



This E. Schneider
Executive Chairman

Stephan Bauer
CEO

'The strong Swiss franc provided a major challenge for Forbo in the 2015 business year. We nevertheless extended our product portfolio in specific areas in both divisions and invested further in the development of high-end quality products. Sales in local currencies rose slightly as did currency-adjusted earnings, and earnings per share in Swiss francs increased once again.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

In the 2015 business year Forbo had to deal with major challenges. The strong Swiss franc had a discernible impact on the company's results. The generally subdued business performance in the first half of 2015 did not change appreciably in the second half of the year. In the year under review, the two divisions reported divergent results. Movement Systems again increased sales and earnings considerably, whereas Flooring Systems could not match the previous year's results even on a currency-adjusted basis despite increased marketing activities and new offerings in the product portfolio.

In the wake of the Swiss National Bank discontinuing its euro minimum exchange rate in January 2015, both sales and earnings in the corporate currency were strongly impacted by exchange rates. The Swiss franc, which firmed significantly against most of the currencies important for our business such as the euro, the pound sterling and the Japanese yen, clearly left its mark when local currency results were translated into the corporate currency. The foreign currency translation effect shaved a good CHF 100 million off sales and about CHF 18 million off operating profit (EBIT).

Despite these challenging conditions, both divisions expanded their already attractive product portfolios by adding new innovations, and we invested further in the development of high-end products and continued to strengthen our distribution channels, especially in growth markets. Owing to the ongoing situation on the foreign exchange markets, we initiated a series of additional cost optimization measures in order to partially offset the impact of the strong Swiss franc by an even better operating performance.

Sales in local currencies slightly higher

Divisions report divergent sales results

In the year under review, Forbo reported net sales of CHF 1,139.1 million (previous year: CHF 1,226.8 million), a gain of 1.1% in local currencies. Owing to the very negative currency effects, this is equivalent to a decline of 7.1% in the corporate currency.

Net sales of Flooring Systems decreased by 1.1% in local currency terms to CHF 791.3 million (previous year: CHF 884.6 million). Translated into the corporate currency, the decline came to 10.5% owing to the negative currency effects. Challenging conditions in core markets that are crucial for our business led to a slight decline in sales, and the geographic weighting of business operations exacerbated the negative currency impact.

Movement Systems reported net sales of CHF 347.8 million (previous year: CHF 342.2 million), an encouraging increase of 6.7% in local currencies. Translated into the corporate currency, the increase fell to 1.6% owing to negative currency effects. All regions contributed to the solid growth in local currencies. The division's strong presence in growth markets was a major factor in the positive performance.

Earnings performance spoiled by negative currency effects

Currency-adjusted earnings slightly higher year-on-year

Adjusted for currency effects, earnings increased slightly.

In addition to focusing on efficiency gains and continuous optimization of processes and procedures, we initiated a number of measures designed to ensure our future growth.

In the Flooring Systems division, we expanded our broad portfolio with new designs and embossing, launched the establishment of production for a new product group – homogeneous vinyl floor coverings – and targeted distribution channels for further growth.

In the Movement Systems division, too, we again launched a number of technologically demanding developments with added value for our customers; in addition, we increased and optimized our range of services and created additional production capacity.

Slight increase in operating profit margins

Owing to the strong Swiss franc, operating profit before depreciation and amortization (EBITDA) decreased by 5.6% to CHF 174.8 million (previous year: CHF 185.1 million). Group operating profit (EBIT) declined by 4.4% to CHF 142.8 million (previous year: CHF 149.4 million).

Currency-adjusted, both EBITDA and EBIT showed a slight increase compared with the previous year.

The EBITDA margin was up by 0.2 percentage points to 15.3% (previous year: 15.1%). The EBIT margin rose by 0.3 percentage points to 12.5% (previous year: 12.2%).

Currency-adjusted Group profit slightly higher than previous year

Group profit dragged down by negative currency effects

Owing to the strong Swiss franc and to financial income of CHF 1.6 million (previous year: CHF 4.9 million), which was lower than in previous years, Group profit from continuing operations declined by 6.2% to CHF 115.7 million (previous year: CHF 123.4 million). After adjustment for currency effects, however, Group profit was slightly higher than the previous year.

Balance sheet remains in great shape

Liquidity at an adequate level

In the year under review, net liquidity decreased by CHF 137.3 million to CHF 115.3 million (previous year: CHF 252.6 million). The decline was due on the one hand to the share buyback program in the reporting year and on the other hand to the consistently high level of investments designed to secure our future operational activities.

In addition, as at 31 December 2015, Forbo held 281,542 of its own shares, valued at year-end at CHF 332.8 million (previous year: CHF 259.7 million). Of this total, 190,000 shares are earmarked for the capital reduction in accordance with the decision of the 2016 Ordinary General Meeting.

The equity ratio still remains at a high 61.3% (previous year: 67.4%).

Owing to the share buybacks, earnings per share increased slightly compared to the previous year despite the decline in profit caused by currency fluctuations. Earnings per share from continuing operations (undiluted) rose by 0.4% to CHF 62.14 (previous year: CHF 61.92).

Solid foundation for growth opportunities

Our strong global presence, our sound balance sheet, and the systematic implementation of our strategy are enabling us to drive expansion in growth markets and take advantage of growth opportunities outside the company. However, we will make acquisitions only if we can thereby create added value for our shareholders.

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 in good time 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

In view of the solid balance sheet and slightly higher earnings per share despite the strong Swiss franc, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2015 business year should be increased from CHF 16 to CHF 17 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 that the company's own shares repurchased to date as part of the share buyback program be canceled.

2016 – another challenging year

Cautious outlook for 2016

We expect market conditions to remain demanding and challenging in the 2016 business year. Economic and political circumstances can change quickly. However, we will persist with our strategy and will continue to expand both our global presence and our product range.

Thanks to the good strategic positioning we have achieved, and barring any change in the foreign exchange situation, we anticipate a slight increase in net sales and Group profit from continuing operations in 2016.

Thank you

Thanks to employees, business partners and shareholders

The past year was a challenge for all our employees. We would like to thank them for their commitment, their professionalism and their flexibility in this challenging time.

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 ongoing trust and loyalty you show to Forbo.

Baar, March 2016



This E. Schneider
Executive Chairman



Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting

April 29, 2016

Publication of Half-Year Report 2016

August 16, 2016

Publication of Annual Report 2016

March 7, 2017