leasing contract liabilities	1.3	0.2	1.5	
Liabilities from private placements and bonds	137.8			
Cash outflow from financial derivatives	1.9			
Cash inflow from financial derivatives	2.0			

Management of credit risks

Credit risks arise from the possibility that customers may not be able to meet their agreed commitments. To manage this risk 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, 2013, shareholders' equity stood at CHF 786.8 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.

38 Events after the balance sheet date

Between the balance sheet date and the date of publication of this annual report no event occurred that could have a significant effect on the 2013 consolidated financial statements.

Group companies (as at December 31, 2013)

Company	Registered office		Currency	Share capital	Equity interest	Flooring 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 Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S		
Brazil								
Forbo Pisos Ltda.	São Paulo		BRL	2,000,000	100%	S		
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%		MS	
Canada								
Forbo Flooring Canada Corp.	Halifax		CAD	500,200	100%	S		
Forbo Siegling Canada Corp.	Halifax		CAD	501,000	100%		S	
Chile								
Forbo Siegling Chile S.A.	Santiago	N	CLP	335,631,092	50%		S	
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		
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 Flooring Finland Oy	Helsinki		EUR	33,638	100%			H
France								
Forbo Château-Renault S.A.S.	Château-Renault		EUR	1,000,000	100%	MS		
Forbo Participations S.A.S.	Reims	D	EUR	5,000,000	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, 2013
D Direct participation of Forbo Holding Ltd

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Germany								
Forbo Beteiligungen GmbH	Lörrach	D	EUR	15,400,000	100%			H
Forbo Erfurt GmbH	Erfurt		EUR	2,050,000	100%	MS		
Forbo Flooring GmbH	Paderborn		EUR	500,000	100%	S		
Forbo Siegling GmbH	Hanover		EUR	10,230,000	100%		MS	
Realbelt GmbH	Lörrach		EUR	100,000	100%		S	
Hong Kong								
Forbo International Hong Kong Ltd.	Hong Kong		HKD	1	100%			H
India								
Forbo Siegling Movement Systems India Pvt. Ltd.	Pune		INR	26,000,000	100%		S	
Indonesia								
PT Forbo Siegling Indonesia	Kabupaten Bandung		IDR	2,883,900,000	100%		S	
Ireland								
Forbo Ireland Ltd.	Dublin		EUR	125,000	100%	S		
Italy								
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	
Mexico								
Forbo Siegling, S.A. de C.V.	Tlalnepantla		MXN	24,676,404	100%		MS	
Netherlands								
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	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2013
D Direct participation of Forbo Holding Ltd

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
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 Shanghai Co., Ltd.	Shanghai		CHF	4,000,000	100%	S	MS	
Forbo Siegling (China) Co., Ltd.	Shenyang		USD	16,221,000	100%		MS	
Portugal								
Forbo-Revestimentos, S.A.	Maia (Porto)		EUR	74,850	100%	S		
Romania								
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	187,181,000	100%	MS		
ZAO 'Forbo Siegling'	Saint Petersburg		RUB	400,000	100%		S	
Slovakia								
Forbo Siegling s.r.o.	Malacky		EUR	15,281,639	100%		MS	
South Korea								
Forbo Korea Ltd.	Seoul		KRW	900,000,000	100%	S	S	
Spain								
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%			H
Forbo Siegling Svenska AB	Kållered (Gothenburg)		SEK	1,000,000	100%		S	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2013
D Direct participation of Forbo Holding Ltd

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Switzerland								
Forbo Financial Services AG	Baar	D	CHF	100,000	100%			H
Forbo Finanz AG	Baar	D	CHF	10,000,000	100%			H
Forbo Finanz II AG	Baar	D	CHF	250,000	100%			H
Forbo-Giubiasco SA	Giubiasco	D	CHF	100,000	100%	MS		
Forbo International SA	Baar	D	CHF	100,000	100%		MS	H
Thailand								
Forbo Siegling Thailand Co. Ltd.	Bangkok	D	THB	9,000,000	100%		S	
Turkey								
Forbo Siegling Hareket Sistemleri Ticaret Limited Şirketi	Istanbul		TRY	1,000,000	100%		S	
United Kingdom								
Forbo Flooring UK Ltd.	Kirkcaldy		GBP	3,609,990	100%	MS		H
Forbo-Nairn Ltd.	Derbyshire		GBP	8,000,000	100%			H
Forbo Siegling (UK) Ltd.	Dunkinfield		GBP	50,774	100%		S	
Forbo UK Ltd.	Derbyshire		GBP	49,500,000	100%			H
Westbond Ltd.	Derbyshire		GBP	400,000	100%			H
USA								
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, 2013
D Direct participation of Forbo Holding Ltd

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 AG, which comprise the consolidated balance sheet, consolidated income statement, comprehensive income statement, consolidated shareholder's equity, consolidated cash flow statement and notes (pages 76 to 131), for the year ended December, 31, 2013.

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 31 December 2013 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	Reto Tognina
Audit expert	Audit expert
Auditor in charge	

Zurich, March 12, 2014

Consolidated income statements 2009 – 2013

	2013	2012	2011	2010	2009
CHF m		(restated)			
Net sales	**1,199.7**	**1,201.1**	**1,203.8**	**1,291.2**	**1,782.4**
Cost of goods sold	– 747.3	– 761.2	– 745.1	– 785.6	– 1,200.4
Gross profit	**452.4**	**439.9**	**458.7**	**505.6**	**582.0**
Development costs	– 16.4	– 16.3	– 16.0	– 17.6	– 27.9
Marketing and distribution costs	– 197.1	– 194.0	– 192.5	– 213.3	– 270.0
Administrative costs	– 90.7	– 96.6	– 96.6	– 103.9	– 128.3
Other operating expenses	– 19.3	– 25.3	– 17.8	– 12.1	– 46.4
Other operating income	6.8	63.8	13.1	10.0	12.4
Operating profit	**135.7**	**171.5**	**148.9**	**168.7**	**121.8**
Financial income	10.9	5.7	30.1	44.3	4.3
Financial expenses	– 5.7	– 11.2	– 11.7	– 15.0	– 24.7
Group profit before taxes	**140.9**	**166.0**	**167.3**	**198.0**	**101.4**
Income taxes	– 30.7	– 35.9	– 29.9	– 48.8	– 25.3
Group profit for the year from continuing operations	**110.2**	**130.1**	**137.4**	**149.2**	
Group profit for the year from discontinued operations after taxes	**7.4**	**83.2**	**9.1**	**14.1**	
Group profit for the year	**117.6**	**213.3**	**146.5**	**163.3**	**76.1**

The distinction between continuing and discontinued operations is shown only for the years 2010 to 2013. The consolidated income statement for 2009 therefore contains both the continuing and discontinued operations.

Consolidated balance sheets 2009 – 2013

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Assets					
CHF m		(restated)			
Non-current assets	**408.2**	**410.4**	**536.4**	**743.9**	**885.7**
Property, plant, and equipment	232.3	233.8	359.8	450.2	549.9
Intangible assets	146.4	149.2	153.5	270.4	309.1
Deferred tax assets	29.3	27.2	21.9	17.6	20.5
Investments in associates and other non-current assets	0.2	0.2	1.2	5.7	6.2
Current assets	**718.8**	**802.9**	**965.5**	**750.3**	**859.7**
Assets held for sale			361.4		
Inventories	213.4	218.6	219.6	260.9	261.0
Trade receivables	148.8	150.2	159.2	220.8	237.1
Other receivables	29.2	28.9	24.8	28.4	33.1
Deferred income and prepaid charges	18.3	11.8	8.0	21.4	30.1
Other current financial instruments	68.1	142.1	0.1	47.4	100.2
Cash and cash equivalents	241.0	251.3	192.4	171.4	198.2
Total assets	**1,127.0**	**1,213.3**	**1,501.9**	**1,494.2**	**1,745.4**

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Shareholders' equity and liabilities					
CHF m		(restated)			
Shareholders' equity	**786.8**	**729.2**	**815.3**	**729.7**	**679.6**
Share capital	0.2	0.3	0.3	0.3	0.3
Treasury shares	–0.1	–0.1	–0.1	–0.1	–0.1
Reserves and retained earnings	786.7	729.0	815.1	729.5	679.4
Non-current liabilities	**99.1**	**105.0**	**276.2**	**360.8**	**720.2**
Non-current financial debt	1.2	2.6	144.5	196.5	550.1
Employee benefit obligations	51.8	51.1	42.7	74.7	68.6
Non-current provisions	26.1	35.8	39.5	35.3	38.8
Deferred tax liabilities	20.0	15.5	49.5	54.3	62.7
Current liabilities	**241.1**	**379.1**	**410.4**	**403.7**	**345.6**
Trade payables	87.2	84.7	86.1	135.7	123.3
Current provisions and accrued expenses	105.8	112.9	125.0	140.3	158.2
Current financial debt	0.7	132.5	47.5	65.9	3.4
Current tax liabilities	14.5	26.6	27.6	31.0	24.7
Other current liabilities	32.9	22.4	26.6	30.8	36.0
Liabilities directly associated with assets held for sale			97.6		
Total liabilities	**340.2**	**484.1**	**686.6**	**764.5**	**1,065.8**
Total shareholders' equity and liabilities	**1,127.0**	**1,213.3**	**1,501.9**	**1,494.2**	**1,745.4**

Financial report

Income statement for Forbo Holding Ltd

		2013	2012
Income			
CHF	Note		
Financial income:			
From investments in and advances to Group companies	2	60,692,036	77,450,515
From securities and current investments	3	65,132	13,166,813
Other income	4	1,383,828	24,097,417
Total income		**62,140,996**	**114,714,745**

		2013	2012
Expenses			
CHF	Note		
Administrative expenses		4,715,876	5,479,595
Financial expenses:		8,790,210	13,541,862
From investments in and advances from Group companies	5	7,685,713	13,541,862
From securities and current investments	6	1,104,497	
Taxes		–668,068	2,573,682
Total expenses		**12,838,018**	**21,595,139**
Net profit for the year		**49,302,978**	**93,119,606**

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

		31.12.2013	31.12.2012
Assets			
CHF	Note		
Non-current assets		**475,500,490**	**478,600,868**
Shareholdings in Group companies	7	385,089,092	385,089,092
Advances to Group companies	8	90,411,398	93,511,776
Current assets		**158,913,180**	**288,215,153**
Other receivables from Group companies		1,006,558	1,220,310
Other receivables from third parties		14,602	342,320
Deferred income and prepaid expenses		851,802	289,547
Marketable securities	9	96,372,683	229,051,468
Cash and cash equivalents	10	60,667,535	57,311,508
Total assets		**634,413,670**	**766,816,021**

		31.12.2013	31.12.2012
Shareholders' equity and liabilities			
CHF	Note		
Shareholders' equity		**418,574,519**	**541,720,769**
Share capital	11	225,000	250,000
Statutory reserves:			
General reserves	14	15,600,000	15,600,000
Capital contribution reserves	14	102,225,080	72,064,159
Reserves for treasury shares	13	117,957,511	172,575,649
Capital contribution reserves for treasury shares			55,610,149
Other reserves			19,542,995
Available earnings:			
Retained earnings		133,263,950	112,958,211
Net profit for the year		49,302,978	93,119,606
Liabilities		**215,839,151**	**225,095,251**
Bond	15		150,000,000
Other liabilities to Group companies	16	204,694,758	70,177,261
Current liabilities to third parties		20,422	20,422
Accrued expenses		11,123,971	4,897,568
Total shareholders' equity and liabilities		**634,413,670**	**766,816,021**

Notes to the financial statements for Forbo Holding Ltd

1 Accounting

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until December 31, 2012.

2 Financial income from investments in and advances to Group companies

Income from investments in and advances to Group companies consists of interest and dividend income and amounted to CHF 60.7 million (2012: CHF 77.5 million).

3 Financial income from securities and current investments

Financial income from securities and short-term investments, which came to CHF 0.1 million (2012: CHF 13.2 million) in the year under review, fell because Forbo's treasury shares were valued in the previous year at fair value and in the reporting year at cost on acquisition (see note 6 'Financial expenses from securities and current investments' and note 9 'Marketable securities').

4 Other income

This item includes mainly proceeds from the sale of shareholdings and brand rights belonging to the industrial adhesives activity, including synthetic polymers.

5 Financial expenses from investments in and advances to Group companies

The item financial expenses includes losses on foreign currency accounts, losses from forward currency contracts, losses from securities transactions and interest expense for liabilities to Group companies.

6 Financial expenses from securities and current investments

The item 'Financial expenses from securities and current investments' primarily consists of an unrealized loss due to a change in valuation of treasury shares.

7 Investments in Group companies

As at December 31, 2013, 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 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 Finanz II AG	CH-Baar	Holding/Services	CHF	250	53.6%
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.	JE-Saint Helier	Services	GBP	25	50%
Forbo Participations S.A.S.	FR-Reims	Holding/Services	EUR	5,000	100%
Forbo Project Vinyl AB	SE-Gothenburg	Services	SEK	50,000	100%
Forbo Siegling Thailand Co. Ltd.	TH-Bangkok	Sales	THB	9,000	99.8%

8 Advances to Group companies

Advances to Group companies are denominated in Swiss francs and foreign currencies.

9 Marketable securities

The item 'Marketable securities', amounting to CHF 96.4 million (2012: CHF 229.1 million) includes treasury shares in Forbo Holding Ltd. This item was valued at fair value as at December 31, 2012, and was revalued at cost of acquisition as at December 31, 2013. The change in valuation resulted in a loss, which was recognized in the income statement in 'Financial expenses from securities and current investments'.

10 Cash and cash equivalents

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

11 Share capital

As at December 31, 2013, the share capital of Forbo Holding Ltd totaled CHF 225,000 (2012: CHF 250,000), divided into 2,250,000 registered shares with a par value of CHF 0.10 each. 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors.

At the extraordinary General Meeting of Forbo Holding Ltd held on November 5, 2012, the shareholders approved a capital reduction from CHF 250,000 to CHF 225,000 by cancellation of the shares acquired in connection with the share buyback program approved at the Ordinary General Meeting of April 29, 2011, and the corresponding amendment to the Articles of Association. Following the legally mandatory notice to creditors, the capital reduction was entered in the Commercial Register on January 17, 2013.

The Board of Directors was furthermore authorized to buy back the company's own shares, over a period of three years, for the purpose of subsequent cancellation of the share certificates, up to a maximum of 10% of the share capital. In the framework of this new share buyback program approved at the extraordinary general meeting of Forbo Holding Ltd on November 5, 2012, 99,470 shares had been repurchased by the end of the year under review.

12 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 Annual 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, 2013, remained unchanged against the previous year at CHF 16,645.

13 Reserve for treasury shares

The 'Reserve for treasury shares' in Forbo Holding Ltd amounting to CHF 118.0 million on the balance sheet date corresponds to the value of all treasury shares valued at cost. The treasury shares held by Forbo Holding Ltd and its subsidiaries developed as follows over the reporting year:

Treasury shares	Cost CHF	Number of registered shares
As at January 1, 2013	228,185,799	447,260
Additions	71,143,500	99,470
Disposals	181,371,788	329,433
As at December 31, 2013	**117,957,511**	**217,297**

14 General reserves

General reserves totaled CHF 117.8 million (previous year: CHF 87.7 million) and consist of general reserves (CHF 15.6 million) and general capital contribution reserves (CHF 102.2 million).

15 Bond

Forbo Holding Ltd repaid in full in the year under review the CHF 150.0 million bond issued on July 6, 2009, with a maturity of July 31, 2013.

16 Other liabilities to Group companies

'Other liabilities to Group companies' as at December 31, 2013, included in particular advances from Forbo Finanz AG in connection with its cash pool.

17 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 7.5 million at year-end (2012: CHF 8.2 million), of which CHF 2.6 million (2012: CHF 3.1 million) was utilized.

18 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	681,719	30.30%
Forbo Holding Ltd, Baar, together with its two subsidiaries Forbo International SA, Baar, and Forbo Finanz AG, Baar	217,297	9.66%

19 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 2013[1)]

	Base compensation			Variable compensation	Other compensation	Total
	Cash	Shares		Cash, shares		
Name and function	CHF	Number	CHF	CHF	CHF	CHF
Dr. Albert Gnägi, Chairman	230,986	259	154,014		27,363	412,363
Michael Pieper, Vice Chairman	80,887	91	54,113		11,449	146,449
Dr. Peter Altorfer, member	86,724	98	58,276		14,661	159,661
Dr. Reto Müller, member	71,833	81	48,167		23,662	143,662
Vincent Studer, member	86,724	98	58,276		7,866	152,866
Non-executive members of the Board of Directors[2)]	**557,154**	**627**	**372,846**		**85,001**	**1,015,001**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	256,667	7,796	2,138,632		398,005	2,793,304
Board of Directors	**813,821**	**8,423**	**2,511,478**		**483,006**	**3,808,305**
Executive Board[5)]	**1,029,493**	**0**	**266,667**	**1,293,034**	**362,047**	**2,951,241**

1) The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements. The table therefore discloses all compensation that was granted in the year under review, including compensation for which the payment date or definitive legal title will occur after December 31, 2013.

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 (retirement 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 included under total compensation to the Board of Directors. It is not possible to clearly allocate 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. The remuneration was again 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 were locked up 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 payments. The share package and the cash remuneration are deemed to cover all compensations such as bonuses, inflation, options, etc.

The 2012 Annual Report described in detail the total compensation of the Delegate of the Board of Directors from the period from May 1, 2013, to December 31, 2016. The bulk of the compensation will again be paid in locked-up shares which have lock-up periods of three, four, and five years respectively, and in an annual cash payment of CHF 310,000 to be used for taxes and for employee contributions to the pension fund and social security payments. The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which Forbo Holding shares were traded on the stock market in 2012 (CHF 522.12), less the reduced value as a result of locking up the shares. The share package corresponds to annual compensation of CHF 2,200,000 (5,314 shares). With this share package and this cash remuneration, all benefits such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked-up shares will be available on May 1, 2018, at the earliest. This compensation model is thus geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders. The total compensation was approved by a 98 percent majority in a consultative vote at the Ordinary General Meeting of April 26, 2013.

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. According to Article 28 of this Ordinance, employment contracts must be adjusted to OaER no later than December 31, 2015. Consequently, all payments that had been agreed and were paid out for 2016 have to be reversed by December 31, 2015, at the latest. The value of this fixed compensation for This E. Schneider comes to CHF 2,200,000 for 2016. In order to comply with and implement the provisions of OaER, the Group and This E. Schneider have agreed that he will repay Forbo in cash the amount of his fixed compensation for the period from January 1, 2016, to December 31, 2016, plus interest of 0.5% from May 1, 2013, to December 31, 2013. The repayment was made before year-end 2013. The compensation package and the relevant agreements were adjusted accordingly.

The total compensation for the Delegate of the Board of Directors and CEO for the year under review came to CHF 2,793,304.20; this sum includes the pro rata shares of the previous contract valid until April 30, 2013, and of the new contract valid as of May 1, 2013. 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). Contained in the total sum and reported in the column 'Other payments' are local expenses, private use of the company car, employer contributions to the pension fund, other usual social insurances and contributions for accident and health insurance. The Delegate of the Board of Directors and CEO is not a party to the Management Investment Plan (MIP) or the share-based compensation program of the Board of Directors.

5) The total compensation paid to the members of the Executive Board (excluding the Delegate of the Board of Directors and CEO) in the year under review came to CHF 2,951,240.80 and consisted of the 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 members of the Executive Board contains private use of the company car, employer contributions to the pension fund and other usual social insurances, which are reported separately in the column 'Other payments'.

Compensation
For the year 2012[1)]

Name and function	Base compensation Cash CHF	Base compensation Number	Base compensation Shares CHF	Variable compensation Cash, shares, options CHF	Other compensation CHF	Total CHF
Dr. Albert Gnägi, Chairman	231,230	243	153,770		30,119	415,119
Michael Pieper, Vice Chairman	81,212	85	53,788		13,730	148,730
Dr. Peter Altorfer, member	86,782	92	58,218		14,390	159,390
Dr. Reto Müller, member	71,907	76	48,093		12,647	132,647
Vincent Studer, member	86,782	92	58,218		7,765	152,765
Non-executive members of the Board of Directors[2)]	**557,913**	**588**	**372,087**		**78,651**	**1,008,651**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	150,000	12,761	2,015,855		332,791	2,498,646
Board of Directors	**707,913**	**13,349**	**2,387,942**		**411,442**	**3,507,297**
Executive Board[5)]	**1,871,343**	**0**	**0**	**760,812**	**615,509**	**3,247,664**

1) The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements. The table therefore shows the entire compensation that was granted in the year under review, including compensation for which the payment date or definitive legal title will occur after December 31, 2012.

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 the 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 included under total compensation to the Board of Directors. It is not possible to clearly allocate the total compensation paid to 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. The remuneration was again 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 were time-vested 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 comes to CHF 2,498,646. 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.

The employment contract with the Delegate of the Board of Directors and CEO, which ends on April 30, 2013, was extended until December 31, 2016. The bulk of the compensation will again be paid in locked-up shares which have a lock-up period of three, four, and five years respectively, and in an annual cash payment of CHF 310,000 to be used for taxes and for employee contributions to the pension fund and social security. The last third of the share-based compensation will not be available until May 1, 2018, at the earliest. The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which Forbo Holding shares were traded on the stock market in 2012 (CHF 522.12), less the reduced value as a result of locking up the shares. The share package corresponds to annual compensation of about CHF 2,200,000 (5,314 shares per annum). The share package and the cash remuneration are deemed to cover all benefits such as bonuses, options, salary adjustments, inflation, etc. This share package may not be either pledged or assigned. No severance payment or compensation in the event of a change of control was agreed.

5) The total compensation paid to the members of the Executive Board (excluding the Delegate of the Board of Directors and CEO) was CHF 3,247,664 million in the year under review. 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 the AHV/ALV (old-age and unemployment insurance) plus accident and daily sickness benefits insurance, which are shown separately in the column 'Other compensation'.

Advances and loans

As at December 31, 2013, no advances or loans to members of the Board of Directors of the Executive Board were outstanding.

Shareholdings

IN 2013

As at December 31, 2013, 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:

Shareholdings 2013

	Shares	Options[1)5)]		
Name and function		Series 2012 1:1[2)]	Series 2011 1:1[2)]	Series 2010 1:1[2)]
Dr. Albert Gnägi, Chairman	5,162			
Michael Pieper, Vice Chairman	681,719			
Dr. Peter Altorfer, member	955			
Vincent Studer, member	631			
Dr. Reto Müller, member	403			
Non-executive members of the Board of Directors	**688,870**			
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	86,368			
Board of Directors	**775,238**			
Stephan Bauer, Chief Excecutive Officer	0			
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	2,310	3,051	2,033	565
Andreas Spreiter, Chief Financial Officer	56			
Jean-Michel Wins, Executive Vice President Movement Systems	0			
Executive Board	**2,366**	**3,051**	**2,033**	**565**

1) The details of the options are described in Note 25 'Employee participation plan' to the consolidated financial statements. The allocation of the options is linked with the Management Investment Plan (MIP), which was introduced in 2006 and amended in 2012. Under the previous plan, 25% of the payments were invested in options and 75% in shares of Forbo Holding Ltd. The shares and options were locked up for a period of three years, and the term of the options was five years. Following the amendment of the MIP, all the sums paid into it will be invested in shares of Forbo Holding Ltd starting on January 1, 2013.

2) Subscription ratio.

3) The share portion for the Delegate of the Board and CEO comprises the 29,775 shares from the employment contract for the period from January 1, 2011, to April 30, 2013, which were locked up until December 31, 2013, plus the 19,483 shares from the new employment contract for the period from May 1, 2013, to December 31, 2016, which have lock-up periods of three, four, and five years respectively. The last third of the shares will be available on May 1, 2018, at the earliest.

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

5) Since participation in the MIP and option ownership is not limited to the above-mentioned members of the Executive Board, the number of outstanding options shown here as at December 31, 2013, differs from the figures in note 25 'Employee participation plan' to the consolidated financial statements.

IN 2012
As at December 31, 2012, the current and former members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2012

	Shares	Options[1)5)]			
Name and function		Series 2012 1:1[2)]	Series 2011 1:1[2)]	Series 2010 1:1[2)]	Series 2008 1:1[2)]
Dr. Albert Gnägi, Chairman	4,903				
Michael Pieper, Vice Chairman	681,628				
Dr. Peter Altorfer, member	857				
Vincent Studer, member	533				
Dr. Reto Müller, member	322				
Non-executive members of the Board of Directors	**688,243**				
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	77,653				
Board of Directors	**765,806**				
Matthias P. Huenerwadel, Executive Vice President Movement Systems	2,095	3,051	2,033	565	1,157
Daniel Keist, Head Corporate Center	901	1,647	2,707	988	783
Jörg Riboni, Chief Financial Officer	660	1,243	1,465	1,143	1,948
Jens Schneider, Executive Vice President Flooring Systems	242	610	907		
Executive Board	**3,898**	**6,551**	**7,112**	**2,696**	**3,888**

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. The remuneration was again 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 locked up until December 31, 2013.
4) The Delegate of the Board of Directors and CEO's shareholdings are disclosed separately and are included in the line 'Board of Directors'.
5) Since participation in the MIP and option ownership is not limited to the above-mentioned members of the Executive Board, the number of outstanding options shown here as at December 31, 2012, differs from the figures in note 25 'Employee participation plan' to the consolidated financial statements.

20 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 37 'Risk assessment and financial risk management' to the consolidated financial statements.

21 Events after the balance sheet date

Between the balance sheet date and the date of publication of this annual report no event occurred that could have a significant effect on the 2013 annual 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:

	2013	2012
CHF		
Net profit	49,302,978	93,119,606
Retained earnings	133,263,950	112,958,211
Release of general capital contribution reserves[1)]	29,080,184	25,449,228
Total at the shareholders' meeting's disposal	**211,647,112**	**231,527,045**

be appropriated as follows:

	2013	2012
CHF		
Withholding tax-free distribution[2)]	29,080,184	25,449,228
To be carried forward	182,566,928	206,077,817
Total at the shareholders' meeting's disposal	**211,647,112**	**231,527,045**

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 25, 2014, the Board of Directors will propose a dividend payment of CHF 14 (2012: CHF 12) 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 AG, which comprise the income statement, balance sheet and notes (pages 142 to 151), for the year ended December, 31, 2013.

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, 2013 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 comply 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 12, 2014

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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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