FINANCIAL REPORT

Consolidated balance sheet

		31.12.2017	31.12.2016
Assets			
CHF m	Note		
Current assets		**638.2**	**601.2**
Cash and cash equivalents	14	195.4	209.7
Trade receivables	15	169.2	151.4
Other receivables		27.6	19.8
Accrued income and deferred expenses		19.4	13.9
Inventories	16	226.6	206.4
Non-current assets		**429.3**	**388.1**
Other non-current financial assets		0.3	0.2
Deferred tax assets	12	39.0	40.5
Property, plant, and equipment	17	267.6	227.6
Intangible assets and goodwill	18	122.4	119.8
Total assets		**1,067.5**	**989.3**
Shareholders' equity and liabilities			
CHF m	Note		
Current liabilities		**275.3**	**241.8**
Current financial debt	20	0.2	0.1
Trade payables		105.9	95.4
Other current liabilities		32.4	24.2
Current tax liabilities		26.5	20.4
Accrued expenses and deferred income	21	91.5	81.5
Current provisions	22	18.8	20.2
Non-current liabilities		**131.0**	**126.1**
Non-current financial debt	23	0.2	0.4
Deferred tax liabilities	12	10.8	10.9
Non-current provisions	22	32.3	26.1
Employee benefit obligations	24	87.7	88.7
Total liabilities		**406.3**	**367.9**
Shareholders' equity		**661.2**	**621.4**
Share capital	26	0.2	0.2
Treasury shares	26	–0.1	–0.1
Reserves and retained earnings		661.1	621.3
Total shareholders' equity and liabilities		**1,067.5**	**989.3**

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

Consolidated income statement

CHF m	Note	2017	2016
Continuing operations			
Net sales	5	**1,246.4**	**1,185.5**
Cost of goods sold		– 764.5	– 715.2
Gross profit		**481.9**	**470.3**
Development costs	6	– 15.5	– 15.1
Marketing and distribution costs		– 195.8	– 190.7
Administrative costs		– 94.7	– 95.0
Other operating expenses	7	– 106.5	– 16.7
Other operating income	8	10.5	4.4
Operating profit		**79.9**	**157.2**
Financial income	10	0.9	2.0
Financial expenses	11	– 0.8	– 0.1
Group profit before taxes		**80.0**	**159.1**
Income taxes	12	– 43.5	– 31.5
Group profit for the year from continuing operations		**36.5**	**127.6**
Group profit for the year from discontinued operations after taxes	27	**2.2**	**0.0**
Group profit for the year		**38.7**	**127.6**
Group profit attributable to shareholders of Forbo Holding Ltd.		38.7	127.6
Earnings per share, total			
CHF			
Basic earnings per share	13	22.36	74.66
Diluted earnings per share	13	22.36	74.65
Earnings per share from continuing operations			
CHF			
Basic earnings per share	13	21.10	74.66
Diluted earnings per share	13	21.10	74.65
Earnings per share from discontinued operations			
CHF			
Basic earnings per share	13	1.26	0.00
Diluted earnings per share	13	1.26	0.00

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

Consolidated comprehensive income statement

CHF m	Note	2017	2016
Group profit for the year		**38.7**	**127.6**
Items that will not be reclassified to the income statement:			
Remeasurements of employee benefit obligations, net of taxes	12	5.7	– 14.6
Items that are or may be subsequently reclassified to the income statement:			
Translation differences		36.1	– 27.2
Other comprehensive income for the year, net of tax		**41.8**	**– 41.8**
Total comprehensive income		**80.5**	**85.8**
Total comprehensive income attributable to the shareholders of Forbo Holding Ltd.		80.5	85.8

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

Consolidated statement of changes in equity

2017

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
December 31, 2016	**0.2**	**– 0.1**	**941.4**	**– 320.1**	**621.4**
Group profit for the year			38.7		38.7
Other comprehensive income for the year, net of tax			5.7	36.1	41.8
Total comprehensive income			**44.4**	**36.1**	**80.5**
Share-based payments			4.4		4.4
Treasury shares		0.0	– 12.6		– 12.6
Dividend payment			– 32.5		– 32.5
December 31, 2017	**0.2**	**– 0.1**	**945.1**	**– 284.0**	**661.2**

2016

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
December 31, 2015	**0.2**	**– 0.1**	**852.0**	**– 292.9**	**559.2**
Group profit for the year			127.6		127.6
Other comprehensive income for the year, net of tax			– 14.6	– 27.2	– 41.8
Total comprehensive income			**113.0**	**– 27.2**	**85.8**
Share-based payments			4.8		4.8
Treasury shares		0.0	0.7		0.7
Dividend payment			– 29.1		– 29.1
December 31, 2016	**0.2**	**– 0.1**	**941.4**	**– 320.1**	**621.4**

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

Consolidated cash flow statement

		2017	2016
Cash flow from operating activities			
CHF m	Note		
Group profit for the year		**38.7**	**127.6**
Profit from disposal of discontinued operations after taxes	27	– 2.2	0.0
Tax expense	12	43.5	31.5
Financial result		– 0.1	– 1.9
Depreciation of property, plant, and equipment	17	31.8	29.9
Amortization of intangible assets	18	5.9	5.9
Share-based payments	25	4.4	4.8
Income tax paid		– 37.9	– 29.9
Increase in provisions and employee benefit obligations		7.4	0.4
Increase (–)/Decrease in net operating working capital[1]		– 15.9	19.2
Decrease/Increase (–) in other current assets		3.2	– 21.0
Net cash flow from operating activities		**78.8**	**166.5**
Cash flow from investing activities			
CHF m	Note		
Purchase of business operations net of cash acquired		0.0	– 1.7
Purchase of non-current assets		– 57.8	– 40.0
Proceeds from the disposal of non-current assets		0.5	0.9
Purchase of other non-current financial assets		– 0.1	0.0
Interest received	10	0.9	0.5
Net cash flow from investing activities		**– 56.5**	**– 40.3**
Cash flow from financing activities			
CHF m	Note		
Increase of current financial debt		0.1	0.0
Repayment of non-current financial debt	23	– 0.2	– 0.5
Interest paid	11	0.0	0.0
Purchase of treasury shares		– 103.3	0.0
Proceeds from sale of treasury shares		90.9	0.0
Dividend payment		– 32.5	– 29.1
Net cash flow from financing activities		**– 45.0**	**– 29.6**
Change in cash and cash equivalents			
CHF m	Note		
Decrease (–)/Increase in cash and cash equivalents		– 22.7	96.6
Translation differences on cash and cash equivalents		8.4	– 3.2
Total cash and cash equivalents at beginning of year	14	209.7	116.3
Total cash and cash equivalents at year-end	**14**	**195.4**	**209.7**

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 and its subsidiaries (together 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.

Forbo Holding Ltd 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 February 28, 2018, and released for publication on March 6, 2018. This financial report is subject to approval by the Ordinary General Meeting of April 6, 2018.

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.

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.

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 consolidation was done 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 costs with the exception of available-for-sale financial assets and derivative financial instruments, which are measured at fair value.

The preparation of the consolidated financial statements requires management to make discretionary judgements, estimates and assumptions that can affect the application of accounting methods and reported revenues, expenses, assets, liabilities, and contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates and assumptions. Estimates and the underlying assumptions are being reviewed continually. Revised versions of estimates and assumptions are recognized prospectively. Information about discretionary judgements as well as assumptions and uncertainty involved in estimates are contained in note 3 'Critical judgements, estimates and appraisals by management'.

Scope and principles of consolidation
Subsidiaries are companies that are controlled by the Group. The Group exercises control over a company if it is exposed to variable returns from its involvement in the company or possesses rights to the returns and is able to influence these returns by means of its discretionary control over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the point at which control begins.

The purchase method of accounting is used to account for business combinations. The value of the transferred consideration in a business combination and the acquired identifiable net assets are 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 acquired, 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. Acquisition costs are reported as expenditure in the income statement. Non-controlling interests are measured at the acquisition date with their proportionate share in the identifiable net assets of the acquired entity.

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.

Inter-company transactions, balances, and unrealized gains or losses on transactions between Group companies are eliminated.

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 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.

Changes in the scope of consolidation
There were no significant changes in the scope of consolidation in the year under review.

The previous year, effective June 28, 2016, Forbo Siegling Italia S.p.A. acquired the entire share capital of Tema S.r.l. in Parma, Italy. Tema S.r.l. was an existing customer of Forbo that sold fabric conveyor belts and plastic modular belts and is now an additional service point for the Movement Systems division in northern Italy.

In addition, in the previous year Forbo Finanz AG established a new production facility belonging to Forbo Movement Systems (China) Co. Ltd in Pinghu and a new sales company Forbo Flooring Middle East DMCC in Dubai.

The subsidiaries included in the group of consolidated companies are listed under 'Group companies' (from page 138 of this report).

Foreign currency translation
Transactions in foreign currencies
The individual companies prepare their financial statements in their functional currency. The functional currency is the currency of the primary economic environment in which the company operates and generally corresponds to the local currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction. 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.

Foreign operations
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 foreign Group 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 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)	
			2017	2016	2017	2016
Exchange rates						
Euro zone	EUR	1	1.1117	1.0901	1.1705	1.0719
USA	USD	1	0.9847	0.9853	0.9763	1.0184
Great Britain	GBP	1	1.2686	1.3354	1.3203	1.2576
Japan	JPY	100	0.8779	0.9071	0.8674	0.8709
China	CNY	100	14.5800	14.8300	15.0100	14.6600
Sweden	SEK	100	11.5360	11.5216	11.9018	11.1963

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'. The prior-year figures affecting the income statement are adjusted accordingly and are also presented separately.

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.

Revenue from the sale of goods and services is recognized in the income statement if the risks and rewards of ownership have been transferred to the buyer, the amount of the revenue can be reliably determined, and payment is deemed to be likely.

Appropriate provisions are made for expected warranty claims.

Government grants
Government grants are recognized only when there is reasonable assurance that the related conditions are met and the grants will be received. Grants are deducted when arriving at the carrying amount of the asset concerned and they are recognized in profit or loss over the period of the depreciable asset by means of a reduced depreciation charge.

Government grants that compensate the company for expenses incurred are recognized in the income statement in the periods in which the expenses to be compensated accrue.

Research and development
All research costs are posted directly to the income statement in the period in which they are incurred. Development costs are capitalized only if these costs can be reliably measured, the product or process is technically feasible and commercially viable, a future economic benefit is likely, and the Group has sufficient resources and intends to complete the development and exploit the asset. Other development expenses that do not meet these criteria are taken to the income statement as soon as they are incurred. Capitalized development costs are measured at the cost of acquisition or production less cumulative amortizations and impairments.

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 determined on granting equity-settled share-based payments is recognized in the income statement over the vesting period and is included in personnel expenses.

Earnings per share

The number of shares used for calculating earnings per share is determined on the basis of the weighted average number of the shares issued less the weighted average number of treasury shares held. To calculate diluted earnings per share, an adjusted number of shares is determined from the total number of shares used to calculate earnings per share plus the potentially dilutive effects of shares from employee incentive plans. To take account of the dilutive effect of employee incentive plans, the number of shares is determined that could have been purchased at the market price on the basis of the cumulative difference between the market price and the strike price of the future subscription rights. The market price used for this purpose corresponds to the average price of the shares in the business year under review. The earnings or diluted earnings per share is the quotient obtained by dividing the distributable net profit by the relevant number of shares.

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.

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 be enacted in the period in which the asset will be realized or the liability will be settled. 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.

Property, plant, and equipment

Property is recognized at cost on acquisition. Land is not depreciated, 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 depreciation and impairments.

Betterments that increase the useful lives of the assets, significantly improve the quality of the output or enable a substantial reduction in operating costs are capitalized and depreciated over the remaining useful lives.

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

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

If there are signs of an impairment, the recoverable amount of the asset is determined. If the carrying amount exceeds the recoverable value, the carrying amount of the asset is reduced accordingly and the difference charged to the income statement.

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 29 'Leasing').

Intangible assets and goodwill

The goodwill generated in connection with business combinations is measured at the cost of acquisition less cumulative impairment losses.

Goodwill is not amortized but tested for impairment at least at each reporting date or earlier if there are signs of a potential impairment.

The acquisition costs of trademarks, licenses, customer relationships, and technologies acquired in a business combination correspond to the fair value at the date of acquisition.

Trademarks 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.

Other intangible assets that are acquired by the Group and have a finite useful life are carried at acquisition or production costs less cumulative amortizations and impairments. The amortization of other intangible assets with a finite useful life uses the straight-line method; the following estimated useful lives are applied:

Customer relations	5 to 15 years
Technologies	up to 30 years
Software	3 to 5 years

Amortization methods, useful lives, and residual values are reviewed annually at the reporting date and adjusted where necessary.

Financial instruments

Financial instruments can be classified as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those 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.

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 at fair value in the balance sheet under 'Other current financial assets' or in '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 various derivative instruments used for hedging purposes are disclosed in note 30 'Additional information on financial instruments'.

(b) Loans and receivables

Loans and receivables are loans and receivables granted by the Group with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the end of the reporting year, in which case they are classified as non-current assets.

Trade receivables are carried in the balance sheet at their nominal value 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.

(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.

(d) Financial liabilities at amortized costs
Financial liabilities are recognized at fair value less direct transaction costs the first time they are reported. Subsequent valuations are generally done at the amortized cost, applying the effective interest method.

Current and non-current financial debt comprise bank loans and finance lease obligations. It is stated at amortized costs.

Financial debt is assigned to current debt, except if the Group has to settle the obligation earliest 12 months after the reporting date or enjoys an unlimited right to postpone payment of the debt by at least 12 months after the reporting date.

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

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, the settlement date is relevant for the initial recognition and derecognition.

Financial assets not classified as being 'Financial assets 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 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 to the income statement.

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.

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.

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 from the date of acquisition.

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.

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 costs and liabilities are assessed annually on the basis of various economic and demographic assumptions 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 and deducted from the pension liabilities. Pension costs, consisting of current service costs incurred in the relevant period and net interest expense, less employee contributions, are stated as personnel expenses in the income statement. Past service costs resulting from changes in pension plans are posted directly to the income statement. Profits or losses resulting from pension plan curtailments or settlements are immediately taken to the income statement.

Revaluation components include actuarial gains and losses due to changes in the present value of the pension obligations arising from changes in assumptions and experience adjustments plus the return on plan assets less the contributions contained in net interest expense. Revaluation components are recognized in other comprehensive income, taking deferred taxes into account, and are never subsequently reclassified to the income statement.

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. 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.

3 Critical judgements, estimates and appraisals by management

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 tests
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 due to changed circumstances or other triggering events these amounts can possibly no longer be realized. If such a situation occurs, the recoverable amount is determined based on expected future revenues. This corresponds to either the discounted expected cash flows or the expected net sales price.

Important assumptions in the calculations underlying these impairment tests 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 17 'Property, plant, and equipment' and note 18 'Intangible assets and goodwill'.

Valuation of pension plan liabilities
Various employee pension plans exist for employees of the Group. In the valuation 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 24 'Employee benefit obligations'.

Recognition and valuation of 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 22 '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 is based on planning information. Further information on this topic can be found in note 12 'Income taxes'.

4 Application of new or revised accounting standards

Applied new and revised standards and interpretations

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, 2017:

- *Amendments to IAS 7 'Initiative on disclosure'*
- *Amendments to IAS 12 'Recognition of deferred tax assets for unrealized losses'*
- *Annual improvements to IFRS 2014 – 2016 cycle*

The first-time application of the before-mentioned new and revised standards and interpretations had no appreciable effect on the Annual Report presented here.

Introduction of new standards in 2018 and beyond

The following new and revised standards and interpretations that were published by end-2017 but are not yet mandatory were not applied in advance in the present consolidated financial statements. Since their impact on the consolidated financial statements has not yet been systematically analyzed, the anticipated effects shown in the corresponding note to the table below represent an estimate by management.

Standards		Date effective	Planned application
New standards or interpretations:			
IFRS 9 'Financial instruments'	**	January 1, 2018	Business year 2018
IFRS 15 'Revenue from contracts with customers' and related clarifications to IFRS 15 'Revenue from contracts with customers'	**	January 1, 2018	Business year 2018
IFRS 16 'Leases'	***	January 1, 2019	Business year 2019
IFRIC 23 'Uncertainty over income tax treatments'	*	January 1, 2019	Business year 2019
Amendments and changes to standards and interpretations:			
Amendments to IFRS 2 'Classification and measurement of share-based payment transactions'	*	January 1, 2018	Business year 2018
Amendments to IAS 28 'Long-term interests in associates and joint ventures'	*	January 1, 2019	Business year 2019
Annual improvements to IFRS 2014 – 2016 cycle:		January 1, 2018	Business year 2018
Amendments to IAS 28 'Investments in associates and joint ventures'	*		
Annual improvements to IFRS 2015 – 2017 cycle:		January 1, 2019	Business year 2019
Amendments to IFRS 3 'business combinations' and IFRS 11 'joint arrangements'	*		
Amendments to IFRS 12 'income taxes'	*		

* No significant impact on the consolidated financial statements is expected.
** Mainly additional disclosures in the consolidated financial statements are anticipated.
*** The impact on the consolidated financial statements cannot yet be fully assessed.

IFRS 9 Financial instruments
IFRS contains a new standard for recognition and measurement of financial instruments, which reflects the business model in which the instruments are held and the characteristics of their cash flows.

IFRS 9 contains three important categories for recognizing financial assets: 'measured at amortized cost', 'measured at fair value and reclassified in profit or loss (FVTPL)', and 'measured at fair value and reclassified in other comprehensive income (FVOCI)'. The standard eliminates the existing categories of IAS 39: 'hold to maturity', 'loans and receivables', and 'available for sale'.

IFRS 9 replaces the 'Incurred loss model' of IAS 39 by a future-oriented model of 'Expected credit losses'. This requires discretionary judgments as to how far the expected credit losses are influenced by changes in economic factors. Financial instruments at Forbo consist in particular of trade receivables in which a simplified model of valuation allowances is employed ('provision matrix').

The Group will apply the new standard as of January 1, 2018, and will take advantage of the possibility permitted by the standard of waiving any adjustment of comparative figures for 2017 in respect of classification and valuation.

Any effect of the application of the new provisions as per January 1, 2018, to financial instruments will be recognized in equity at the time of changeover, but are not expected to have any significant impact on the consolidated financial statements.

IFRS 15 – Revenue from contracts with customers
IFRS 15 provides a comprehensive framework for specifying whether, when, and to what extent sales revenues are recognized.

The Group has made detailed analyses of the impact of the new standard. They have shown that, in switching to the requirements of the new standard, the Group need not make any significant changes regarding the time and amount of revenue recognized compared with the current accounting practice under IAS 18; only the notes will have to be expanded to take account of the new recognition and disclosure provisions.

The Group will apply the new standard as of January 1, 2018; to comply with the transitional provisions of IFRS 15, the prospective method will be applied, with the effects being recognized in equity.

IFRS 16 – Leases
IFRS 16 introduces a uniform accounting model in which leases are to be recognized in the lessee's balance sheet. A lessee recognizes a 'right-of-use asset' that represents his right to use the underlying asset, plus a debt from the lease that represents his obligation to make leasing payments. Exceptions are made for short-term leases and for leases for low-value assets.

Forbo has made an initial assessment of the possible impact on its financial statements. The most significant impact identified to date is that the Group will have to book new assets and debts for its operational leases, in particular for vehicles and property. The type of expenditure associated with these leases will therefore change since IFRS 16 substitutes expenses for operational leases by depreciation charges for 'right-of-use assets' and interest expense for debts from the lease.

The Group will apply the new standard as of January 1, 2019, and recognize the cumulative adjustment in equity at the time of the first application.

Notes

5 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 linoleum, vinyl floorings, entrance flooring systems, carpet tiles, needle felt floor coverings, Flotex, the washable textile flooring, and building and construction adhesives as well as 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 Executive Chairman of the Board of Directors and 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:

2017 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	856.6	390.0	– 0.2	1,246.4
Inter-segment sales	0.0	– 0.2	0.2	0.0
Net sales to third parties	856.6	389.8		1,246.4
Operating profit	42.1	49.3	– 11.5	79.9
EBITDA	69.7	58.7	– 10.8	117.6
Operating assets	539.8	275.7	17.3	832.8
Capital expenditure	22.3	35.5	0.0	57.8
Number of employees (December 31)	3,157	2,360	42	5,559

Segment information on the reportable segments for the prior year:

2016 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	818.3	367.7	– 0.5	1,185.5
Inter-segment sales	– 0.3	– 0.2	0.5	0.0
Net sales to third parties	818.0	367.5		1,185.5
Operating profit	122.7	45.3	– 10.8	157.2
EBITDA	149.1	54.4	– 10.6	192.9
Operating assets	498.6	223.4	16.9	738.9
Capital expenditure	20.5	16.5	3.0	40.0
Number of employees (December 31)	3,110	2,194	42	5,346

The management reporting is based on the same accounting principles as external reporting.

The Executive Chairman of the Board of Directors and the Chief Executive Officer assess the performance of the reportable segments based on their operating result (EBIT). The net 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 Executive Chairman of the Board of Directors and 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:

	2017	2016
CHF m		
Total segment result (EBIT)	**79.9**	**157.2**
Financial result	0.1	1.9
Group profit before taxes	**80.0**	**159.1**

	31.12.2017	31.12.2016
CHF m		
Total operating assets	**832.8**	**738.9**
Non-operating assets	234.7	250.4
Total assets	**1,067.5**	**989.3**

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

	2017 Third-party sales	2016 Third-party sales
CHF m		
Switzerland (domicile)	26.0	23.2
France	158.3	146.3
Germany	150.5	139.7
Benelux	124.5	116.6
Scandinavia	105.2	103.4
Great Britain and Ireland	97.8	108.6
Southern Europe	70.6	63.7
Eastern Europe	67.7	55.0
Europe	**800.6**	**756.5**
North, Central, and South America	**259.5**	**251.0**
Asia/Pacific and Africa	**186.3**	**178.0**
Total net sales to third parties	**1,246.4**	**1,185.5**

	31.12.2017 Operating assets	31.12.2016 Operating assets
CHF m		
Switzerland (domicile)	30.6	27.6
France	72.1	62.9
Germany	85.6	78.9
Benelux	211.8	192.9
Scandinavia	28.2	24.7
Great Britain and Ireland	121.3	123.5
Southern Europe	25.6	20.9
Eastern Europe	25.1	19.9
Europe	**600.3**	**551.3**
North, Central, and South America	**102.7**	**99.2**
Asia/Pacific and Africa	**129.8**	**88.4**
Total operating assets	**832.8**	**738.9**

In the reporting year, no customer accounted for sales that exceeded 10% of the Group's total sales.

6 Development costs

'Development costs', which mainly comprise product development, amounted to CHF 15.5 million in the reporting year (2016: CHF 15.1 million).

Costs for manufacturing trials, recipe optimization and new collections are not reported within 'Development costs'.

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

7 Other operating expenses

'Other operating expenses' comprise expenses of different kinds in connection with structural measures, legal costs, warranties, taxes on capital, levies based on local legislation, and allowances for doubtful trade receivables.

The increase versus the previous year is due to the one-off costs of CHF 83.4 million arising from the now concluded antitrust proceedings brought against leading flooring manufacturers in France (see note 28 'Contingent liabilities') and to higher provisions set aside for litigation.

8 Other operating income

'Other operating income' comprises a range of income, mainly in connection with the sale of tangible assets, the release of provisions for legal proceedings, insurance payments, rental income, the sale of material for recycling purposes, and the release of allowances for doubtful trade receivables.

In fiscal 2017, government grants in connection with the construction of the plant in Pinghu, China, amounting to CHF 1.7 million (2016: CHF 0.0 million) were recognized in the income statement.

9 Personnel expenses

	2017	2016
Personnel expenses		
CHF m		
Salaries and wages	297.2	281.0
Social security contributions	71.7	68.3
Employee benefit expenses for defined benefit plans	5.7	6.4
Total personnel expenses	**374.6**	**355.7**

As at December 31, 2017, the headcount was 5,559 (2016: 5,346). The average headcount over the year was 5,534 (2016: 5,336).

Salaries and wages include share-based payments expenses of CHF 4.4 million (2016: CHF 4.8 million). A bonus program is available for around 130 managers, which is linked to achieving financial targets set for the Group, the divisions, and individual objectives (see also note 25 'Employee participation plan').

10 Financial income

	2017	2016
Financial income		
CHF m		
Interest income	0.9	0.5
Foreign exchange gains, net	0.0	1.5
Total financial income	**0.9**	**2.0**

11 Financial expenses

	2017	2016
Financial expenses		
CHF m		
Interest expenditure from financial liabilities valued at amortized cost	0.0	0.0
Foreign exchange losses, net	0.7	0.0
Other financial expense	0.1	0.1
Total financial expenses	**0.8**	**0.1**

As in the previous year, the Group did not have any interest-bearing liabilities with the exception of some financial leasing arrangements.

12 Income taxes

	2017	2016
Income taxes		
CHF m		
Current income taxes	44.6	38.9
Deferred income taxes	– 1.1	– 7.4
Total income taxes	**43.5**	**31.5**

Analysis of tax expense

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

	2017	2016
CHF m		
Group profit before taxes	80.0	159.1
Tax expense at the expected tax rate	**– 19.4**	**– 40.1**
Tax effects of:		
Non-tax-deductible expenses	– 29.2	– 1.4
Tax-exempt income	4.2	1.2
Recognition of previously unrecognized tax losses	1.1	4.1
Utilization of previously unrecognized tax losses	0.8	2.0
Income taxes from sale of treasury shares	– 5.8	0.0
Previous-year taxes and other positions	4.8	2.7
Effective income tax expenses	**– 43.5**	**– 31.5**

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 profits 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 24.2% (2016: 25.2%).

Capitalized and non-capitalized tax loss carry-forwards, by expiry date:

2017

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.0	0.0	0.0
2 years	0.0	0.1	0.1
3 years	0.0	0.1	0.1
4 years	1.1	0.0	1.1
5 years	2.0	0.0	2.0
More than 5 years	42.8	50.2	93.0
Total tax loss carry-forwards	**45.9**	**50.4**	**96.3**

2016

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.4	0.1	0.5
2 years	0.1	0.1	0.2
3 years	0.2	0.8	1.0
4 years	0.7	3.3	4.0
5 years	2.1	0.1	2.2
More than 5 years	44.0	49.5	93.5
Total tax loss carry-forwards	**47.5**	**53.9**	**101.4**

In 2017, tax loss carry-forwards amounting to CHF 1.0 million expired unused (2016: CHF 0.0 million).

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	31.12.2017	31.12.2016
Deferred tax assets	39.0	40.5
Deferred tax liabilities	– 10.8	– 10.9
Deferred tax assets, net	**28.2**	**29.6**

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, 2016	**8.8**	**2.3**	**5.5**	**13.9**	**17.6**	**7.2**	**55.3**
Decrease (–)/increase in deferred tax assets	– 1.1	– 0.9	2.2	– 0.3	– 0.1	– 1.3	– 1.5
As at December 31, 2017	**7.7**	**1.4**	**7.7**	**13.6**	**17.5**	**5.9**	**53.8**
Netting							– 14.8
As at December 31, 2017, net							**39.0**

Deferred tax liabilities							
CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Employee benefit obligations	Other	Total
As at December 31, 2016	**3.2**	**3.8**	**3.4**	**13.5**	**0.0**	**1.8**	**25.7**
Decrease (–)/increase in deferred tax liabilities	0.0	– 0.2	0.3	– 0.1		– 0.1	– 0.1
As at December 31, 2017	**3.2**	**3.6**	**3.7**	**13.4**	**0.0**	**1.7**	**25.6**
Netting							– 14.8
As at December 31, 2017, net							**10.8**

Decrease in deferred tax assets, net	**– 1.4**
Of which recognized in other comprehensive income	– 1.2
Of which recognized in the income statement	1.1
Of which due to currency translation	– 0.7
Of which deferred tax expense of discontinued operations	– 0.6

As at December 31, 2017, 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:

	2017			2016		
CHF m	Before tax	Tax income	After tax	Before tax	Tax income	After tax
Actuarial gains/losses (–) on employee benefit obligations	6.9	– 1.2	5.7	– 18.1	3.5	– 14.6
Translation differences	36.1	0.0	36.1	– 27.2	0.0	– 27.2
Other comprehensive income	**43.0**	**– 1.2**	**41.8**	**– 45.3**	**3.5**	**– 41.8**

13 Earnings per share

Undiluted earnings per share are calculated by dividing the net profit or loss for the year attributable to shareholders of Forbo Holding Ltd by the weighted average number of registered shares issued and outstanding in the year under review.

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 information:

	2017	2016
Group profit for the year from continuing operations in CHF million	36.5	127.6
Group profit for the year from discontinued operations after taxes in CHF million	2.2	0.0
Group profit for the year in CHF million	38.7	127.6
Weighted average number of shares	1,728,259	1,709,233
Amount of shares adjusted for stock option plans		246
Weighted average number of shares used to calculate diluted earnings per share	1,728,259	1,709,479

14 Cash

	31.12.2017	31.12.2016
Cash and cash equivalents		
CHF m		
Petty cash	0.1	0.1
Bank accounts	150.9	164.8
Short-term deposits with banks	44.4	44.8
Total cash and cash equivalents	**195.4**	**209.7**

The change in cash and cash equivalents can be found in the consolidated cash flow statement.

15 Trade receivables

	31.12.2017	31.12.2016
Trade receivables		
CHF m		
Accounts receivable	157.4	140.8
Notes receivable	18.7	16.2
Allowance for doubtful trade receivables	– 6.9	– 5.6
Total trade receivables	**169.2**	**151.4**

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	31.12.2017	31.12.2016
Total trade receivables, gross	**176.1**	**157.0**
Not due	148.6	137.6
Overdue < 30 days	14.8	10.1
Overdue < 90 days	6.2	4.6
Overdue < 180 days	3.1	2.5
Overdue > 180 days	3.4	2.2
Allowance for doubtful trade receivables	– 6.9	– 5.6
Total trade receivables	**169.2**	**151.4**

Of the total of CHF 27.5 million in trade receivables past due as at December 31, 2017 (2016: CHF 19.4 million), CHF 23.1 million (2016: CHF 16.1 million) were not subjected to a valuation allowance.

Gross value of trade receivables by currency:

CHF m	31.12.2017	31.12.2016
CHF	1.6	1.0
EUR	72.9	75.9
USD	25.7	22.9
JPY	8.0	13.4
GBP	10.4	11.3
CNY	8.2	3.8
SEK	5.2	5.3
Other	44.1	23.4
Total trade receivables, gross	**176.1**	**157.0**

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

CHF m	2017	2016
As at January 1	**– 5.6**	**– 5.9**
Additions	– 1.5	– 0.8
Release	0.1	0.4
Use	0.4	0.6
Translation differences	– 0.3	0.1
As at December 31	**– 6.9**	**– 5.6**

Allowances of CHF 2.1 million (2016: CHF 1.9 million) were made for trade receivables not yet due and of CHF 4.8 million (2016: CHF 3.7 million) for trade receivables past due.

The creation and release of allowances for doubtful trade receivables are included in 'Other operating expense and income' in the income statement.

16 Inventories

	31.12.2017	31.12.2016
Inventories		
CHF m		
Raw materials and supplies	48.6	39.8
Work in progress	73.3	67.0
Finished goods	135.7	129.8
Valuation allowance for inventories	– 31.0	– 30.2
Total inventories	**226.6**	**206.4**

Expenses for inventories recognized in the reporting year came to CHF 487.4 million (2016: CHF 455.0 million).

17 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 January 1, 2016	**108.0**	**645.4**	**116.5**	**29.9**	**899.8**
Change in scope of consolidation		0.6			0.6
Additions	1.3	5.5	1.3	28.9	37.0
Disposals	– 0.2	– 3.9	– 2.8		– 6.9
Transfers	9.0	30.4	1.4	– 41.0	– 0.2
Translation differences	– 6.1	– 22.7	– 2.8	– 0.4	– 32.0
As at December 31, 2016	**112.0**	**655.3**	**113.6**	**17.4**	**898.3**
Additions	0.9	6.6	1.8	48.1	57.4
Disposals	– 0.9	– 7.7	– 7.0		– 15.6
Transfers	0.5	17.2	1.4	– 19.1	
Translation differences	16.1	47.6	7.8	2.0	73.5
As at December 31, 2017	**128.6**	**719.0**	**117.6**	**48.4**	**1,013.6**

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 January 1, 2016	**7.9**	**557.0**	**107.6**	**0.0**	**672.5**
Depreciation	6.5	19.6	3.8		29.9
Disposals	– 0.1	– 3.4	– 2.5		– 6.0
Transfers		– 0.2			– 0.2
Translation differences	– 3.5	– 19.4	– 2.6		– 25.5
As at December 31, 2016	**10.8**	**553.6**	**106.3**	**0.0**	**670.7**
Depreciation	6.5	21.9	3.4		31.8
Disposals	– 0.9	– 7.3	– 6.9		– 15.1
Translation differences	11.0	40.3	7.3		58.6
As at December 31, 2017	**27.4**	**608.5**	**110.1**	**0.0**	**746.0**
Net carrying amount					
As at January 1, 2016	100.1	88.4	8.9	29.9	227.3
As at December 31, 2016	101.2	101.7	7.3	17.4	227.6
As at December 31, 2017	101.2	110.5	7.5	48.4	267.6

Property, plant, and equipment is recognized at amortized cost. As in the previous year, no impairments occurred in the year under review.

Maintenance and repair costs amounted to CHF 21.7 million (2016: CHF 20.1 million). The depreciation expense of CHF 31.8 million (2016: CHF 29.9 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.

Property, plant, and equipment also includes leased assets with a net book value of CHF 0.2 million (2016: CHF 0.5 million). The leasing liability for fixed assets carried in the balance sheet amounts to CHF 0.2 million (2016: CHF 0.5 million) and is found in note 23 'Non-current financial debt'.

As at December 31, 2017 there were no assets for which interest on borrowed capital was capitalized during the preparation phase.

As at December 31, 2017 the Group had outstanding purchase orders for capital goods amounting to CHF 4.0 million (2016: CHF 22.1 million).

18 Intangible assets and goodwill

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2016	**85.9**	**34.0**	**84.1**	**204.0**
Acquisition			0.5	0.5
Additions			3.0	3.0
Disposals			– 0.2	– 0.2
Transfers			0.2	0.2
Translation differences	– 2.2	– 1.2	– 10.4	– 13.8
As at December 31, 2016	**83.7**	**32.8**	**77.2**	**193.7**
Additions			0.4	0.4
Disposals			– 0.1	– 0.1
Translation differences	4.7	0.3	3.9	8.9
As at December 31, 2017	**88.4**	**33.1**	**81.4**	**202.9**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2016	**8.8**	**25.8**	**33.7**	**68.3**
Amortization		0.2	5.7	5.9
Disposals			– 0.2	– 0.2
Transfers			0.2	0.2
Translation differences	– 0.1	0.0	– 0.2	– 0.3
As at December 31, 2016	**8.7**	**26.0**	**39.2**	**73.9**
Amortization		0.2	5.7	5.9
Disposals			– 0.1	– 0.1
Translation differences	0.6		0.2	0.8
As at December 31, 2017	**9.3**	**26.2**	**45.0**	**80.5**
Net carrying amount				
As at January 1, 2016	77.1	8.2	50.4	135.7
As at December 31, 2016	75.0	6.8	38.0	119.8
As at December 31, 2017	79.1	6.9	36.4	122.4

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

	31.12.2017	31.12.2016
Flooring Systems	74.8	70.9
Movement Systems	4.3	4.1
	79.1	**75.0**

The goodwill in Flooring Systems as at December 31, 2017, comprises primarily the goodwill acquired in connection with the acquisition of Bonar Floors in 2008. '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.

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 first 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. The growth rate underlying the terminal value equals the expected inflation. During the detailed planning period, relatively constant EBITDA margins are assumed, which are around 18% (2016: 18%) for Flooring Systems and around 16% (2016: 15%) for Movement Systems. The discount rate corresponds to the total weighted cost of capital before taxes including an average risk charge estimated by management, and lies between 9.4% and 11.6% (2016: between 9.3% and 11.8%). The intangible assets with an indefinite useful life were subject to impairment testing also in the form of sensitivity analyses.

No change in the basic assumptions that can be regarded as reasonably realistic will result in the carrying amounts exceeding the recoverable amounts.

19 Pledged or assigned assets

There were no significant pledged or assigned assets.

20 Current financial debt

Current financial debt comprises the current portion of the financial lease liability and issued checks not yet cashed.

21 Accrued expenses and deferred income

Accrued expenses and deferred income	31.12.2017	31.12.2016
CHF m		
Accrued expenses for compensation and employee benefits	42.1	37.8
Other accrued expenses	49.4	43.7
Total accrued expenses and deferred income	**91.5**	**81.5**

Accrued expenses for compensation and employee benefits mainly comprise overtime accruals and commissions. Other accrued expenses include accrued volume rebates, commissions, premiums, interest and goods and services received but not yet invoiced.

22 Provisions

Provisions CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total 2016
As at January 1, 2017	**5.4**	**11.4**	**12.7**	**12.5**	**4.3**	**46.3**
Additions	3.1		96.3	5.5	1.6	106.5
Used during the year	– 3.3		– 84.9	– 3.1	– 0.3	– 91.6
Released during the year		– 3.4	– 3.8	– 2.1	– 1.6	– 10.9
Reclassification				– 0.7	0.7	0.0
Translation differences	0.1	0.4	0.0	0.3	0.0	0.8
As at December 31, 2017	**5.3**	**8.4**	**20.3**	**12.4**	**4.7**	**51.1**
Of which current provisions	3.4	0.0	0.0	12.0	3.4	18.8
Of which non-current provisions	1.9	8.4	20.3	0.4	1.3	32.3

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 potential labor law issues.

Provisions for expected cash outflows arising in connection with the sale of the industrial adhesives activity, including synthetic polymers, exist for risks in the areas of environmental protection (CHF 4.2 million), litigation (CHF 3.0 million), and others (CHF 1.0 million). Provisions for environmental protection amounting to CHF 2.8 million, or CHF 2.2 million after tax, were released in the year under review owing to the expiry of warranty periods and were taken to Group profit from discontinued operations.

23 Non-current financial debt

The item 'Non-current financial debt' contains only financial leasing liabilities. The average interest rate on leasing liabilities was 3.5%.

24 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.

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 63% 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. The composition of the pension liabilities is as follows: 3% to active employees, 33% to deferred members and 64% 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: 56% of the assets of the fund are held in physical form in corporate bonds and a further 18% in funds geared to the pension liabilities. This approach hedges a substantial portion of interest rate and inflation risks.
- Return-seeking assets: 26% 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.

Pension plan in 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. 96% of the liabilities are to active members and 4% to retired beneficiaries.

The Swiss pension system includes guarantees that expose the company to the risk that it may have to provide additional financing, 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

Other notable defined benefit plans exist in France, Germany, Japan, Sweden, and the USA.

The latest actuarial valuations of the present values of defined benefit liabilities and of service costs were performed as at December 31, 2017, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2017, based on the information available when the annual financial statements were prepared. The weighted average duration of the pension plans (plan duration) is 13.9 years for the United Kingdom, 19.7 years for Switzerland, and 15.3 years for the other countries.

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

Actuarial assumptions	2017				2016			
	Switzerland	UK	Other	Weighted	Switzerland	UK	Other	Weighted
Discount rate (in %)	0.7	2.4	1.8	2.0	0.7	2.5	1.7	2.1
Future increases in salaries (in %)	1.8	4.1	2.7	2.4	1.5	4.2	2.7	2.3
Inflation rate (in %)	1.3	3.4	1.8	2.9	1.0	3.5	1.8	2.9
Life expectancy at age of 65 (in years)								
Year of birth 1952								
Men	22	22	20	21	22	22	20	21
Women	24	24	23	24	24	24	23	24
Year of birth 1967								
Men	24	23	21	23	24	23	21	23
Women	26	25	25	25	26	25	25	25

The pension costs for defined benefit plans recognized in the consolidated income statement can be summarized as follows:

Pension costs	2017				2016			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Service cost	1.9	0.5	2.4	4.8	2.1	0.9	2.2	5.2
Interest costs	0.4	6.0	1.0	7.4	0.6	8.0	1.1	9.7
Interest income on plan assets	–0.3	–5.6	–0.1	–6.0	–0.4	–7.9	–0.2	–8.5
Curtailments and settlements	–0.5			–0.5				
Total actuarial net periodic pension costs	**1.5**	**0.9**	**3.3**	**5.7**	**2.3**	**1.0**	**3.1**	**6.4**

Changes in pension liabilities under the defined benefit plans:

Benefit obligations	2017				2016			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**63.7**	**243.2**	**55.3**	**362.2**	**65.4**	**244.0**	**51.0**	**360.4**
Service cost	1.9	0.5	2.4	4.8	2.1	0.9	2.2	5.2
Employee contributions	1.0		0.0	1.0	1.0		0.0	1.0
Interest costs	0.4	6.0	1.0	7.4	0.6	8.0	1.1	9.7
Benefits paid	– 2.6	– 10.7	– 1.8	– 15.1	– 4.0	– 10.9	– 3.0	– 17.9
Actuarial gains (–)/losses	– 0.8	– 0.4	– 1.3	– 2.5	– 1.4	39.7	3.9	42.2
Curtailments and settlements	– 3.7			– 3.7				
Translation differences		11.9	3.4	15.3		– 38.5	– 0.1	– 38.6
Changes in scope of consolidation							0.2	0.2
As at December 31	**59.9**	**250.5**	**59.0**	**369.4**	**63.7**	**243.2**	**55.3**	**362.2**

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

Plan assets	2017				2016			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**42.2**	**225.6**	**5.7**	**273.5**	**43.0**	**241.5**	**5.8**	**290.3**
Interest income on plan assets	0.3	5.6	0.1	6.0	0.4	7.9	0.2	8.5
Employer contributions	1.7	0.1	1.9	3.7	1.8	0.1	2.9	4.8
Employee contributions	1.0		0.0	1.0	1.0		0.0	1.0
Return on pension assets (excluding amounts in interest income)	0.1	4.5	– 0.2	4.4	0.0	24.1	0.0	24.1
Benefits paid	– 2.6	– 10.7	– 1.8	– 15.1	– 4.0	– 10.9	– 3.0	– 17.9
Settlements	– 3.2			– 3.2				
Translation differences		11.2	0.2	11.4		– 37.1	– 0.2	– 37.3
As at December 31	**39.5**	**236.3**	**5.9**	**281.7**	**42.2**	**225.6**	**5.7**	**273.5**

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 40.3 million (2016: CHF 37.2 million) out of a total of CHF 369.4 million (2016: CHF 362.2 million) are unfunded.

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

Net liabilities	2017				2016			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**21.5**	**17.6**	**49.6**	**88.7**	**22.4**	**2.5**	**45.2**	**70.1**
Net pension cost	1.5	0.9	3.3	5.7	2.3	1.0	3.1	6.4
Employer contributions	– 1.7	– 0.1	– 1.9	– 3.7	– 1.8	– 0.1	– 2.9	– 4.8
Actuarial gains (–)/losses	– 0.9	– 4.9	– 1.1	– 6.9	– 1.4	15.6	3.9	18.1
Translation differences		0.7	3.2	3.9		– 1.4	0.1	– 1.3
Changes in scope of consolidation				0.0			0.2	0.2
Net liabilities as at December 31	**20.4**	**14.2**	**53.1**	**87.7**	**21.5**	**17.6**	**49.6**	**88.7**

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

Recognized gains and losses in the comprehensive income statement	2017				2016			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial losses (–)/gains in the current period:	**– 0.8**	**0.1**	**0.4**	**– 0.3**	**0.6**	**– 42.3**	**– 3.9**	**– 45.6**
Based on adjustment of demographic assumptions	0.0	1.9	0.0	1.9	1.1	3.4	0.0	4.5
Based on adjustment of financial assumptions	– 0.8	– 1.8	0.4	– 2.2	– 0.5	– 45.7	– 3.9	– 50.1
Experience adjustment	1.6	0.3	0.9	2.8	0.8	2.6	0.0	3.4
Return on pension assets (excluding amounts in interest income)	0.1	4.5	– 0.2	4.4	0.0	24.1	0.0	24.1
Total gains/losses (–) recognized in the comprehensive income statement before taxes	**0.9**	**4.9**	**1.1**	**6.9**	**1.4**	**– 15.6**	**– 3.9**	**– 18.1**

Change in the present value of defined benefit liabilities:

	2017			2016		
Sensitivities + 50bp			+ 50bp			+ 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	– 5.6	– 16.5	– 4.2	– 5.9	– 16.9	– 4.2
Rate of salary increase	1.6	0.2	2.7	1.8	0.2	2.7
Inflation rate	1.3	9.8	3.8	1.4	9.9	3.7
Interest credits on retirement assets	1.4			1.6		

Sensitivities – 50bp			– 50bp			– 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	6.4	18.4	4.8	6.5	18.5	4.6
Rate of salary increase	– 1.7	– 0.2	– 2.4	– 1.8	– 0.2	– 2.4
Inflation rate	– 1.2	– 8.9	– 3.3	– 1.3	– 9.3	– 3.3
Interest credits on retirement assets	– 1.4			– 1.4		

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 are also not taken into account in the analysis.

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

	2017	2016
%		
Shares	2.0	1.8
Bonds	46.2	46.2
Other securities	51.3	51.4
Cash and cash equivalents	0.5	0.6
Total plan assets as at December 31	**100.0**	**100.0**

Other securities amounting to 51.3% (2016: 51.4%) consisted of 37.2% listed investments (2016: 35.9%) and 14.1% unlisted investments (2016: 15.5%). The shares and bonds 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 in the following year are estimated 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 13.6 million (2016: CHF 13.1 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.

25 Employee participation plan

As of December 31, 2017, there were two share-based remuneration elements:

Remuneration of the Executive Board

Long-term incentive plan

The long-term Incentive consists of a performance-share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance-share units (PSUs). One PSU corresponds to a future subscription right to one share. The PSUs are subject to a three-year vesting period, after which they are converted into vested shares. At the end of the performance period, the company will determine whether the objectives set by the Board of Directors at the start of the performance period for the performance indicators have been reached. Depending on the degree to which the objectives are reached, a given percentage of the PSUs will be converted into shares after the three-year vesting period. Converted shares are locked up for a period of three years. The relevant share price for the allocation of PSUs at the start of the performance period is calculated from the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the year in which the PSUs were allocated.

Management investment plan 2012

Short-term variable compensation for the Executive Board is linked to the Management Investment Plan (MIP), which was amended in 2012. According to this plan, at least 50% of the annual short-term variable remuneration of Executive Board members is paid into the MIP. As for the remaining 50% of the annual short-term variable remuneration, the Executive Board members may either draw all or part of it in cash or pay it into the MIP. They may redefine the allocation of this remaining 50% every year. The shares are locked up for a period of three years.

The portion of variable remuneration that is settled in the form of equity instruments is recognized at fair value and reported as a corresponding increase in equity. The shares distributed under the MIP 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 were issued.

Management investment plan 2006

Until 2012, the variable short-term remuneration of the Executive Board was settled under the Management Incentive Plan (MIP 2006) introduced in 2006. Under this MIP, 25% of the sums paid into it was 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. The last options issued in connection with the MIP came to maturity on April 21, 2017. All 500 options that were outstanding as of December 31, 2016 were exercised in the year under review. No options were exercised the previous year. The exercise of the 500 options in the year under review resulted in the issue of

500 Forbo Holding Ltd shares at a weighted average strike price of CHF 616. The share price on the exercise date was CHF 1,524.

The number of shares of Forbo Holding Ltd issued in the year under review under the MIP was 1,039 (2016: 729). A further 320 shares (2016: 379) were allocated to Executive Board members in the reporting year as part of the fix base salary. The share price at measurement date was CHF 1,584 (2016: CHF 1,061).

Remuneration of the Board of Directors
The remuneration of the Executive Chairman of the Board of Directors is mainly in locked-up shares. The details and figures for this remuneration model are to be found on page 131 of this Financial Report and on pages 84 and 85 of the Remuneration Report.

The number of shares with a three-year vesting period allocated to the non-executive members of the Board of Directors came to 212 in the reporting year (2016: 278).

The amount charged to the income statement in application of IFRS 2 for shares issued came to CHF 4.4 million in the year under review (2016: CHF 4.8 million).

26 Share capital

As at December 31, 2017, the share capital of Forbo Holding Ltd stood at CHF 180,000 (2016: CHF 180,000), divided into 1,800,000 registered shares with a par value of CHF 0.10 each. Of this amount 21,419 registered shares without voting or dividend rights are unchanged at the disposal of the Board of Directors. Consequently, 1,778,581 registered shares were still eligible for dividends as at December 31, 2017.

Change of shares issued and outstanding:

	31.12.2017	Change	31.12.2016
	Number	Number	Number
Total shares outstanding	**1,800,000**	**0**	**1,800,000**
Treasury shares			
Shares with dividend rights:			
Treasury shares	11,032	– 57,705	68,737
Share buyback programs	63,105	63,105	
Own shares with no dividend rights	21,419		21,419
Total treasury shares	**95,556**	**5,400**	**90,156**
Total shares issued and outstanding	**1,704,444**	**– 5,400**	**1,709,844**

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

As reported in note 22 'Provisions', there are still risks from existing warranty deadlines that arise from the sale of the industrial adhesives activity, including synthetic polymers, of the former Bonding Systems division. This division was sold to H.B. Fuller on March 5, 2012, for CHF 384.7 million.

In this connection, provisions amounting to CHF 2.8 million, or CHF 2.2 million after tax, were released owing to the expiry of warranty periods.

28 Contingent liabilities

The antitrust proceedings originally brought against leading flooring manufacturers in France in 2013 and carried since then as a contingent liability were concluded. The one-off costs for Forbo, which were booked to Operating profit in 'Other operating expenses', came to CHF 83.4 million.

29 Leasing

	31.12.2017	31.12.2016
Leasing		
CHF m		
Operating leasing liabilities:		
Up to 1 year	7.3	6.0
2 – 5 years	17.1	17.9
More than 5 years	2.4	5.7
Total operating leasing liabilities	**26.8**	**29.6**

Expenses for operating leasing and rentals charged to the 2017 income statement totaled CHF 19.7 million (2016: CHF 19.1 million). The Group has no individually significant operating leasing contracts.

The liabilities arising from financial leasing are contained in the item 'Non-current financial debt'.

30 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).

There were no material financial instruments in the fair value hierarchy levels nor was there any regrouping between the levels of the fair value hierarchy. The financial instruments held at the balance sheet date were all valued at amortized costs:

Classification of financial instruments				Carrying amount
CHF m	Fair value through profit or loss – held for trading	Loans and receivables	Other financial liabilities	Total
31.12.2017				
Financial assets valued at fair value				
Financial assets valued at amortized costs:				
Other non-current financial assets		0.3		0.3
Trade receivables		169.2		169.2
Other receivables		4.6		4.6
Cash and cash equivalents				195.4
Financial liabilities valued at fair value				
Financial liabilities valued at amortized costs:				
Non-current financial debt			0.2	0.2
Trade payables			105.9	105.9
Current financial debt			0.2	0.2
Other current liabilities			16.4	16.4

The carrying amount of the financial assets and financial liabilities valued at amortized cost is a reasonable approximation for the fair value.

Classification of financial instruments				Carrying amount
CHF m	Fair value through profit or loss – held for trading	Loans and receivables	Other financial liabilities	Total
31.12.2016				
Financial assets valued at fair value				
Financial assets valued at amortized costs:				
Other non-current financial assets		0.2		0.2
Trade receivables		151.4		151.4
Other receivables		3.5		3.5
Cash and cash equivalents				209.7
Financial liabilities valued at fair value:				
Derivative financial instruments				0.0
Financial liabilities valued at amortized costs:				
Non-current financial debt			0.4	0.4
Trade payables			95.4	95.4
Current financial debt			0.1	0.1
Other current liabilities			9.8	9.8

The carrying amount of the financial assets and financial liabilities valued at amortized cost is a reasonable approximation for the fair value.

31 Related party transactions

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

	Executive Board		Board of Directors		Total	
CHF m	2017	2016	2017	2016	2017	2016
Remuneration	1.79	1.66	0.99	1.05	2.78	2.71
Employer contributions to the pension scheme	0.24	0.24	0.18	0.20	0.42	0.44
Share-based payments	1.10	1.70	2.60	2.53	3.70	4.23
Total payments	**3.13**	**3.60**	**3.77**	**3.78**	**6.90**	**7.38**

The compensation paid to the Executive Board consists of a fixed gross base salary, short-term variable remuneration in cash, private use of the company car, and social security payments made by the company. Employer contributions to the pension fund are reported separately. The share-based remuneration paid to the Executive Board consists of the following elements: a fixed base salary portion, which is paid in shares of Forbo Holding Ltd; short-term variable remuneration under the Management Investment Plan (MIP) for the reporting year; and the future subscription rights, awarded for the first time in 2017, in the form of performance-share units for the long-term incentive plan 2017 – 2019 (see Note 25 'Employee participation plans').

This remuneration paid to the Board of Directors includes a gross base remuneration in cash, employer contributions to the usual social insurances, lump sum and on-site expenses, and private use of the company car (only for the Executive Chairman).

The share-based remuneration paid to the Board of Directors includes a gross base remuneration in shares, consisting on the one hand of a 40% portion of the remuneration in shares for the non-executive Board members and, on the other hand, of the share-based portion of the remuneration for the Executive Chairman.

As at December 31, 2017 and 2016, the Group had no significant receivables due from or liabilities to related parties.

32 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.

Transaction risks from financial instruments 2017

CHF m	Net exposure	Change in exchange rate	Impact on profit before tax
EUR/CHF	– 20.3	5%	– 1.0
		– 5%	1.0
USD/CHF	8.6	5%	0.4
		– 5%	– 0.4
EUR/USD	10.9	5%	0.5
		– 5%	– 0.5
GBP/USD	0.5	5%	0.0
		– 5%	0.0

Transaction risks from financial instruments 2016

CHF m	Net exposure	Change in exchange rate	Impact on profit before tax
EUR/CHF	2.6	5%	0.1
		– 5%	– 0.1
USD/CHF	1.9	5%	0.1
		– 5%	– 0.1
EUR/USD	12.8	5%	0.6
		– 5%	– 0.6
GBP/USD	– 2.2	5%	– 0.1
		– 5%	0.1

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.

Interest rate risks from cash and cash equivalents, interest-bearing debt and financial derivatives 2017

CHF m	Change in interest rate	Impact on profit before tax
EUR	50bp	0.3
	– 50bp	– 0.3
USD	50bp	0.1
	– 50bp	– 0.1
CHF	50bp	0.2
	– 50bp	– 0.2

Interest rate risks from cash and cash equivalents, interest-bearing debt and financial derivatives 2016

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

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 managed by Corporate Treasury was around 56% on December 31, 2017. At present, the Group regards a cash level of roughly CHF 60 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, 2017

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	122.5			
Liabilities from finance leasing	0.0	0.2		

As at December 31, 2016

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	105.2			
Liabilities from finance leasing	0.1	0.1	0.3	

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, 2017, shareholders' equity stood at CHF 661.2 million (2016: CHF 621.4 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.

33 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 2017 annual financial statements.

Group companies (as at December 31, 2017)

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Australia								
Forbo Floorcoverings Pty. Ltd.	Wetherill Park, NSW		AUD	1,400,000	100%	S		
Forbo Siegling Pty. Ltd.	Wetherill Park, NSW		AUD	7,100,000	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	16,564,200	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	313,090,945	50%		S	
Czech Republic								
Forbo Siegling Česká 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	32,300,000	100%		MS	
Finland								
Forbo Flooring Finland Oy	Helsinki		EUR	33,638	100%	S		
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, 2017
D Direct participation of Forbo Holding Ltd

Group 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 Eurocol Deutschland 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	
Great Britain								
Forbo Flooring UK Ltd.	Derbyshire	D	GBP	22,262,001	100%	MS		
Forbo Floors UK Ltd.	Kirkcaldy		GBP	3,609,990	100%			H
Forbo-Nairn Ltd.	Derbyshire		GBP	8,000,000	100%			H
Forbo Siegling (UK) Ltd.	Dukinfield		GBP	50,774	100%		S	
Forbo UK Ltd.	Derbyshire		GBP	49,500,000	100%			H
Westbond Ltd.	Derbyshire		GBP	400,000	100%			H
Hong Kong								
Forbo International Hong Kong Ltd.	Hong Kong		HKD	1	100%			H
India								
Forbo Flooring India Pvt. Ltd.	Delhi		INR	15,000,000	100%	S		
Forbo Siegling Movement Systems India Pvt. Ltd.	Pune		INR	26,000,000	100%		S	
Indonesia								
PT Forbo Siegling Indonesia	Kabupaten Bandung		IDR	6,344,580,000	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	
Tema S.r.l.	Parma		EUR	50,000	100%		S	
Japan								
Forbo Siegling Japan Ltd.	Tokyo		JPY	330,000,000	100%		MS	
Malaysia								
Forbo Siegling SDN. BHD.	Johor Bahru		MYR	2,500,002	100%		S	
Mexico								
Forbo Siegling, S.A. de C.V.	Tlalnepantla	D	MXN	24,676,404	100%		MS	

S Sales
MS Manufacturing and Sales
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D Direct participation of Forbo Holding Ltd

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Netherlands								
Forbo Eurocol Nederland 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	
New Zealand								
Forbo Siegling Ltd.	Auckland		NZD	650,000	100%		S	
Norway								
Forbo Flooring AS	Asker		NOK	1,000,000	100%	S		
People's Republic of China								
Forbo Movement Systems (China) Co., Ltd.	Pinghu		USD	25,000,000	100%		MS	
Forbo Shanghai Co., Ltd.	Shanghai		CHF	4,000,000	100%	S		
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 Siegling CIS'	Saint Petersburg		RUB	400,000	100%		S	
OOO 'Forbo Eurocol RUS'	Stary Oskol		RUB	187,181,000	100%	MS		
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	

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Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Spain								
Forbo Pavimentos, S.A.	Barcelona		EUR	60,101	100%	S		
Forbo Siegling Iberica, S.A.U.	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		SEK	50,000,000	100%			H
Forbo Siegling Svenska AB	Kållered (Gothenburg)		SEK	1,000,000	100%		S	
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		CHF	250,000	100%			H
Forbo-Giubiasco SA	Giubiasco		CHF	100,000	100%	MS		
Forbo International SA	Baar	D	CHF	100,000	100%		MS	H
Thailand								
Forbo Siegling (Thailand) Co. Ltd.	Samut Prakan	D	THB	13,005,000	100%		S	
Turkey								
Forbo Hareket ve Zemin Sistemleri Ticaret Limited Şirketi	Istanbul		TRY	5,500,000	100%	S	S	
United Arab Emirates								
Forbo Flooring Middle East DMCC	Dubai		AED	499,000	100%	S		
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
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D Direct participation of Forbo Holding Ltd

Report of the statutory auditor

KPMG

Statutory Auditor's Report

To the General Meeting of Forbo Holding Ltd, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Forbo Holding Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated comprehensive income statement consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 92 to 141) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Revenue recognition

Valuation of inventories

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key Audit Matter

Total consolidated net sales of the financial year 2017 amounted to CHF 1,246.4 million (2016: CHF 1,185.5 million). The segment Flooring Systems contributed CHF 856.6 million (2016: CHF 818.3 million) or 68.7% (2016: 69.0%) to total net sales, while the segment Movement Systems realized CHF 390.0 million (2016: CHF 367.7 million), representing 31.3% of total net sales (2016: 31.0%).

Net sales are a key performance indicator for Forbo and therefore in the focus of internal and external stakeholders. Consequently, when performing the audit we had a focus on existence of revenue transactions and their recognition in the appropriate period.

In both segments, sales arrangements are based on standardized commercial terms and conditions (incoterms), which govern the transfer of risk and rewards. Different incoterms may be used depending on the region and the industry of the buyer. Owing to the types of products sold by either segment of the Group, the contractual sales arrangements are not complex. Due to the large number of transactions, the proper recognition of revenue nevertheless depends on a functioning internal control system, adapted to local circumstances. Furthermore, accurate data on volumes and prices are central to revenue recognition.

Our response

We mainly performed the following audit procedures:

— We analyzed the process from the purchase order to the receipt of payment and assessed whether transactions are completely and accurately recorded in the accounts.
— Considering the diverse design of internal control and IT systems of individual subsidiaries, we tested the operating effectiveness of identified key controls relating to the proper recognition of revenue.
— Based on a statistical sample of delivery notes and payments received, we assessed the existence of revenues and their recognition in the correct period.
— We furthermore performed analytical procedures on a segment level as well as on the level of specific individual entities. These included analyses of price and volume deviations, margin development, the largest clients and the most-sold products as well as analyses of the distribution of sales throughout the year and specific months.

For further information on revenue recognition refer to the following:

Note 2 – Summary of significant accounting policies: net sales and revenue recognition, page 99

Valuation of inventories

Key Audit Matter

Inventory as at 31 December 2017 amounted to CHF 226.6 million (31 December 2016: CHF 206.4 million) and represents one of the most material asset positions. Existence and valuation of inventories are consequently of significance to an understanding of the financial statements.

Inventory is recognized at acquisition or manufacturing costs and periodically assessed in terms of recoverability. For work in progress and finished goods that include a significant value added, the determination of manufacturing costs partly requires judgment.

Our response

We mainly performed the following audit procedures:

— We obtained an understanding of the process related to controls on incoming and outgoing goods and related to the identification of obsolete inventories. Based on this we critically assessed whether transactions are completely and accurately recorded in the accounts.
— Considering the diverse design of internal control and IT systems of individual subsidiaries, we tested the operating effectiveness of identified key controls relating to existence and valuation of inventories.

Report of the statutory auditor

Additionally, there is a risk that for work in progress and finished goods the manufacturing costs exceed the actual sales price less selling, distribution and administrative costs (net realizable value).

Furthermore, determining valuation allowances involves a degree of judgment.

- We analyzed the valuation basis of individual inventory items by reference to the cost calculation of the inventory for different materials, assessed changes in the valuation basis and method and challenged changes in unit costs.
- We critically assessed the adequacy of the processes to identify, as well as the basis and the method to value, obsolete inventories. We recalculated the valuation allowance for obsolete inventories and, based on a sample, reconciled it to the underlying documentation. Furthermore, in testing the valuation of inventories at lower of cost or net realizable value, we compared costs and sales prices by reference to a sample.

For further information on inventories refer to the following:

- Note 2 – Summary of significant accounting policies: inventories, page 102
- Note 16 – Inventories, page 116

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of the statutory auditor

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG AG

Rolf Hauenstein Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 28 February 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Consolidated balance sheets 2013 – 2017

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Assets					
CHF m					
Current assets	**638.2**	**601.2**	**509.3**	**677.1**	**718.8**
Cash and cash equivalents	195.4	209.7	116.3	205.1	241.0
Other current financial assets	0.0	0.0	0.0	49.5	68.1
Trade receivables	169.2	151.4	147.3	150.6	148.8
Other receivables	27.6	19.8	18.8	24.0	29.2
Accrued income and deferred expenses	19.4	13.9	12.4	17.3	18.3
Inventories	226.6	206.4	214.5	230.6	213.4
Non-current assets	**429.3**	**388.1**	**402.8**	**418.5**	**408.2**
Other non-current financial assets	0.3	0.2	0.3	0.3	0.2
Deferred tax assets	39.0	40.5	39.5	37.2	29.3
Property, plant, and equipment	267.6	227.6	227.3	234.9	232.3
Intangible assets and goodwill	122.4	119.8	135.7	146.1	146.4
Total assets	**1,067.5**	**989.3**	**912.1**	**1,095.6**	**1,127.0**

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Shareholders' equity and liabilities					
CHF m					
Current liabilities	**275.3**	**241.8**	**232.2**	**244.2**	**241.1**
Current financial debt	0.2	0.1	0.1	0.6	0.7
Trade payables	105.9	95.4	77.4	86.5	87.2
Other current liabilities	32.4	24.2	36.5	30.0	32.9
Current tax liabilities	26.5	20.4	20.3	18.9	14.5
Current provisions, accrued expenses, and deferred income	110.3	101.7	97.9	108.2	105.8
Non-current liabilities	**131.0**	**126.1**	**120.7**	**112.6**	**99.1**
Non-current financial debt	0.2	0.4	0.9	1.4	1.2
Deferred tax liabilities	10.8	10.9	24.0	26.5	20.0
Non-current provisions	32.3	26.1	25.7	24.2	26.1
Employee benefit obligations	87.7	88.7	70.1	60.5	51.8
Total liabilities	**406.3**	**367.9**	**352.9**	**356.8**	**340.2**
Shareholders' equity	**661.2**	**621.4**	**559.2**	**738.8**	**786.8**
Share capital	0.2	0.2	0.2	0.2	0.2
Treasury shares	–0.1	–0.1	–0.1	–0.1	–0.1
Reserves and retained earnings	661.1	621.3	559.1	738.7	786.7
Total shareholders' equity and liabilities	**1,067.5**	**989.3**	**912.1**	**1,095.6**	**1,127.0**

Consolidated income statements 2013 – 2017

	2017	2016	2015	2014	2013
CHF m					
Net sales	**1,246.4**	**1,185.5**	**1,139.1**	**1,226.8**	**1,199.7**
Cost of goods sold	–764.5	–715.2	–698.3	–765.8	–747.3
Gross profit	**481.9**	**470.3**	**440.8**	**461.0**	**452.4**
Development costs	–15.5	–15.1	–15.1	–16.5	–16.4
Marketing and distribution costs	–195.8	–190.7	–181.1	–196.6	–197.1
Administrative costs	–94.7	–95.0	–89.8	–94.2	–90.7
Other operating expenses	–106.5	–16.7	–16.6	–13.2	–19.3
Other operating income	10.5	4.4	4.6	8.9	6.8
Operating profit	**79.9**	**157.2**	**142.8**	**149.4**	**135.7**
Financial income	0.9	2.0	2.0	5.9	10.9
Financial expenses	–0.8	–0.1	–0.4	–1.0	–5.7
Group profit before taxes	**80.0**	**159.1**	**144.4**	**154.3**	**140.9**
Income taxes	–43.5	–31.5	–28.7	–30.9	–30.7
Group profit for the year from continuing operations	**36.5**	**127.6**	**115.7**	**123.4**	**110.2**
Group profit for the year from discontinued operations after taxes	**2.2**	**0.0**	**0.0**	**0.2**	**7.4**
Group profit for the year	**38.7**	**127.6**	**115.7**	**123.6**	**117.6**

FINANCIAL REPORT

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

		31.12.2017	31.12.2016
Assets			
CHF	Note		
Current assets		**16,659,198**	**31,524,484**
Cash and cash equivalents		1,793,619	24,806,790
Other receivables from Group companies	3	14,832,406	6,682,331
Accrued income and deferred expenses		33,173	35,363
Non-current assets		**423,964,089**	**437,685,610**
Loans to Group companies	2	118,938,256	117,539,378
Investments in Group companies	3	305,025,833	320,146,232
Total assets		**440,623,287**	**469,210,094**

		31.12.2017	31.12.2016
Shareholders' equity and liabilities			
CHF	Note		
Current liabilities		**16,105,779**	**24,070,499**
Current liabilities to third parties		143,509	47,050
Other liabilities to Group companies	4	11,992,390	23,702,949
Accrued expenses and deferred income		324,047	320,500
Current tax liabilities	5	3,645,833	0
Shareholders' equity		**424,517,508**	**445,139,595**
Share capital	6	180,000	180,000
Statutory reserves:			
General reserves		15,600,000	15,600,000
Capital contribution reserves		15,302	14,225,906
Reserves for treasury shares	8	1,008,066	8,367,183
Available earnings:			
Retained earnings		420,047,659	227,549,421
Net profit for the year		91,248,219	203,458,815
Treasury shares	8	– 103,581,738	– 24,241,730
Total shareholders' equity and liabilities		**440,623,287**	**469,210,094**

Income statement for Forbo Holding Ltd

		2017	2016
Income			
CHF	Note		
Financial income:			
From investments in and loans to Group companies	9	54,679,844	211,245,653
From securities and current investments	10	47,234,377	6
Total income		**101,914,221**	**211,245,659**

		2017	2016
Expenses			
CHF	Note		
Administrative expenses	11	6,001,204	5,573,164
Financial expenses:		440,710	2,213,680
From investments in and loans from Group companies	12	440,710	2,213,680
Other expenses	3	578,255	0
Taxes	5	3,645,833	0
Total expenses		**10,666,002**	**7,786,844**
Net profit for the year		**91,248,219**	**203,458,815**

Notes to the financial statements for Forbo Holding Ltd

1 Accounting

These financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (32nd title of the Swiss Code of Obligations). Forbo Holding Ltd publishes consolidated financial statements according to a generally accepted accounting standard (IFRS). Therefore, in accordance with the provisions on accounting and financial reporting, the financial statements are presented without disclosure notes relating to audit fees or a cash flow statement.

2 Loans to Group companies

Loans to Group companies, amounting to EUR 97.8 million and CHF 12.7 million, are unchanged. The loans were valued at the rate prevailing on the balance sheet date; unrealized exchange losses were booked, while unrealized exchange gains were not recognized.

3 Investments in Group companies

Investments in Group companies are measured at the cost of acquisition less necessary valuation allowances. The investments in Group companies decreased in the reporting year due to the sale of the subsidiary Forbo Project Vinyl AB within the Group. The receivable arising from the sale, amounting to CHF 14.5 million, was still outstanding at year-end 2017 and is reported under 'Other receivables from Group companies'. The sale resulted in a book loss of CHF 0.6 million, reported under 'Other expenses'.

As at December 31, 2017, 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 Flooring AB	SE-Gothenburg	Sales	SEK	8,000	100%
Forbo Flooring UK Ltd.	UK-Derbyshire	Manufacturing and Sales	GBP	22,262	100%
Forbo International SA	CH-Baar	Services, Manufacturing, and Sales	CHF	100	100%
Forbo Participations S.A.S.	FR-Reims	Holding/Services	EUR	5,000	100%
Forbo Siegling, S.A. de C.V.	MX-Tlalnepantla	Manufacturing and Sales	MXN	24,676	< 0.1%
Forbo Siegling (Thailand) Co. Ltd.	TH-Samut Prakan	Sales	THB	13,005	69.1%

4 Other liabilities to Group companies

Other liabilities to Group companies as at December 31, 2017, include in particular advances from Forbo Finanz AG in connection with its cash pool.

5 Taxes

The tax burden rose in the year under review because gains on the sale of treasury shares reported in the financial statements of Forbo Holding Ltd under commercial law were subject to federal tax, thus reducing the participation deduction on dividend income.

6 Share capital

As at December 31, 2017, the share capital of Forbo Holding Ltd totaled CHF 180,000 (2016: CHF 180,000), divided into 1,800,000 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.

7 Conditional capital

Originally, conditional capital of CHF 8.5 million 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, 2017, remained unchanged against the previous year at CHF 16,645.

8 Treasury shares

The treasury shares in Forbo Holding Ltd amounting to CHF 103.6 million on the balance sheet date correspond to the value of all treasury shares valued at cost. The item 'Reserve for treasury shares' reflects the value of the treasury shares held by subsidiaries of Forbo Holding Ltd, amounting to CHF 1.0 million. Overall, the treasury shares held directly and indirectly developed as follows over the period under review:

Treasury shares	Cost CHF	Number of registered shares
As at January 1, 2017	32,608,913	90,156
Additions	103,344,465	72,142
Disposals	– 31,361,433	– 66,742
As at December 31, 2017	**104,591,945**	**95,556**

9 Financial income from investments in and loans to Group companies

Financial income from investments in and loans to Group companies amounting to CHF 54.7 million (2016: CHF 211.2 million) consists of dividend income of CHF 52.2 million (2016: CHF 211.1 million), exchange rate gains on foreign currency loans of CHF 2.3 million (2016: CHF 0.0 million), and interest of CHF 0.2 million (2016: CHF 0.2 million).

10 Financial income from securities and current investments

Financial income from securities and current investments is equivalent to the net proceeds from the sale of treasury shares. The Group placed 63,000 shares of Forbo Holding Ltd at a price of CHF 1,450 per share as part of an accelerated bookbuilding process. Of the shares sold, 48,000 treasury shares were held directly by Forbo Holding and 15,000 treasury shares were held indirectly by Forbo International SA.

11 Administrative expenses

Administrative expenses include Stewardship costs, the fees paid to the members of the Board of Directors, the auditor's fees, and usual administrative costs, mainly for the Ordinary General Meeting, the share register, insurance and legally required announcements. Forbo Holding Ltd does not employ any personnel.

12 Financial expenses from investments in and loans from Group companies

Expenditure comprises turnover taxes on the sale of treasury shares amounting to CHF 0.4 million and interest expenses for liabilities to Group companies amounting to CHF 0.1 million (2016: 0.9 million). The previous year there were in addition exchange rate losses of CHF 1.3 million.

13 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 9.9 million at year-end 2017 (2016: CHF 9.0 million), of which as in the previous year none were utilized.

The Group companies in Switzerland are treated for purposes of value-added tax as a single-entity subject to value-added tax (group taxation regime, Article 13, Federal Act on Value-Added Tax). If one of the Group companies is unable to meet its payment obligations to the Federal Tax Administration, the other Group companies bear joint and several liability.

14 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	486,217	27.01%
Forbo Holding Ltd, Baar, together with its two subsidiaries Forbo International SA, Baar, and Forbo Finanz AG, Baar	95,556	5.31%

Shareholdings

IN 2017

As at December 31, 2017, 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 2017

Name and function	Shares
This E. Schneider, Executive Chairman	47,892
Michael Pieper, Vice Chairman	486,217
Dr. Peter Altorfer, Vice Chairman	1,227
Claudia Coninx-Kaczynski, member	170
Dr. Reto Müller, member	590
Vincent Studer, member	866
Total Board of Directors	**536,962**
Stephan Bauer, Chief Executive Officer	2,639
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	2,856
Urs Uehlinger, Chief Financial Officer	18
Jean-Michel Wins, Executive Vice President Movement Systems	195
Total Executive Board	**5,708**

IN 2016
As at December 31, 2016, 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 2016

	Shares	Options[1]
Name and function		2012 series 1:1[2]
This E. Schneider, Executive Chairman[3]	46,221	
Michael Pieper, Vice Chairman	544,176	
Dr. Peter Altorfer, Vice Chairman	1,174	
Claudia Coninx-Kaczynski, member	133	
Dr. Reto Müller, member	553	
Vincent Studer, member	812	
Total Board of Directors	**593,069**	
Stephan Bauer, Chief Executive Officer	2,041	
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	2,098	500
Andreas Spreiter, Chief Financial Officer	1,398	
Jean-Michel Wins, Executive Vice President Movement Systems	195	
Total Executive Board	**5,732**	**500**

1) Following the amendment of the MIP, all the sums paid into it are invested in shares of Forbo Holding Ltd starting as of January 1, 2013. As of the 2013 business year, no further options were issued in connection with the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and revised in 2012.

2) Subscription ratio.

3) The share portion for the Executive Chairman of the Board of Directors includes the 19,483 shares from the employment contract for the period from May 1, 2013, to December 31, 2016. The shares are subject to lock-up periods of three, four, and five years. The last third of the shares will be available on May 1, 2018, at the earliest.

For further information regarding granted shares to the Board of Directors and the Executive Board we refer to pages 84 and 85 of the remuneration report.

15 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 2017 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:

	2017
CHF	
Net profit	91,248,219
Retained earnings	420,047,659
Treasury shares	– 103,581,738
Total at the shareholders' meeting's disposal[1)]	**407,714,140**

be appropriated as follows:

	2017
CHF	
Distribution ordinary dividend	32,384,436
To be carried forward	375,329,704
Total at the shareholders' meeting's disposal[1)]	**407,714,140**

1) At the Ordinary General Meeting of April 6, 2018, the Board of Directors will propose an ordinary gross dividend of CHF 19.00 per registered share (2016: withholding-tax-free distribution from capital contribution reserves of CHF 8.30 per registered share, as well as an ordinary gross dividend of CHF 10.70 per registered share). No distribution will be made for treasury shares held by Forbo Holding Ltd. or any of its subsidiaries on the record date, which explains why the amount of ordinary dividends may therefore still change.

Report of the statutory auditor

KPMG

Statutory Auditor's Report

To the General Meeting of Forbo Holding Ltd, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Forbo Holding Ltd, which comprise the balance sheet as at 31 December 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 152 to 158) for the year ended 31 December 2017, comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of the statutory auditor

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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 complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Rolf Hauenstein Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 28 February 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich