

2015 AT A GLANCE

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

The company employs more than 5,200 people and has an international network of 24 production and distribution companies, 6 assembly operations and 42 pure sales organizations in a total of 35 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

FORBO IN FIGURES

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

Flooring Systems

15 production facilities in 6 countries and distribution companies in 24 countries. Sales offices in Europe, North, Central, and South America as well as Asia/Pacific.

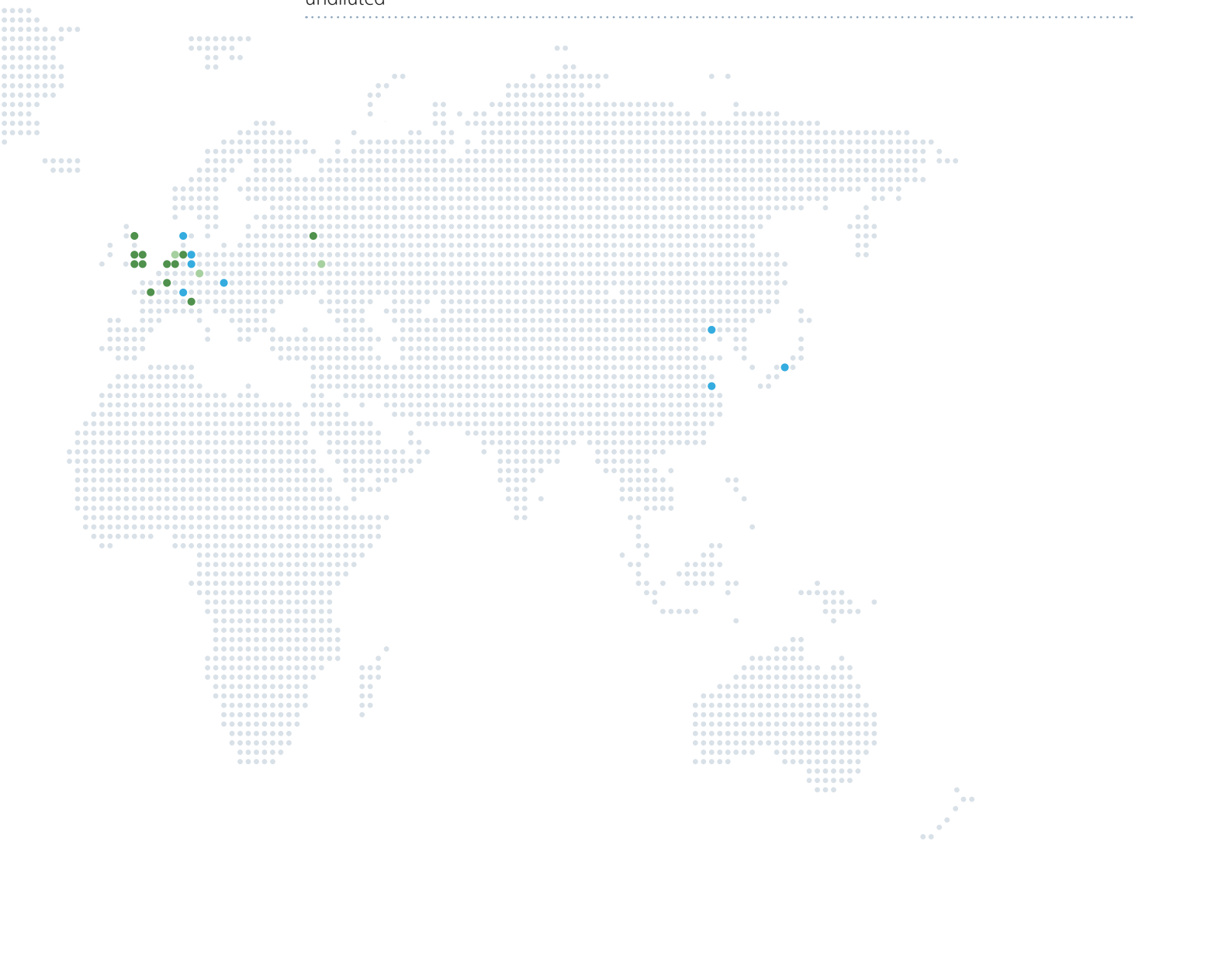
- Floor coverings
- Building and construction adhesives

Movement Systems

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

- Production facilities and assembly operations

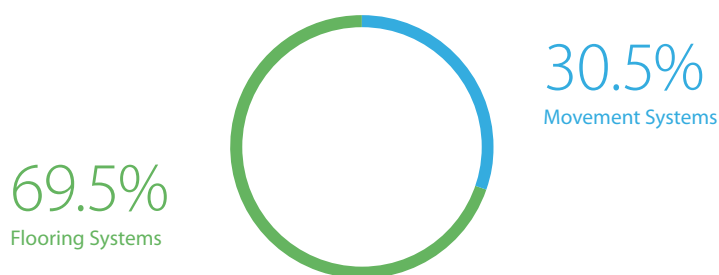




Net sales	CHF 1,139.1 million
EBIT	CHF 142.8 million
EBIT margin	12.5%
Group profit from continuing operations	CHF 115.7 million
Earnings per share undiluted	CHF 62.14

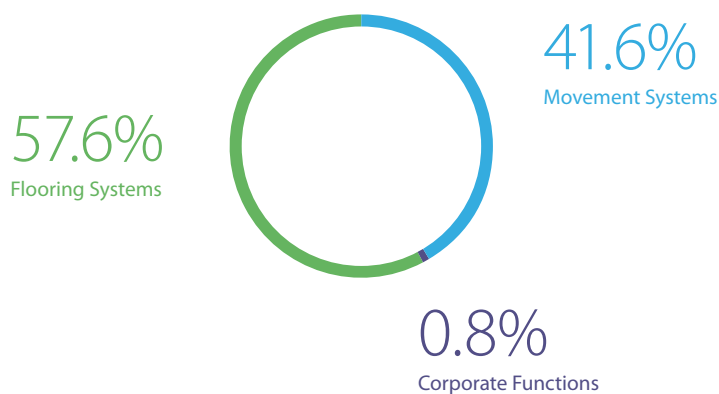
Net sales by division

	CHF m 2015	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	791.3	-10.5	-1.1	69.5
Movement Systems	347.8	1.6	6.7	30.5
Total	1,139.1	-7.1	1.1	100.0



Employees by division

	Number 2015	Change on previous year in %		In % of total
Flooring Systems	3,006	-1.7		57.6
Movement Systems	2,174	5.5		41.6
Corporate Functions	42	0.0		0.8
Total	5,222	1.2		100.0



Financial overview Forbo Group

	2015	2014	2015	2014
Income statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Net sales	1,139.1	1,226.8	1,066.2	1,010.0
Flooring Systems	791.3	884.6	740.6	728.3
Movement Systems	347.8	342.2	325.5	281.7
EBITDA	174.8	185.1	163.6	152.4
EBIT	142.8	149.4	133.7	123.0
Group profit from continuing operations	115.7	123.4	108.3	101.6
Group profit	115.7	123.6	108.3	101.8
Balance sheet	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Total assets	912.1	1,095.6	853.7	902.0
Operating assets	756.1	803.5	707.7	661.5
Shareholders' equity	559.2	738.8	523.4	608.3
Net cash	115.3	252.6	107.9	208.0
Cash flow statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Cash flow from operating activities	140.9	147.3	131.9	121.3
Cash flow from investing activities	11.4	-13.0	10.7	-10.7
Free cash flow	152.3	134.3	142.6	110.6
Key ratios	%	%		
ROS (EBITDA/net sales)	15.3	15.1		
Equity ratio (shareholders' equity/total assets)	61.3	67.4		
Gearing (net debt/shareholders' equity)	-20.6	-34.2		
Employees (as at December 31)	Number	Number		
Total employees	5,222	5,161		
Ratios per share, from continuing operations	CHF	CHF	EUR ¹⁾	EUR ¹⁾
Earnings per share (undiluted) ²⁾	62.14	61.92	58.2	51.0
Equity (undiluted)	396.9	370.7	371.5	305.2
Dividend	17.0 ³⁾	16.0 ⁴⁾	15.9	13.2
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Stock market capitalization ⁵⁾	2,352.2	2,138.2	2,201.6	1,760.4

1) Euro values translated at the average annual exchange rate of CHF 1.0684/1 EUR (2015) and CHF 1.2146/1 EUR (2014).

2) See note 13 'Earnings per share' on page 116 of the financial report.

3) The Board of Directors proposes to the Ordinary General Meeting of April 29, 2016, the distribution of a dividend in the amount of CHF 17 per registered share.

4) Approval of a dividend of CHF 16 per registered share at the Ordinary General Meeting of April 24, 2015.

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

CURRENCY-ADJUSTED EARNINGS SLIGHTLY HIGHER YEAR-ON-YEAR

In the 2015 business year Forbo had to contend with major challenges owing to the strength of the Swiss franc. Both sales and earnings were hit hard by exchange rate fluctuations.

The two divisions turned in very divergent performances. Whereas Movement Systems substantially increased both sales and earnings, Flooring Systems failed to match the previous year's results even on a currency-adjusted basis despite multiple marketing activities and efficiency gains in its operations.

Independent of these challenging conditions, both divisions expanded their attractive product portfolios with new offerings, and we continued to invest in the development of high-end products and strengthen our distribution channels, especially in growth markets.

Despite ongoing expansion of our operational activities, earnings increased slightly after adjustment for currency effects, though sales in local currencies were only marginally higher.

Given our solid balance sheet, our strong global presence, and our leading market positions, we are well placed to capitalize on future growth opportunities.

Sales in local currencies slightly higher than previous year

In the year under review, Forbo reported net sales of CHF 1,139.1 million (previous year: CHF 1,226.8 million), a marginal growth of 1.1% in local currencies. In the corporate currency, due to negative currency effects, sales resulted in a decrease of 7.1%. The main exchange rate factors were the weakening of the euro, the pound sterling and the Japanese yen, which together reduced sales by a good CHF 100 million.

The Flooring Systems division posted net sales of CHF 791.3 million in the 2015 business year (previous year: CHF 884.6 million). This corresponds to a sales decrease of 1.1% in local currencies; owing to the negative impact of currency fluctuations, the decline in the corporate currency came to 10.5%. Various challenging conditions in core markets that are crucial for our business led to this decline in sales, and the geographic weighting of business operations exacerbated the negative currency impact.

The Movement Systems division generated net sales of CHF 347.8 million in the year under review (previous year: CHF 342.2 million), which reflects a strong increase of 6.7% in local currency terms. In terms of the corporate currency, the increase came to 1.6% despite negative currency effects. All regions contributed to this gratifying upturn in sales. Even the more traditional, saturated markets reported market share gains.

Net sales by geographic area

	Change on previous year			2015 CHF m																
	%	in %	in local currencies in %		25	50	75	100	125	150	175	200	225	250						
North, Central, and South America	21.0	4.5	2.8	239.4																
Asia/Pacific and Africa	14.5	-0.1	6.2	164.9																
France	12.2	-14.9	-3.3	139.1																
Germany	11.8	-7.5	5.2	134.0																
Great Britain/Ireland	10.8	-10.6	-7.7	123.0																
Benelux	9.5	-13.2	-1.4	108.4																
Scandinavia	8.8	-11.2	3.4	100.4																
Eastern Europe	4.9	-2.6	10.7	55.9																
Southern Europe	4.2	-23.6	-1.4	47.9																
Switzerland	2.3	-8.8	-8.7	26.1																
Total	100.0	-7.1	1.1	1,139.1																

Currency-adjusted earnings slightly higher year-on-year

Despite continuing high investments in property, plant, and equipment plus a wide range of market activities and product developments, we managed to increase earnings slightly after adjustment for currency effects. Earnings, however, were negatively impacted by the strong Swiss franc.

In the corporate currency, Group EBITDA accordingly declined by 5.6% to CHF 174.8 million (previous year: CHF 185.1 million), while EBITDA at Flooring Systems decreased by 11.0% to CHF 133.1 million (previous year: CHF 149.6 million). The EBITDA of Movement Systems rose by 11.1% to CHF 51.2 million (previous year: CHF 46.1 million) on the back of a strong operational performance and weaker currency effects.

The Group increased its EBITDA margin by 0.2 percentage points to 15.3% (previous year: 15.1%), Flooring Systems reduced its EBITDA margin by 0.1 percentage points to 16.8% (previous year: 16.9%), and Movement Systems increased it by 1.2 percentage points to 14.7% (previous year: 13.5%).

EBITDA by division

	2015 CHF m	Change on previous year in %	-25	0	25	50	75	100	125	150
Flooring Systems	133.1	-11.0								
Movement Systems	51.2	11.1								
Corporate	-9.5	-10.4								

Group operating profit (EBIT) declined by 4.4% to CHF 142.8 million (previous year: CHF 149.4 million). The Group's EBIT margin rose by 0.3 percentage points to 12.5% (previous year: 12.2%). The strong Swiss franc shaved about CHF 18 million off EBIT in the corporate currency.

After adjustment for currency fluctuations, both operating profit before depreciation and amortization (EBITDA) and operating profit (EBIT) were slightly higher than the previous year at Group level. Operating profit margins were also slightly higher than the previous year.

Owing to the strong impact of currency fluctuations and a lower financial result compared with 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, it was slightly higher than the previous year.

Taxes and financial income

The tax rate in the year under review came to 19.9%, compared with 20.1% the previous year.

Financial expenses declined to CHF 0.4 million (previous year: CHF 1.0 million) owing to lower interest expenditures and a weaker effect from currency translations. In contrast, the Group reported financial income of CHF 2.0 million (previous year: CHF 5.9 million), stemming primarily from income from securities. On balance, the financial result came to CHF 1.6 million (previous year: CHF 4.9 million).

Free cash flow

	2015 CHF m	2014 CHF m	-40	0	40	80	120	160
Cash flow from operating activities	140.9	147.3						
Cash flow from investing activities	11.4	-13.0						
Free cash flow	152.3	134.3						

Higher free cash flow

In the reporting year, cash flow from operating activities was down by CHF 6.4 million to CHF 140.9 million (previous year: CHF 147.3 million), owing mainly to lower Group profit, which was reduced by currency effects. Cash flow from investing activities was a positive CHF 11.4 million in the reporting year (previous year: CHF -13.0 million). Despite high investments in property, plant, and equipment, cash flow from investing activities was positive owing to proceeds from the sale of current financial assets. Free cash flow thus amounted to CHF 152.3 million (previous year: CHF 134.3 million).

Balance sheet remains in great shape

Total assets as at December 31, 2015, stood at CHF 912.1 million (previous year: CHF 1,095.6 million). Net liquidity decreased by CHF 137.3 million to CHF 115.3 million (previous year: CHF 252.6 million). This decline can be explained by the share repurchases made in the reporting year. Likewise, shareholders' equity decreased to CHF 559.2 million as at end-December 2015 (previous year: CHF 738.8 million) primarily owing to the share buybacks. The equity ratio still remains at a high 61.3% (previous year: 67.4%).






Substantially higher investment volume in local currencies

Although the demanding conditions pose a challenge to our organization in all areas, we remain focused on the factors that will drive our future growth as well as on efficiency gains, continuous optimization of processes, and cost-saving measures. In the reporting year, we concentrated our resources on key activities and strategic projects in the areas of product portfolio, technology, production capacity, and market expansion. Total investments in fixed assets in 2015, as in the previous year, came to CHF 39.5 million; in local currency terms, however, this was well above the prior-year level.

In the reporting period, Flooring Systems invested CHF 30.5 million (previous year: CHF 29.9 million). This amount includes in particular the construction of a factory for the manufacture of homogeneous vinyl floor coverings, the building of an additional packaging line for the production of luxury vinyl tiles in the Netherlands, as well as expanded warehouse capacity in Sweden for the Scandinavian market and for modular linoleum production in Scotland.

At Movement Systems, investments in fixed assets came to CHF 8.9 million (previous year: CHF 9.4 million), which in local currencies was higher than the previous year. The funds were spent mainly on extending the product portfolio for specific applications in complex and demanding facilities, for various additional service tools, and for fabrication and production plants and expansion in growth markets.

Investments 2011 – 2015

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m	
2015	31	9	0	40	
2014	30	9	1	40	
2013	27	7	1	35	
2012	24	9	1	34	
2011	24	7	1	32	

Headcount adjusted on case-by-case basis

At year-end 2015, the Forbo Group employed 5,222 people. These are 61 employees more than at the end of the previous year. The individual percentage changes in staff levels by and large reflect market developments in the regions in question. The marked increase in Eastern Europe stems in particular from the expansion of Movement Systems' manufacturing center in Slovakia and expansion in growth markets. The ex-

pansion of the sales and distribution organizations in Asia/Pacific and the Americas resulted in additional hiring in these regions. In Germany, following several years of restraint as regards new hiring, headcount was increased on a case-by-case basis. In most other European countries, we have been more restrained with new hiring given the current market situation, which is characterized by rather muted demand.

Employees by geographic area

	%	Change on previous year in %	2015	200	400	600	800	1,000	1,200
Benelux	20.7	-1.7	1,081						
Asia/Pacific and Africa	14.3	3.7	746						
North, Central, and South America	14.2	2.6	741						
Germany	12.3	1.3	640						
Great Britain/Ireland	11.7	-2.2	611						
Eastern Europe	9.8	11.5	512						
France	8.3	-0.9	434						
Switzerland	3.4	-2.9	178						
Scandinavia	3.1	-1.2	164						
Southern Europe	2.2	0.0	115						
Total	100.0	1.2	5,222						