This E. Schneider
Executive Chairman

Stephan Bauer
CEO

‘Forbo remained on course for success in 2014. Its strategic focus on high-end products, coupled with ongoing expansion in growth markets and new market segments, drove strong growth and raised profit significantly in both divisions. Profitability, already at a high level, was further increased by targeted investments along the value chain.’

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo remains on course for success. Our three-pronged strategy – creating added value for our customers with high-end products and services, strengthening our distribution channels in growth markets, and systematically opening up new market segments outside the public sector – paid off again in 2014. We achieved gratifying, double-digit sales growth, especially in the expanding Asian markets, whereas expansion was more moderate in Russia and the South American markets.

In both divisions we positioned our attractive and innovation-enriched product portfolio in such a way that we were able to post above-average growth and gain market share even in the developed markets. In the consolidated income statement, though, the appreciation of the Swiss franc once again eroded the strong sales performance in local currencies.

In the Flooring Systems division, we successfully launched versatile new collections of our broad product portfolio, in particular modular designer floors, while selectively optimizing the value chain in order to further increase profitability.

In the Movement Systems division, we not only stepped up market activities but also had great success in launching a number of technologically sophisticated new developments that generated added value for our customers. At the same time, we streamlined manufacturing processes and optimized our services, and these efficiency gains contributed to a further significant increase in profitability.

In order to continue growing sales and profitability, we significantly increased investments in expanding capacity and raising efficiency.

Sales well above previous year

Sales trend remains firm
In 2014, Forbo generated gratifying growth in sales, which came to CHF 1,226.8 million (previous year: CHF 1,199.7 million). This is equivalent to an increase of 4.6% in local currencies, but only 2.3% when calculated in the corporate currency, owing to the negative impact of currency fluctuations. Sales in Swiss francs were eroded by about CHF 28 million in particular because of the weakening of the Russian ruble and the Japanese yen.

The sales of Flooring Systems rose by about CHF 11 million to CHF 884.6 million (previous year: CHF 873.5 million). This is equivalent to an increase of 3.4% in local currencies, but only 1.3% when calculated in the corporate currency, owing to negative currency effects. The success of our determined efforts to expand market segments in the private sector more than offset public sector sales, which are flat or even declining.

Movement Systems reported sales of CHF 342.2 million (previous year: CHF 326.2 million), a significant increase of 7.8% in local currencies. In the corporate currency, however, adverse currency effects reduced this increase to 4.9%. The investments in growth markets, particularly in recent years, are now having a positive impact.

Strong operating profit

Profitability further strengthened
Despite the ongoing expansion of our activities in growth markets, investments in production plants, and substantial expenditures for the development of high-end products plus various global market launches, we again succeeded in significantly increasing profitability in both divisions. The contributing factors were higher sales and further productivity gains all along the value chain.

Significantly higher operating profit margins
Both divisions reported a significant improvement in operating profit before depreciation and amortization (EBITDA), which rose by 7.6% to CHF 185.1 million (previous year: CHF 172.1 million). Forbo reported operating profit (EBIT) of CHF 149.4 million (previous year: CHF 135.7 million), which was again a double-digit gain of 10.1%.

Both divisions also considerably improved their operating profit margins. The EBITDA margin rose by 0.8 percentage points to 15.1% (previous year: 14.3%). The EBIT margin was up by 0.9 percentage points to 12.2% (previous year: 11.3%).

Again double-digit growth in Group profit

Another year of above-average profitability
Driven by the marked improvement in operating profit and bolstered by financial income of CHF 4.9 million (previous year: CHF 5.2 million), growth in Group profit from continuing operations was again in the double-digit range, up 12.0% to CHF 123.4 million (previous year: CHF 110.2 million).

Balance sheet remains in great shape

High net cash
In the year under review, net cash decreased by CHF 54.3 million to CHF 252.6 million (previous year: CHF 306.9 million).

The decline is due on the one hand to higher investments designed to secure our future operational activities and on the other hand to the share buyback program in the reporting year. In addition, as at December 31, 2014, Forbo held 261,150 of its own shares valued at year-end at CHF 259.7 million (previous year: CHF 165.6 million). Of this total, 158,467 shares are earmarked for the capital reduction in accordance with the decision of the 2015 Ordinary General Meeting.

The equity ratio still remains at a high level of 67.4% (previous year: 69.8%).

The program to repurchase the company's own shares in the reporting year has resulted in earnings accretion. Earnings per share from continuing operations (undiluted) therefore rose disproportionately by 16.4% to CHF 61.92 (previous year: CHF 53.21).

Forbo is in pole position for further 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 enhance Forbo's strategic positioning. 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 liquidity, plus future operating cash flows, 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 (OaER) entered into force on January 1, 2014. The Ordinance allows for a transition period until the end of 2015. The Board of Directors promptly submitted a comprehensive amendment of the Articles of Association to the Ordinary General Meeting of April 25, 2014, which was passed by a large majority.

Elections to the Board of Directors
As of the 2014 Ordinary General Meeting and in accordance with the OaER and the amended Articles of Association, all members of the Board of Directors are now elected in individual ballots for a term of one year.

All the current members of the Board of Directors will stand for re-election for a further one-year term of office.

Increase in the dividend from CHF 14 to CHF 16
Despite the volatile environment and in the interests of a consistent dividend policy, the Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend of CHF 16 per share for the 2014 business year (previous year: CHF 14), which equates to an increase of CHF 2 per share. 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 the cancelation of the company's own shares repurchased to date as part of the share buyback program. At the same time, the Board of Directors proposes, over a period of three years, the repurchase of further own shares up to a maximum of 10 percent of the share capital via a second trading line on the SIX Swiss Exchange or by other means in order to reduce capital.

Well positioned for 2015

Outlook for 2015
The current global political and economic situation is difficult to assess.

Since the Swiss National Bank decided to no longer peg the Swiss franc to the Euro exchange rate on January 15, 2015, the foreign exchange markets have also been in turmoil and this has had a knock-on effect on economic developments.

In recent years, Forbo has strongly increased its global presence and now operates in various economic zones with different currencies, which on the whole has had a stabilizing effect on the Forbo Group. Thanks to our strong strategic positioning, we again anticipate an increase in sales and profitability in local currencies in 2015.

However, sales and profit in the corporate currency will be eroded once the local results are translated into Swiss francs. We have therefore taken a number of additional measures to offset these currency effects by even stronger operational performance.

Barring any change in the foreign exchange situation, we anticipate to generate a Group profit from continuing operations in 2015 that is at the same level as in the previous year.

Thank you

Thanks to employees, business partners, and shareholders
The impressive performance in the past year is due to the cooperation of all our employees who have made a valuable contribution through their commitment and professionalism. The key factors for success in the future, as in the past, are quality, reliability, innovation, efficiency and prudence in turbulent times.

We also wish to thank our customers, business partners, and suppliers 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, in particular, dear shareholders, for the deep trust and loyalty you show to Forbo.

Baar, March 2015

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting:	**April 24, 2015**
Publication of Half-Year Report 2015:	**August 18, 2015**
Publication of Annual Report 2015:	**March 15, 2016**