ANNUAL REPORT 2016

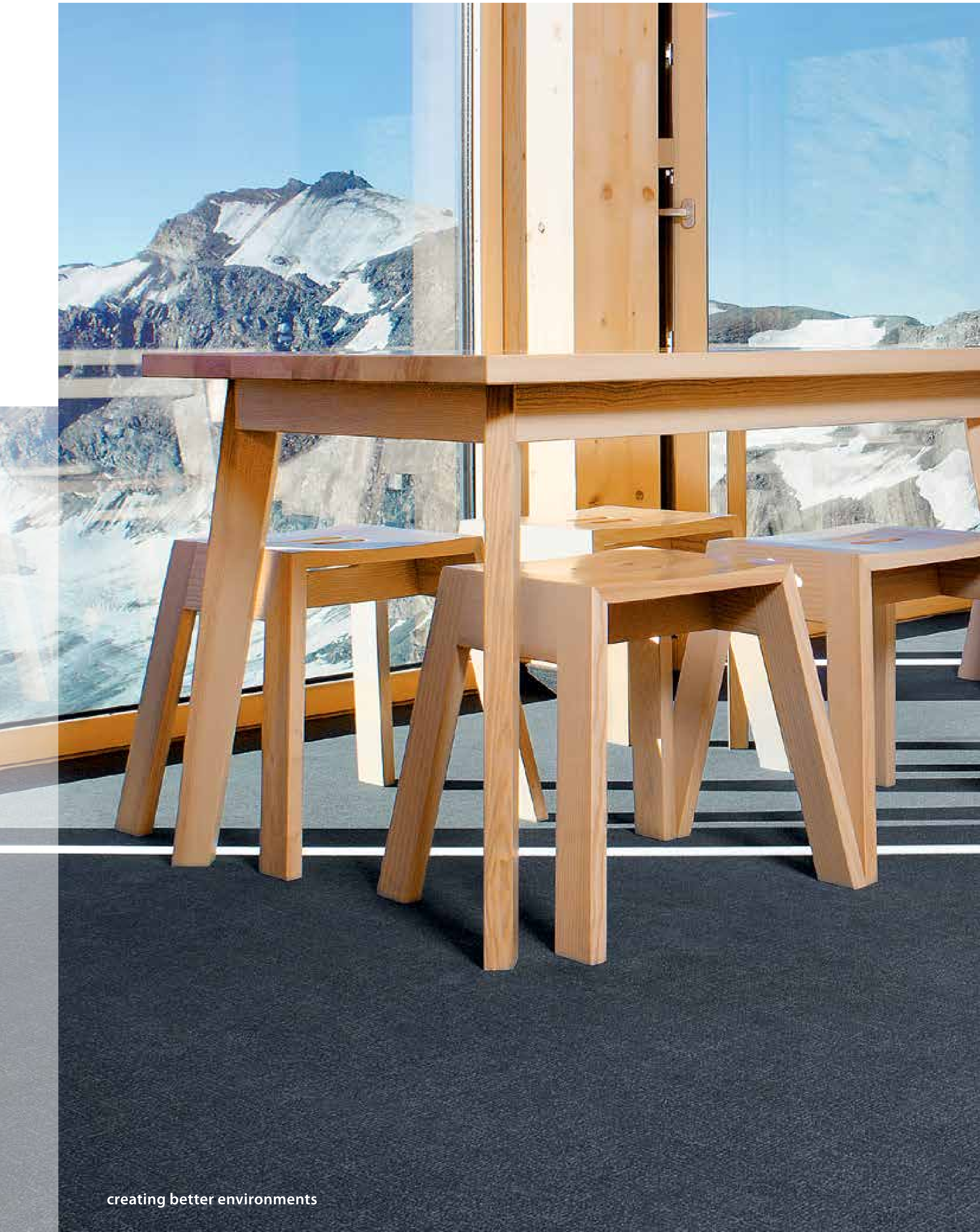
CONNECT.

ESTHETICS
PROGRESS

FORBO – IN EVERYDAY LIFE

flooring. movement.

forbo


creating better environments

ESTHETICS.

Exceptionally good flooring is something you feel not only in your feet. It has to be robust and functional but also create a spatial feeling for all senses. Our floor coverings provide an appropriate and prestigious atmosphere that caters to individual needs. Fundamentally resilient and esthetically pleasing, they breathe new life into rooms; with their high quality they put cost-effectiveness at your feet.

forbo
FLOORING SYSTEMS

PROGRESS.

The pace of life is speeding up, and the world is increasingly in motion – packages in transport, people on the go, or goods on conveyor belts. Passing almost unnoticed but in the background everywhere, conveyor systems make things run smoothly, and our solutions ensure optimized processes. Our incentive, day in day out, is to develop even better products and generate even greater value – making us the ideal partner for industries that seek to innovate and look to the future.


forbo
MOVEMENT SYSTEMS

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

‘Forbo completed a gratifying and solid performance in 2016 amid mixed market conditions. We selectively broadened our portfolio with innovative products, considerably increased our capacity, and selectively expanded our distribution and service structures. These developments, in combination with continuous optimization along the value chain, are reflected in both increased sales and double-digit earnings growth.’

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo performed well in 2016 amid challenging and mixed market conditions, posting solid and gratifying results in both sales and earnings. Both divisions were instrumental in this success. The result was driven by our investments in developing innovative and high-quality products, selectively expanding our distribution structures in specific customer segments and growth markets, enlarging our capacity, and upgrading our production facilities. These are the factors that will underpin our future success.

We gained market share in important market segments despite challenging conditions by systematically implementing our strategy and generating added value with our products and services for existing and new customers. Continuous optimization of global processes along the entire value chain are once again reflected in the positive operating result.

When the results in local currencies were translated into the corporate currency, the foreign exchange situation produced a slightly positive currency effect compared with the previous year.

Sales up from previous year

Solid sales growth in both divisions
In the year under review, Forbo generated net sales of CHF 1,185.5 million (previous year: CHF 1,139.1 million), a gain of 4.1%; due to positive currency effects, this equates to a sales increase of 3.5% in local currencies. Both divisions contributed to this solid growth.

Net sales at Flooring Systems rose by 3.4% to CHF 818.0 million (previous year: CHF 791.3 million), both, in the corporate currency and in local currencies. Our attractive product range of new and innovative collections, especially for customers in the private sector, also had an impact and is successful. We backed this up by selectively expanding our distribution structures.

Movement Systems reported net sales of CHF 367.5 million (previous year: CHF 347.8 million), a gratifying increase of 5.7%, or 3.7% in local currencies. The factors driving the repeated increase were high-quality, application-specific product innovations, generating added value for our customers across a wide range of industries, and the further expansion of our sales and service structures, especially in growth markets.

Strong operating profit

Profitability continues to grow
The increased investments we have made in recent years to optimize the global value chain, boost efficiency, and grow capacity, plus a greater focus on selling high-quality and high-margin products enabled us to increase profitability once again.

Double-digit growth in operating profit
Both divisions reported a rise in operating profit before depreciation and amortization (EBITDA), which increased significantly by 10.4% to CHF 192.9 million (previous year: CHF 174.8 million). The Group's operating profit (EBIT) rose by 10.1% to CHF 157.2 million (previous year: CHF 142.8 million).

Further increase in operating margins
The EBITDA margin rose significantly from 15.3% to 16.3%. The EBIT margin was up from 12.5% to 13.3%.

Double-digit growth in Group profit

Above-average profit growth
Owing to the significant improvement in operating profit and the slightly better financial result of CHF 1.9 million (previous year: CHF 1.6 million), Forbo lifted Group profit from continuing operations by a gratifying 10.3% to CHF 127.6 million (previous year: CHF 115.7 million).

Balance sheet remains in great shape

High net liquidity
In the year under review, net liquidity increased by CHF 93.9 million to CHF 209.2 million (previous year: CHF 115.3 million) despite the continuing high level of investments. The increase was due to the rise in operating profit and the optimization of net operating working capital. In addition, as at December 31, 2016, Forbo held 90,156 of its own shares on the first trading line, valued at year-end at CHF 118.4 million (previous year: CHF 108.2 million). The 190,000 shares repurchased as part of the last share buyback program were canceled in July 2016.

The equity ratio rose from 61.3% the previous year to 62.8% in the year under review.

Earnings per share rose sharply year-on-year owing to the significant rise in the results and the share buybacks effected in the course of 2015. Earnings per share from continuing operations (undiluted) thus rose by 20.1% to CHF 74.66 (previous year: CHF 62.14).

Solid basis for sustainable growth
Our strong global presence, our solid balance sheet and our systematic implementation of the strategy enable us to forge ahead with expansion in growth markets and take advantage of any external growth opportunities that arise. However, we will make acquisitions only if we can thereby create added value for our shareholders.

Proposals to the Ordinary General Meeting

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

Increase in the dividend
In view of the solid balance sheet and higher earnings per share, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2016 business year should be increased from CHF 17 to CHF 19 per share. For the last time, CHF 8.30 of this dividend will be paid out to shareholders in the form of a tax-exempt distribution from capital contribution reserves, while the remaining portion, CHF 10.70, will be paid out as a normal dividend.

Share buyback program
Owing to the successful business year and our company's substantial liquidity, the Board of Directors will propose the repurchase, over a period of three years, of further treasury shares up to a maximum of 10 percent of the share capital on a second trading line on the SIX Swiss Exchange or by another means in order to reduce capital.

In good shape for 2017

Cautiously positive outlook for 2017
For the 2017 business year we expect market conditions to be similar to 2016, though they are difficult to predict. We still face significant challenges, especially as we are present on a range of different global markets. Economic and political circumstances can change quickly. We will stick to our tried and proven strategy, convince with our strong brand as well as our high-quality products and services, and further expand our global presence.

Against this background, and barring any upsets on the foreign exchange markets as well as assuming similar economic circumstances, we anticipate a slight increase in net sales and Group profit from continuing operations for 2017.

Thank you

Thanks to employees, business partners, and shareholders
The overall successful business year 2016 was due in large measure to close cooperation at all levels, the committed and professional attitude of our employees, and their flexibility in challenging times. Many thanks for this.

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

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

Baar, March 2017

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting:	**April 6, 2017**
Publication of 2017 Half-Year Report:	**July 28, 2017**
Publication of 2017 Annual Report:	**March 6, 2018**

CONTENTS

AT A GLANCE

2016 AT A GLANCE

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

The company employs more than 5,300 people and has an international network of 24 production and distribution companies, 6 assembly operations and 45 pure sales organizations in a total of 36 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

FORBO IN FIGURES

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

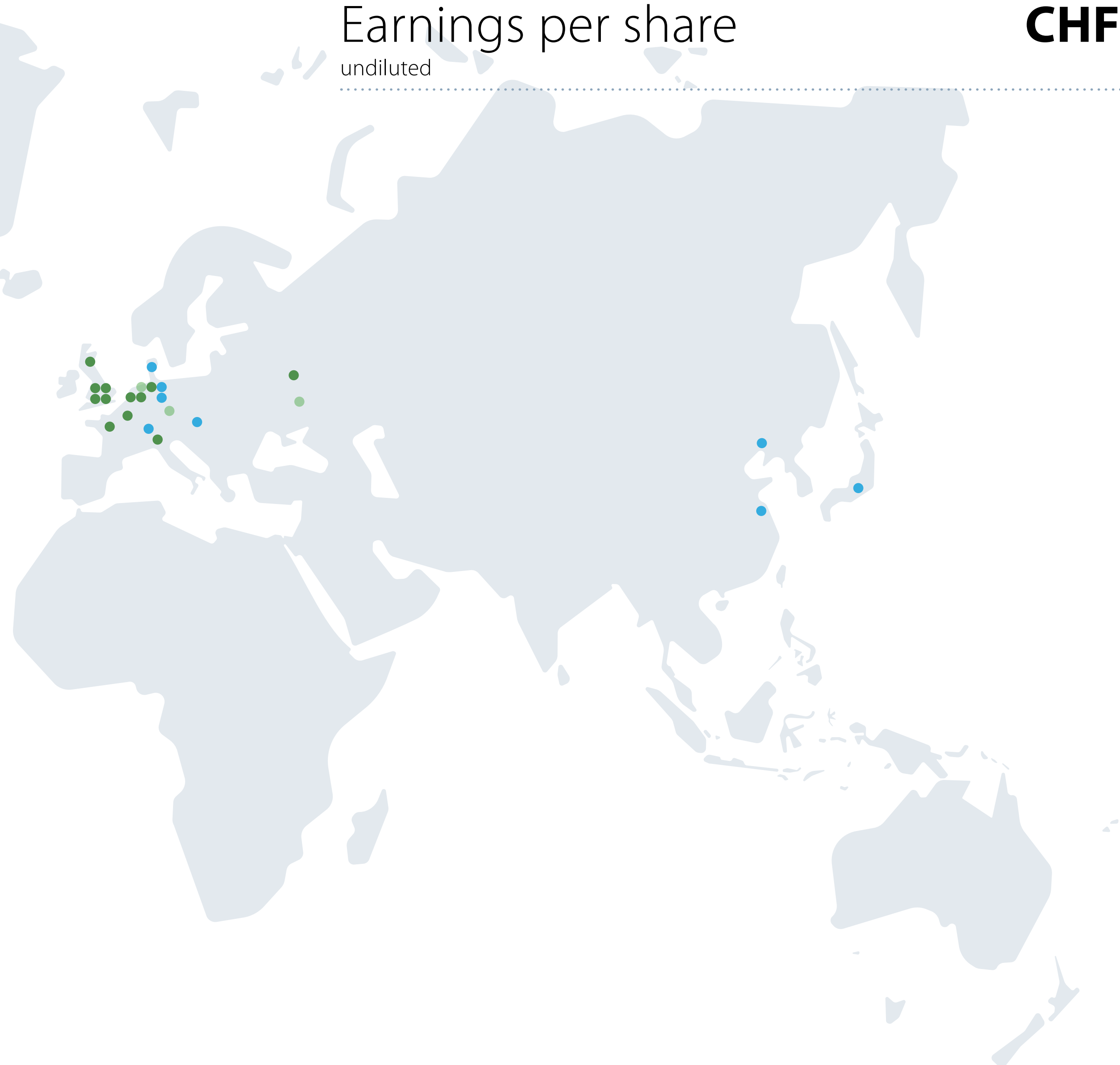
Flooring Systems
15 production facilities in 6 countries and distribution companies in 25 countries. Sales offices in Europe, North, Central, and South America as well as Asia/Pacific.

- Floor coverings
- Building and construction adhesives

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

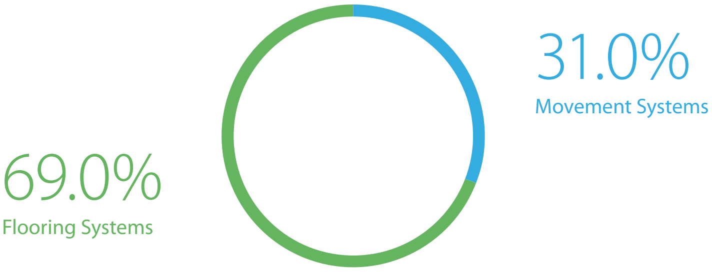
- Production facilities and assembly operations

Net sales	**CHF 1,185.5 million**
EBIT	**CHF 157.2 million**
EBIT margin	**13.3%**
Group profit from continuing operations	**CHF 127.6 million**
Earnings per share undiluted	**CHF 74.66**



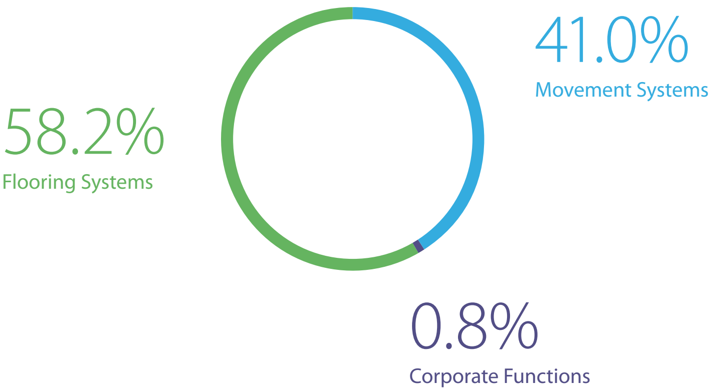
Net sales by division

	CHF m 2016	Change on previous year in %	Change on previous year in local currencies in %	In % of total
Flooring Systems	818.0	3.4	3.4	69.0
Movement Systems	367.5	5.7	3.7	31.0
Total	**1,185.5**	**4.1**	**3.5**	**100.0**



Employees by division

	Number 2016	Change on previous year in %	In % of total
Flooring Systems	3,110	3.5	58.2
Movement Systems	2,194	0.9	41.0
Corporate Functions	42	0	0.8
Total	**5,346**	**2.4**	**100.0**



Financial overview Forbo Group

	2016	2015	2016	2015
Income statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Net sales	1,185.5	1,139.1	1,087.5	1,066.2
Flooring Systems	818.0	791.3	750.4	740.6
Movement Systems	367.5	347.8	337.1	325.5
EBITDA	192.9	174.8	177.0	163.6
EBIT	157.2	142.8	144.2	133.7
Group profit from continuing operations	127.6	115.7	117.1	108.3
Group profit	127.6	115.7	117.1	108.3
Balance sheet	CHF m	CHF m	EUR m[1]	EUR m[1]
Total assets	989.3	912.1	907.5	853.7
Operating assets	738.9	756.1	677.8	707.7
Shareholders' equity	621.4	559.2	570.0	523.4
Net cash	209.2	115.3	191.9	107.9
Cash flow statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Cash flow from operating activities	166.5	140.9	152.7	131.9
Cash flow from investing activities	– 40.3	11.4	– 37.0	10.7
Free cash flow	126.2	152.3	115.8	142.6
Key ratios	%	%		
ROS (EBITDA/net sales)	16.3	15.3		
Equity ratio (shareholders' equity/total assets)	62.8	61.3		
Gearing (net debt/shareholders' equity)	– 33.7	– 20.6		
Employees (as at December 31)	Number	Number		
Total employees	5,346	5,222		
Ratios per share	CHF	CHF	EUR[1]	EUR[1]
Earnings per share (undiluted)[2], from continuing operations	74.66	62.14	68.49	58.16
Equity (undiluted)	363.6	300.4	333.5	281.2
Dividend	19.0[3]	17.0[4]	17.4[3]	15.9[4]
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[1]	EUR m[1]
Stock market capitalization[5]	2,363.4	2,352.2	2,168.1	2,201.6

1) Euro values translated at the average annual exchange rate of CHF 1.0901/1 EUR (2016) and CHF 1.0684/1 EUR (2015).

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

3) The Board of Directors proposes to the Ordinary General Meeting of April 6, 2017, the distribution of a dividend in the amount of CHF 19 per registered share.

4) Approval of a dividend of CHF 17 per registered share at the Ordinary General Meeting of April 29, 2016.

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

A SOLID YEAR

Forbo performed well in 2016 amid challenging and mixed market conditions, posting solid results in both sales and earnings. Both divisions contributed to this success.

The Group selectively broadened its portfolio with innovative products, considerably increased its capacity, and selectively expanded its distribution and service structures. These developments, in combination with continuous optimization along the value chain, are reflected in both increased sales and double-digit earnings growth.

Our strong global presence, our robust balance sheet, and our attractive offering of products and services form a strong basis for further growth.

Solid sales growth in both divisions

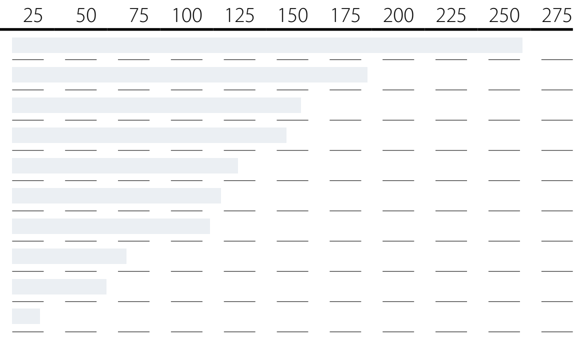
In the year under review, Forbo reported net sales of CHF 1,185.5 million (previous year: CHF 1,139.1 million), a gain of 4.1%; due to positive currency effects, this equates to a sales increase of 3.5% in local currencies. Both divisions contributed to this solid growth.

The Flooring Systems division generated net sales of CHF 818.0 million in 2016 (previous year: CHF 791.3 million). This comes to an increase of 3.4% in both the corporate currency and local currencies. The upturn on major core markets in the USA and France, along with signs of a recovery in the Netherlands, were key factors in this vigorous trend. The attractive product range of new and innovative collections, especially for customers in the private sector, also had an impact.

The Movement Systems division generated net sales of CHF 367.5 million in the year under review (previous year: CHF 347.8 million), which was equivalent to a gratifying increase of 5.7%, or 3.7% in local currencies. Almost all markets contributed to another year of good sales performance with a variety of growth stimuli. Further drivers of this success were application-specific product innovations, which provided added value for our customers in a wide range of industries, plus the ongoing expansion of the sales and service structures.

Net sales by geographic area

		Change on previous year		
	%	in %	in local currencies in %	2016 CHF m
North, Central, and South America	21.2	4.8	3.5	251.0
Asia/Pacific and Africa	15.0	7.9	5.5	178.0
France	12.3	5.2	3.2	146.3
Germany	11.8	4.3	2.2	139.7
Benelux	9.8	7.6	5.4	116.6
Great Britain/Ireland	9.2	– 11.7	– 3.7	108.6
Scandinavia	8.7	3.0	2.0	103.4
Southern Europe	5.4	14.0	11.6	63.7
Eastern Europe	4.6	14.8	17.5	55.0
Switzerland	2.0	– 11.1	– 11.1	23.2
Total	**100.0**	**4.1**	**3.5**	**1,185.5**



Strong operating profit

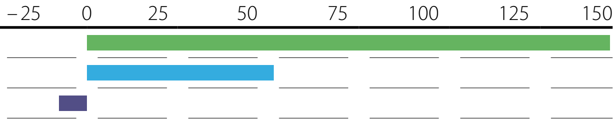
We again succeeded in increasing profitability through higher investments in recent years. The factors underlying the uptrend were sales growth that was driven by an attractive product portfolio with high-quality, high-margin products, the expansion of the sales and service structures, targeted capacity expansion, optimization along the global value chain, and further productivity gains in both divisions.

The Group reported significantly higher operating profit before depreciation and amortization (EBITDA), up 10.4% to CHF 192.9 million (previous year: CHF 174.8 million). EBITDA at Flooring Systems rose 12.0% to CHF 149.1 million (previous year: CHF 133.1 million) owing to higher sales, optimization along the global value chain, and the positive effects of raw material price developments. At Movement Systems, EBITDA was up 6.3% to CHF 54.4 million (previous year: CHF 51.2 million) on the back of systematic improvements in global processes and despite additional capacity expansion in China.

The Group increased its EBITDA margin by 1.0 percentage points to 16.3% (previous year: 15.3%); Flooring Systems was up by 1.4 percentage points to 18.2% (previous year: 16.8%) and Movement Systems by 0.1 percentage points to 14.8% (previous year: 14.7%).

EBITDA by division

	2016 CHF m	Change on previous year in %
Flooring Systems	149.1	12.0
Movement Systems	54.4	6.3
Corporate	– 10.6	– 11.6



Group operating profit (EBIT) increased by 10.1% to CHF 157.2 million (previous year: CHF 142.8 million). The EBIT margin at Group level rose by 0.8 percentage points to 13.3% (previous year: 12.5%).

Owing to the significant improvement in operating profit and the slightly better financial result, Forbo lifted Group profit from continuing operations by a gratifying 10.3% to CHF 127.6 million (previous year: CHF 115.7 million).

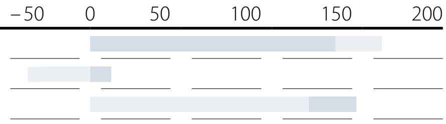
Taxes and financial income

The tax rate in the year under review was 19.8%, slightly below the previous year's rate of 19.9%.

Financial expenses came to CHF 0.1 million (previous year: CHF 0.4 million), while financial income was unchanged from the previous year at CHF 2.0 million. On balance, the financial result worked out at CHF 1.9 million (previous year: CHF 1.6 million). The increase was due to foreign currency effects.

Free cash flow

	2016 CHF m	2015 CHF m
Cash flow from operating activities	166.5	140.9
Cash flow from investing activities	– 40.3	11.4
Free cash flow	126.2	152.3



Good cash flow performance

In the year under review, cash flow from operating activities rose by CHF 25.6 million to CHF 166.5 million (previous year: CHF 140.9 million), mainly driven by higher net income and the improvement in working capital efficiency. Cash flow from investing activities came to CHF – 40.3 million in the year under review (previous year: CHF + 11.4 million). The figure for the previous year included income from the sale of current financial assets. Free cash flow thus amounted to CHF 126.2 million (previous year: CHF 152.3 million).

Balance sheet remains in great shape

Total assets as at December 31, 2016, stood at CHF 989.3 million, which was CHF 77.2 million higher than in the previous year (CHF 912.1 million). Net liquidity increased by CHF 93.9 million to CHF 209.2 million (previous year: CHF 115.3 million) owing to the good cash flow performance. Equity as at December 31, 2016, stood at CHF 621.4 million, which was CHF 62.2 million higher than in the previous year (CHF 559.2 million). The equity ratio increased from 61.3% to 62.8%.

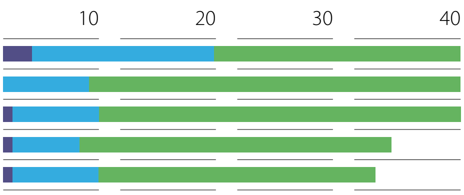
Investment volume remains at a high level
In addition to increasing efficiency and steadily optimizing processes, our focus is on factors that are geared to promoting future growth. In the year under review, we concentrated our resources in both divisions on key activities and strategic projects in the areas of product portfolio, technology, production capacity, and market expansion. Total Group investment in property, plant, and equipment, and intangible assets in 2016 was slightly above the previous year's level: CHF 40.0 million compared with CHF 39.5 million in the previous year.

In the year under review, Flooring Systems invested CHF 20.5 million (previous year: CHF 30.5 million). This sum included in particular its share for the construction of a factory for the manufacture of homogeneous vinyl floor coverings in the Netherlands and the new digital printing facility for high-end Flotex designs in 3-D quality in France. The funds were also used for expansion of the product offering with innovative new collections.

At Movement Systems, investment in property, plant, and equipment came to CHF 16.5 million (previous year: CHF 8.9 million), which was significantly higher than in the previous year. The main reason for the increase was the start of construction of a new plant in Pinghu, China, which will provide additional capacity for Transilon conveyor belts. The funds were also used for innovative additions to the product range, for specific applications, for a number of additional service tools, and for the maintenance of fabrication and production plants.

Investments 2012 – 2016

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2016	20	17	3	40
2015	31	9	0	40
2014	30	9	1	40
2013	27	7	1	35
2012	24	9	1	34

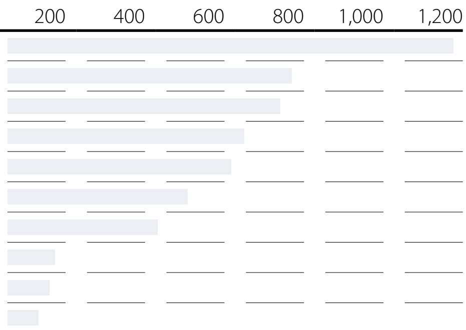


Headcount increased in specific areas

As at the end of 2016, headcount at Forbo Group was 5,346. This represents 124 employees more than at the end of the previous year. The individual percentage changes in staff levels by and large reflect market developments in the individual regions. The strong increase in the Benelux countries can be traced back in particular to the construction of a new manufacturing facility in Coevorden, Netherlands, which started producing high-quality homogeneous vinyl floor coverings at the end of 2016. The expansion of the sales and distribution organizations, particularly in growth markets, resulted in additional hiring in Asia/Pacific. In Germany, following several years of restraint as regards new hiring, headcount was increased selectively when needed. The increase in Southern Europe was due to the takeover of an existing Movement Systems customer in Italy, which is now an additional service point for Forbo in northern Italy. In most other countries, we have been more restrained with new hiring given the current market situation, which is characterized by rather muted demand.

Employees by geographic area

	%	Change on previous year in %	2016
Benelux	22.0	8.7	1,175
Asia/Pacific and Africa	14.4	3.1	769
North, Central, and South America	13.8	– 0.3	739
Germany	12.1	1.3	648
Great Britain/Ireland	11.5	0.8	616
Eastern Europe	9.5	– 1.0	507
France	8.0	– 0.9	430
Switzerland	3.2	– 3.4	172
Scandinavia	3.0	– 3.0	159
Southern Europe	2.5	13.9	131
Total	**100.0**	**2.4**	**5,346**



SUSTAINABLE ENGAGEMENT

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

Social dimension

Forbo promotes a high-performance culture in order to meet the high demands of our customers and business partners as well as the requirements we impose on ourselves. This is why we promote the necessary capabilities and competences at all organizational levels, and support this internally with seminars and further training activities.

This means that the divisions provide internal training in a wide range of areas regarding products and applications, sales and marketing, finance, operations, project management, strategy implementation, and Forbo's values. Continuous intensive training in the area of health and safety includes measures on the topics of accident prevention, risk awareness, and occupational health and safety, as well as general ongoing preventive measures.

At the Group level, Forbo has established an internal management training program in collaboration with the University of St. Gallen as well as other external partners and internal experts. This practice-oriented advanced training program for senior managers and persons in key positions consists of a first training week that includes various modules in areas ranging from management and sales to marketing and operations. A second training week expands on this and includes leadership modules, focusing on strategic implementation and leadership topics such as dealing with organizational and team changes as well as performance management. In the year under review, a third training week, that builds on the previous course, was introduced; it is devoted mainly to leadership topics that involve implementation of the strategy at various organizational levels. This is combined with relevant tools for communication challenges and cooperation in international, cross-cultural teams.

Ecological dimension

Protection of the environment and the generation of ecological added value are important factors in all of Forbo's development and investment decisions. Our customers also demand efficient and sustainable products and services. Both divisions are meeting these demands by offering purely natural products in their product portfolio.

With linoleum, Flooring Systems offers a floor covering made of 97% renewable raw materials of which 72% are renewable within ten years. Linoleum is made from the natural raw materials linseed oil, natural resin, wood flour and limestone as well as jute and pigments. A natural product through and through, which, in view of its long service life and positive ecological balance, is regarded as the most environmentally friendly resilient floor covering available. At the end of its long service life it can be composted, as it is 100% biodegradable. In addition to this, linoleum is made from about 45% recycled material, which lowers the consumption of primary raw materials accordingly.

Vinyl floor coverings receive their elasticity, pliability and flexibility from plasticizers. Flooring Systems is the leader in the use of phthalate-free plasticizers of the latest generation. They also contain up to 45% recycled material in the substrate layer. Within the framework of our 'back to the floor' program, we collect off-cuts of our vinyl coverings as well as waste material from our own production and put these back into the production of new coverings, for example for the substrate layer of carpet tiles and Flotex – the washable textile flooring.

Flotex is produced using only phthalate-free materials.

Flooring Systems gets 100% of the electricity used at its production locations from renewable energy sources.

With the BioBelt, Movement Systems is the first ever conveyor belt manufacturer to develop a biodegradable conveyor belt whose physical and dynamic properties are equal to standard belts. The same applies to its performance and long service life. In BioBelt products, oil-based raw materials and synthetic-technical materials have been largely substituted by materials made from renewable, plant-based raw materials.

In order to maximize environmental compatibility and at the same time increase the product advantages, Movement Systems has patented a special coating

SUSTAINABLE ENGAGEMENT

(AmpMiser) that significantly reduces the friction between the underside of the belt and the slider bed compared with conventional conveyor belts. In 2015, Movement Systems launched a new generation of these energy-saving conveyor belts that are even more efficient. Conveyor belts coated with AmpMiser display their advantages most clearly where goods are being continuously conveyed and many belts are in use, for example at airports or in logistics and distribution centers. For this type of application, energy savings of up to 50% are achieved for the overall systems.

We have also made it our aim to continually make our own activities more sustainable and efficient. We do this by using less material and energy to realize equivalent or even better solutions. Both divisions are working constantly on the optimization of production processes in terms of water and energy consumption, reduction of emissions, reuse of heat generated in the production process, and the reduction and efficient recycling of waste material in order to reduce the burden on the environment. A wide range of certifications confirm these efforts. At the same time, we are working on innovative ideas regarding the materials used in the production process as well as new application techniques.

FLOORING SYSTEMS

Floor coverings are part of our everyday lives and define our living, leisure, and working spaces. Whether as a direct end customer, builder of a major project, architect or installer, for every stakeholder group the issue of sustainability plays an important role in the decision-making process. This is why it is important for Flooring Systems to differentiate itself from its competitors with comprehensible and convincing arguments, including in terms of sustainability.

With the new approach 'Committed to the Health of One' Flooring Systems wants, alongside a fully transparent product declaration, to highlight the sustainability features more clearly than it has done up to now and place them in correlation to each individual. In creating a healthy interior space, we concentrate on all aspects of our installations that contribute positively to safety, hygiene, and well-being. These include avoiding asthma triggers and allergens, focusing on light-reflecting and acoustic properties, facilitating cleaning and maintenance, and ensuring the overall quality of the interior.

MOVEMENT SYSTEMS

Movement Systems' resource management is based on the continuous improvement of consumption efficiency through the development and the targeted implementation of measures for the optimization of electricity, gas, oil, and water consumption. Alongside ongoing energy-saving measures, energy recovery is an important factor, i.e. the use of energy released in the downstream incineration plant for the purposes of heating and/or power generation. In order to reduce water consumption and avoid unnecessary waste, Movement Systems is increasingly using closed water circulation systems. Some of the waste water can be used in another production step in order to minimize water requirements. The reduction and productive reuse of waste material is increasingly the focus of Kaizen and sustainability initiatives. Cut-offs from the belts we produce in certain countries are sold to other companies to be reused in their production. The locations in North America collect sanding dust in filters which is then processed as material by external partners in their production. Some of the waste from plastic modular belts and polyurethane cut-offs is recycled back into our own production.

Economic dimension

As a listed company, Forbo also engages intensively with the economic dimension of sustainability. Compliance is enormously important for the reputation and positioning of a company. We are successful as a company when we meet the expectations of customers, when employees are enthusiastic and committed, and when we create added value in the long term for our shareholders.

In the year under review, we constantly maintained our efforts in terms of a conscious attitude to what we do by reinforcing awareness, particularly regarding the contents of the code of conduct (by means of an e-learning module) as well as competition law and anti-corruption principles, and diligently implementing the risk management process.

ACTIVITY REPORT


ESTHETICS.


PROGRESS.

TWO DIVISIONS WITH LEADING MARKET POSITIONS

Forbo aims to operate primarily in business areas in which it has or can achieve a leading global market position – something it has achieved for both Flooring Systems and Movement Systems.

Flooring Systems

The Flooring Systems division offers a broad and attractive range of environmentally friendly natural linoleum, high-quality vinyl floors, entrance matting systems for cleaning and drying shoes, carpet tiles, needle felt, and Flotex, the washable textile flooring. Thanks to their excellent technical properties and attractive designs, these flooring products are invariably the first choice for public buildings, department stores, hospitals, and other healthcare facilities, schools, libraries, commercial and office spaces, leisure centers, shops, hotels, restaurants, and cafeterias as well as for applications in the residential market. With a market share of over 65 percent, Forbo is the world leader in linoleum.

Flooring Systems also provides ready-made adhesives for floor covering installations, parquet flooring, and ceramic tiles as well as leveling compounds for the construction industry under the trade name Eurocol.

Movement Systems

Movement Systems is a global industry leader for sophisticated conveyor and processing belts, synthetic modular belts, top-quality power transmission belts, as well as timing and flat belts made of synthetic materials. These products are known under the brand name Siegling. They are used in a wide range of applications in industry, trade, and the service sector, including conveyor and processing belts in the food industry, treadmill belts in fitness studios, and flat belts in mail distribution centers.

Strategic directions

To be successful in the market place as a Group with differently aligned operations, the individual divisions act independently and flexibly, but always along the strategic directions defined for the Group as a whole:

- Based on a pronounced customer focus, a high level of service, innovation, and a strong global brand, we are creating global leadership positions in clearly defined market segments.
- Due to a strong market orientation, we shape markets and drive profitable growth.
- We are developing significant positions in growth markets.
- We are acquiring companies to extend our product range, to consolidate and/or reinforce market access.
- We are developing a high-performance culture and providing the relevant skills and competences at all levels.

FLOORING SYSTEMS

ESTHETICS

UNDERLYING ADVANTAGES

Copied from nature, made for people – the bionic high-tech Flotex floor covering withstands the most extreme conditions. At 3,000 meters above sea level, floor coverings have to be able to stand up to wear and tear caused by snow, water, dirt and outdoor shoes, and yet still create a warm and cozy atmosphere. That’s where Flotex comes into its own. It offers acoustic quality, it is safe to walk on even when wet, binds dust from the air, and protects allergy sufferers against microbes. As the world’s sole supplier, we equip rooms susceptible to high traffic loads with this resilient and very low-maintenance floor covering.

FLOORING SYSTEMS: AN ATTRACTIVE AND IMPRESSIVE PRODUCT PORTFOLIO

'In the year under review, we significantly upgraded our product portfolio and strengthened our collections with attractive new products, particularly for private sector customers. We expanded sales resources where appropriate in order to drive growth. The new production facility for high-quality homogeneous vinyl floorings came on stream as planned at the end of 2016. The three new collections from this plant will enrich our portfolio starting in 2017. We also invested in new technologies, expansion, and efficiency-boosting measures across a wide range of operational areas. Our focus on implementing our strategy is reflected in an upturn in sales and earnings. With our current product portfolio plus the initiatives to boost growth, customer focus, and cost consciousness, we will reinforce our market position as a leading systems supplier in the commercial segment.'

Matthias P. Huenerwadel
Executive Vice President
Flooring Systems

The Flooring Systems division generated net sales of CHF 818.0 million in 2016 (previous year: CHF 791.3 million). This comes to an increase of 3.4% in both the corporate currency and local currencies. The division accounted for 69.0% of Group sales. The positive sales trend in the first half of the year slowed down somewhat in the second half, while the market environment, especially in Europe, remained mixed. Operating profit (EBIT) rose by a satisfactory 11.7% to CHF 122.7 million (previous year: CHF 109.8 million) owing to higher sales, optimization along the global value chain, and the positive effects of raw material price developments. The EBIT margin rose by 1.1 percentage points to 15.0% (previous year: 13.9%).

Solid sales growth

The upturn in the USA and France, which are major core markets for us, along with signs of a recovery in the Netherlands, were the key factors in this vigorous trend. In the USA, investment in the education sector is picking up, which accounts for a large part of the sales in that market.

In Europe, market conditions remain very mixed. In Eastern Europe, especially in Russia, demand in the year under review developed well, while Southern Europe reported firmer demand and Northern Europe and the DACH region lifted sales slightly overall. In the UK, demand remains muted owing to the economic environment, especially in the public sector and the office segment, specifically in the banking sector. In Switzerland, we are adapting our business model to changes in market structures.

In the Asia/Pacific region, China, Japan, Southeast Asia, and South Korea performed well on the back of major installation projects in various customer segments.

Following difficult years during a cyclical downturn, the building and construction adhesives activity posted a good recovery and reported firm sales growth on the whole. New product developments provided additional growth stimuli.

Attractive new collections are enriching the portfolio

The steady expansion of the range catering to private sector customer segments continued in the year under review with innovative new collections featuring new formats, a broad spectrum of color and design options, new effects and materials plus expanded functionalities and floor-installing options.

In the area of linoleum, we expanded the varied range by adding new formats, special effects and a host of new, fresh colors so that we can offer a wide range of color combinations. We worked cocoa bean shells into our new Marmoleum Cocoa collection to give the floor covering a warm and natural feel. In the DACH region, we launched an attractive printed linoleum last summer that features a wide range of wood designs and stone effects. Our goal is to roll it out globally.

Following investments in the production of carpet tiles with a focus on improved quality and productivity, we created a new collection that is geared to office spaces and hotels. For the office segment we assembled a special range of selected carpet tiles, colors and designs with luxury vinyl tiles whose varying pile heights are matched with each other. Coral entrance matting systems are now available in tile format.

Owing to the buoyant demand experienced in recent years, the range of luxury vinyl tiles was completely revamped in the year under review for a relaunch in early 2017. The new collection is strong on a number of counts: it features numerous innovative designs, a great variety of plank and tile formats and three installation versions – adhesive, loose lay or click – all of them in uniform designs.

In the building and construction adhesives activity, we launched two innovative products in the field of liquid floors and refreshing and dirt-repellent sealants.

Higher sales for all strategic product groups

The luxury vinyl tiles again posted double-digit growth in the year under review in a highly competitive market, and impressed discerning customers with a variety of designs and applications for interiors. Demand for linoleum, which has been subdued in recent years, picked up in the year under review. The material is widely used in the healthcare and education sectors where investment in new builds and renovations depends strongly on public spending budgets. Vinyl floor coverings for the commercial sector, entrance matting systems, carpet tiles and Flotex – our washable, high-tech textile floor covering – also contributed to sales growth. The demand for needle felt floor coverings was muted. As expected and as in previous years, sales of vinyl floor coverings for the residential sector declined in the year under review in the wake of strategic portfolio adjustments.

Investments to support growth

In addition to all the changes and additions to the product portfolio, we focused on expanding sales resources for private sector customer segments in order to drive growth. In Southeast Asia, China, and Turkey, we selectively strengthened sales structures, while in the United Arab Emirates we set up a local company to serve as a base for expansion in the Middle East.

A digital printing facility that we installed in Château-Renault, France, in 2016 will enable us to produce new Flotex designs in 3-D quality and in both roll and tile formats.

A new production plant came on stream in Coevorden, Netherlands, in the year under review that manufactures high-quality homogeneous vinyl floorings. This will significantly increase the portfolio of resilient floor coverings for 2017, a range that is geared to new applications in both the private and the public sector.

A solid foundation for profitable growth

For 2017 we anticipate mixed market conditions that will be challenging for all areas of our organization. Our strategic initiatives will all be continued in 2017. We will execute our strategy systematically, develop our attractive product portfolio with a focus on customers in all target segments, and gear it perfectly to a wide range of applications.

We are creating a solid foundation for profitable growth with our growth initiatives, stronger market focus, and ongoing cost consciousness.

DIVERSE COLLECTIONS FOR A STYLISH AMBIENCE

Constantly making products and processes more sustainable and environmentally friendly as well as having a positive impact on the ambient air quality – that is the priority in every change and new development at Flooring Systems. Forbo floor coverings combine attractive and innovative design with long service life and high product quality. During the year under review, Forbo was again working on new trends and extending its product range in many different ways.

Extension of the product portfolio with homogenous premium vinyl floor coverings

If somebody asks for homogenous vinyl, he usually does not want to be convinced of some alternative product. These floor coverings are suitable for a wide range of applications in the public and private sectors. Homogenous vinyl can be bent into the joint where the floor meets the wall, thus creating a seamless skirting. These rounded joints are the perfect hygienic solution, which offers a certain advantage, particularly in hygiene-sensitive areas in the healthcare sector. After the development of a new production system for premium homogenous vinyl floor coverings, at the start of 2017 Forbo is launching Sphera, an innovative collection with 3 design lines, offering individuality for a wide range of needs. It is based on a fresh, bright range of colors with warm, cool and neutral shades to provide the optimum complement to interior finishes such as wood and stone, as well as pastel shades and bright, accentuating colors for pulsating areas where orientation aids or zone divisions are required.

Sphera is completely phthalate-free and offers high light reflection values to maximize the natural light or artificial lighting in a room. The SMART surface treatment is dirt-repellant and easy to clean, and thus guarantees safe and hygienic floor coverings.

SPHERA

ALLURA

Diversely extended collection

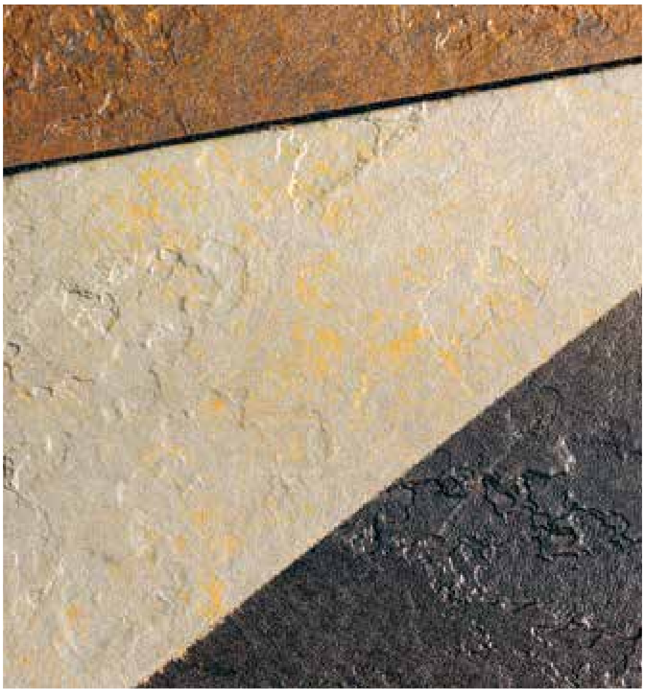
We have also extended the existing product portfolio with many new additions to collections which will be launched globally in spring 2017. The trend over the last few years toward modular floor coverings is continuing. Compared with roll material, these are easier to transport, generally easier to handle in installation, and are individually replaceable in the event of damage. The Allura collection of luxury vinyl tiles – the fastest-growing product group for several years now – was completely renewed with 3 new design lines. In the strongly represented wood designs, the current trend is toward tamer, less flamboyant patterns with sharper contrasts and shades. The fresh colors and modern designs are available in a large variety of plank and tile formats, ranging from small planks up to large tiles with an area of one square meter, or even an XXL plank in a length of 180 cm. A total of 34 products are available in different qualities in three installation versions: fully adhered, loose-lay, or click system, all of which are available in uniform designs.

Forbo is also setting new standards in the entrance area with the Coral entrance matting systems now available for the first time in tile format.

The renewed linoleum collection Marmoleum Solid comprises five individual design lines with fresh colors and special embossed textures aimed at a young and new target group of architects and designers. Two design lines are new: the Cocoa line, in which shredded natural cocoa bean husks are integrated, giving the covering a warm, natural feel and look, as well as the Slate line, which emphasizes the raw, natural expression of the linoleum, through a special embossment to give the surface a slate-like texture.

'FUNCTIONALITY AND DESIGN IN PERFECTION'

COCOA LINE



SLATE LINE

MOVEMENT SYSTEMS

PROGRESS

SMOOTH-RUNNING PROCESSES

A conveyor belt that doesn't lose energy through friction – hardly likely. But we put it within reach! AmpMiser™ 2.0, our innovation in the conveyor industry, boasts a unique and patented sliding coat on the belt's underside that reduces energy consumption by up to 50 percent. Sustainable for the environment and cost-effective for logistics and distribution centers: we make things run more smoothly.

MOVEMENT SYSTEMS:
SUCCESS DRIVEN BY INNOVATION AND RELIABILITY

'2016 was another successful year for Movement Systems. The good performance was driven by a wide range of activities to implement the strategy in all areas of the division's organizations. Our innovative and application-specific product innovations, which generate added value for our customers' production or logistics processes across a wide range of industries, further strengthened our global market position. Another important factor was the focused expansion in growth markets that we have pursued in recent years. We also took great strides in the operational areas. Globally speaking, we optimized various processes in fabrication, production and the supply chain, achieved efficiency gains owing to a number of local investments and new tools, and increased our productivity once more.'

Jean-Michel Wins

Executive Vice President
Movement Systems

The Movement Systems division generated net sales of CHF 367.5 million in the year under review (previous year: CHF 347.8 million), which is equivalent to a gratifying year-on-year increase of 5.7%, or 3.7% in local currencies. The division accounted for 31.0% of Group sales. This sales growth was driven by a convincing performance in virtually all our markets. The market downturn in the USA, which began in the first half of the year, continued into the second half. Higher sales and consistently executed operational activities designed to improve global processes across the board had a positive impact on operating profit (EBIT), which rose to CHF 45.3 million (previous year: CHF 42.9 million). This is equivalent to an increase of 5.6%, despite additional capacity expansion in China. The EBIT margin was unchanged from the previous year at 12.3%.

Solid sales growth
Almost all markets contributed to the good sales performance with a variety of growth stimuli. The Europe region remained on the growth path and was able to make the largest contribution. Despite a mixed market environment, all markets played a positive role. In Italy, we acquired Tema S.r.l. in Parma, an existing customer that sells fabric conveyor belts as well as plastic modular belts. This move gives us an additional Forbo service point in northern Italy.

The Asia/Pacific region also contributed to the sales increase. One reason was above-average growth in South Korea and Southeast Asia on the back of major orders. India, Japan and China also reported a steady increase in sales.

The Americas region barely matched the previous year's level, due mainly to muted demand in the USA, caused by business trends in key customer segments such as industrial manufacturing and raw materials processing.

All strategic customer segments posted sales growth
We posted gratifying sales growth in all strategic customer segments, even though regional sales and market trends were very mixed. Demand was well above average in the food processing and sports treadmill customer segments across all regions, but the areas of logistics, textiles, industrial manufacturing, raw materials, and paper/printing also performed well. The uptrend was underpinned by impressive and reliable customer-specific solutions based on innovative product

range extensions with high-quality features. The tobacco customer segment saw a downturn in demand compared to the previous year; this was due to lower investment volumes, especially in Asia/Pacific.

Innovation partner for our customers
Movement Systems not only supplies a wide range of conveyor and power transmission belts but is also a reliable source of technical know-how for total solutions and an innovation partner for original equipment manufacturers and end customers.

For the textile industry, we have launched a high-quality belt for manufacturing nonwovens on special cross-lapper machines. The web is passed at high speed through the cross-lapper on conveyor belts so that each layer is at right angles to the last, and it is then positioned for needle punching. In needle punching barbed needles are pushed through the web layers so that they become bonded with each other. Heating in an oven activates the bonding fibers introduced into the web. During cooling, they stick to the carrier fibers and stabilize the web. The conveyor belts employed on the cross-lapper stand out for their low weight, allowing fast processing speeds on high-speed machines, and for their chemical resistance to treatment with greasy materials that are used to increase gloss and suppleness. They are particularly suitable for the manufacture of geotextiles, which are permeable fabrics.

Another innovation introduced during the year under review is the new Series 13 Prolink plastic modular belt, which was developed specifically for conveyor configurations in the manufacture of small products. The transfer gap between two belts is small enough for angles with a radius of as little as 3 mm to be possible. This means that tiny products such as candies, coffee cream portion packs or small pastries can be transferred without difficulty from one belt to another, minimizing the risk of damage to the product or of a goods backup.

The new high-grip coating, which features versatile use for various types of belts, ensures better adhesion of the goods on the belt. This is especially useful for inclines when conveying boxes in the meat, poultry and fish industries, where moisture and grease can cause the cases to slide, or in cutting machines in the production of sausage or cheese slices, where precise product positioning, product acceleration or product braking play an important role. These belts meet the highest hygiene standards and feature high chemical resistance to fats, oils and cleaning agents.

Investments to drive future growth
In various fabrication and production plants we have invested in new technologies and measures to boost efficiency in order to support sustainable growth. After we brought a further coating facility on stream in the USA in the second half of 2015, we are now building a new plant in Pinghu, China, to provide additional production capacity for Transilon processing belts, aimed mainly at the Asia/Pacific market. The plant should be inaugurated in mid-year 2018.

Focus on product portfolio and top operating performance
In 2017, too, we will continue to align our product range specifically with the needs of the customer segments and expand of our distribution and service organizations, also in growth markets. In addition to our main product group, Transilon conveyor belts, we will drive expansion of the Prolink plastic modular belts and Extremultus power transmission belts in 2017.

We will forge ahead with the numerous operational measures at all fabrication and production sites and optimize the integration of the relevant global processes.

With all these focused activities, we will continue to optimize the entire global value chain, increase customer satisfaction and further improve both productivity and efficiency at the same time.

VALUED INNOVATION PARTNER

Not always visible, but present almost everywhere nonetheless, Movement Systems is making sure that a wide range of production steps run smoothly and efficiently. Our solutions are distinguished by high cost efficiency, precision and reliability. In the year under review, Forbo again profiled itself as a competent partner in the development of industry-specific and future-oriented solutions for driving, conveying, and producing.

Special coating for the food industry

The new high-grip coating was developed especially for various belt types with a wide range of applications, in particular for the food processing industry. The coating allows better adhesion of the goods being conveyed on the belt. It is especially suitable for the inclined conveyance of crates and boxes in the fish and meat industry, where moisture and grease can cause slippage, and good grip properties help to ensure a smooth process. Another belt is used in cutting machines for slicing meat and cheese, where precise product positioning, product acceleration and the reduction of the belt speed all play an important role. The functional layer in combination with the fine texture offers optimum product adhesion. These belts also fulfill the highest hygiene standards and have high chemical resistance against greases, oils and cleaning agents.

HIGH-GRIP COATING

PROLINK

Plastic modular belt with a delicate touch

In the product portfolio of Prolink plastic modular belts, the new Series 13 has belts especially for production and packing processes in which tiny products such as sweets, portions of coffee cream, or small pastries, as well as other small goods such as rolls of adhesive tape, are conveyed. The transfer gap between two belts is correspondingly small, so that curves up to a radius of 3 mm can be realized. This means that even tiny products can be passed from belt to belt without problems, thus minimizing the risk of damage to the products or of a goods backup. The optimum design of the sprocket teeth and the underside of the belt ensure excellent sprocket engagement, safe belt tracking and easy cleaning. The Series 13 is available in two different surface structures which ensure optimum product release even with sticky or adhesive goods.

'OBVIOUS ADVANTAGES THAT OFFER ADDED VALUE'

Elastic conveyor belts for logistics centers

Logistics and distribution centers are benefiting from the newly developed, elastic conveyor belts which can be used to convey all kinds of piece goods such as parcels, cardboard boxes, or other goods packed in a variety of ways. The belts in the newly developed EL line are ideal for applications with short axle intervals, for example in systems with cross-belt sorters, where conveyor belts join the main flow direction from the side and transfer the goods there. Due to the innovative belt construction with a semi-elastic fabric tension member, the belts can be stretched or pre-tensioned by up to 5 percent. There is no need for tensioning devices, which eliminates the costs for complicated tensioning stations. Due to the thin, single-layer belt construction, it is possible to realize especially narrow curve radii. Even very small items can be easily transferred from one belt to the next.


EL LINE


EL LINE

ORGANIZATION

EXECUTIVE BOARD

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

Stephan Bauer

Chief Executive Officer

Stephan Bauer was born in 1961 and is a German citizen. He took a degree in Engineering and Management at the Munich University of Applied Sciences (FH) and began his professional career at BMW in Munich in 1987 as a project manager for the launch of new vehicle models. From 1991 to 2008 he worked for Siemens VDO Automotive AG (which became Continental Automotive in 2007) in various regional and global management positions in the field of sales and marketing and general management. In 2004 he was appointed CEO of Diesel Systems. From 2008 to 2013 Stephan Bauer was CEO and President Control Products & Systems at the Siemens Building Technologies division, where he was responsible for the entire product spectrum. He joined our company in September 2013 and took over the position of Chief Executive Officer and Chairman of the Executive Board of the Forbo Group as of January 2014.

Andreas Spreiter

Chief Financial Officer

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

Matthias P. Huenerwadel

Executive Vice President Flooring Systems

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

Jean-Michel Wins

Executive Vice President Movement Systems

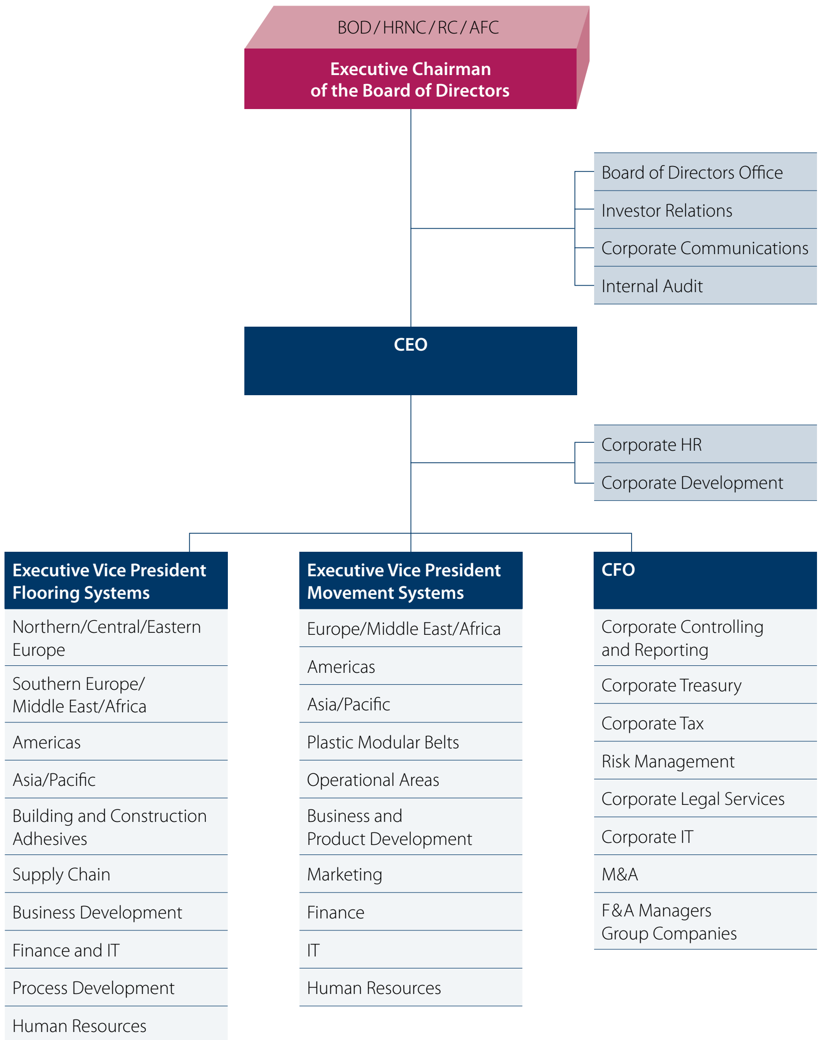
Jean-Michel Wins was born in 1967 and is a Belgian citizen. He studied business administration and languages at the IPET in Nivelles, Belgium, and began his professional career in Germany at Calberson GmbH, where he held various specialist functions. He then moved to Simut Sicherheit GmbH for two years,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

GROUP STRUCTURE

Forbo has performed better than average in the last twelve years compared with other exchange-listed companies. With its two focused divisions, the Group is now a world leader in its markets, free of debt, and in possession of adequate resources for further strategic development. In line with its strategy, Forbo is tasked with maintaining its successful performance of recent years, on the one hand, and – with the means available – of reinforcing and expanding its positions in the global market through strong organic growth and acquisitions, on the other hand.

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

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



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

■ Member of the Executive Board

BOARD OF DIRECTORS

Vincent Studer, Michael Pieper, Claudia Coninx-Kaczynski, This E. Schneider, Dr. Peter Altorfer, Dr. Reto Müller

This E. Schneider
Executive Chairman

Member of the Board of Directors of Galenica SA, Berne
Member of the Board of Directors of Rieter Holding AG, Winterthur
Member of the Board of Directors of Autoneum Holding AG, Winterthur

Michael Pieper
Vice Chairman

Owner of the Artemis Holding AG, Hergiswil
Chairman of the Management Board of Artemis Group, Hergiswil
Member of the Board of Directors of various Artemis and Franke subsidiaries worldwide
Member of the Board of Directors of Hero AG, Lenzburg
Member of the Board of Directors of advalTech Holding AG, Niederwangen near Berne
Member of the Board of Directors of Arbonia AG, Arbon
Member of the Board of Directors of Berenberg Bank (Schweiz) AG, Zurich
Member of the Board of Directors of Rieter Holding AG, Winterthur
Member of the Board of Directors of Autoneum Holding AG, Winterthur
Member of the Board of Directors of Reppisch-Werke AG, Dietikon

Dr. Peter Altorfer
Vice Chairman

Partner at the law firm Wenger & Vieli AG, Zurich
Member of the Board of Directors of agta record ag, Fehraltorf
Member of the Board of Directors of Abegg Holding AG, Zurich
Member of the Board of other private and foreign banks and non-listed investment and real-estate companies in Switzerland

Claudia Coninx-Kaczynski
Member

Member of the Board of Directors of Swisscontent AG, Zurich
Member of other Boards of Trustees

Dr. Reto Müller
Member

Partner at BLR & Partners AG, Thalwil
Chairman of the Board of Directors of Riri Group, Mendrisio
Member of the Board of Directors of Utz Holding AG, Bremgarten
Member of other Boards of Directors

Vincent Studer
Member

Partner, member of the Board of Directors and of the management of T + R AG, Gümligen near Berne
Member of the Board of Directors of Bank EEK AG, Berne
Member of other Boards of Directors or Boards of Trustees

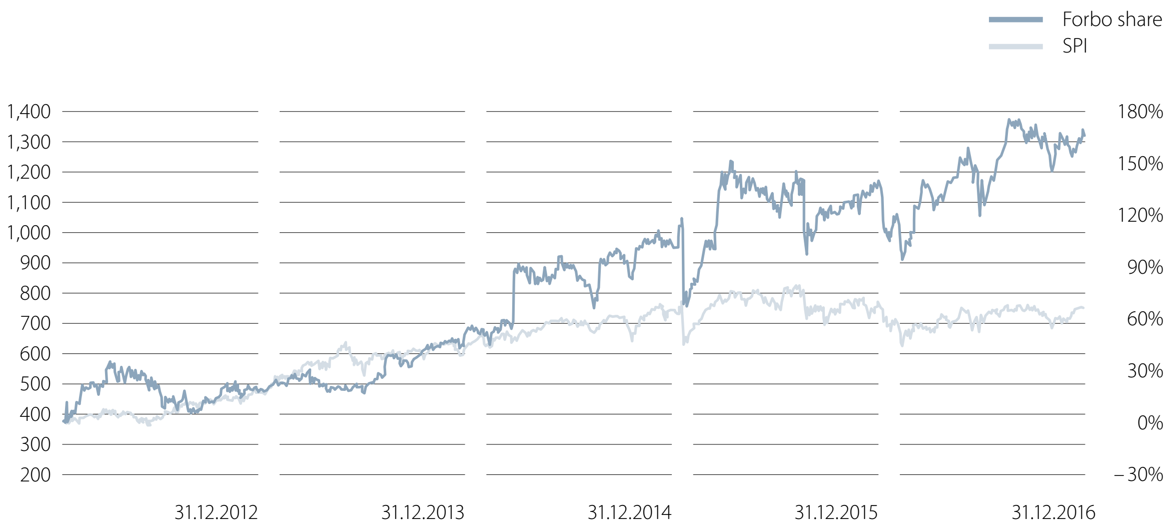
THE FORBO SHARE

THE FORBO SHARE

Owing to the economic downturn in China and a number of emerging economies, concerns about world economic growth weighed heavily on the markets in the first weeks of 2016. The resulting uncertainties hit the equity markets hard. Six weeks into the year, the Swiss Performance Index (SPI) was about 15 percent lower than at the end of 2015. In the wake of basically steady but very slow growth in the world economy and with interest rates stuck at low levels, the market subsequently recovered, but by mid-year was still down nearly 5 percent. Following a further recovery, the SPI temporarily reached levels in August and September that were only about 1 percent lower than the year-end 2015 value. In October, however, the SPI fell sharply again and by early November was down around 8 percent. On the back of the market rally in November and December, the SPI closed with an annual performance of – 1.4 percent.

Until the annual results for 2015 were announced in March 2016, the Forbo share price more or less tracked the SPI, but then posted significant gains, reaching a high of CHF 1,294 by early June – a gain of a good 9 percent versus the year-end 2015 price of CHF 1,182. Subsequently, the share price declined again before gaining ground on publication of the half-year results. The Forbo share reached an all-time high of CHF 1,367 in early September. The share closed out the year at CHF 1,313. The gain for 2016 thus comes to 11.1 percent. The Forbo share has now outperformed the SPI for the fifth year in a row. Since the end of 2005, the Forbo share has outperformed the SPI by a factor of more than six.

The Forbo share in comparison to the SPI



Share capital

		2016 Number	2015 Number	2014 Number	2013 Number	2012 Number
Issued registered shares[1]		1,800,000	1,990,000	2,150,000	2,250,000	2,500,000
Thereof:						
Shares outstanding		1,709,844	1,708,458	1,888,850	2,032,703	2,052,740
Share buyback programs		0	190,000	158,467	99,470	250,000
Other treasury shares		68,737	70,123	81,264	96,408	175,841
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		180,000	199,000	215,000	225,000	250,000
Thereof:						
Shares outstanding		170,984	170,846	188,885	203,270	205,274
Share buyback programs		0	19,000	15,847	9,947	25,000
Other treasury shares		6,874	7,012	8,126	9,641	17,584
Reserve shares (without dividend rights)		2,142	2,142	2,142	2,142	2,142

Data per share

		CHF	CHF	CHF	CHF	CHF
Group shareholders' equity per share[2]		364	300	371	380	329
Group profit per share (undiluted)[2] [3]		74.7	62.1	62.0	56.8	96.4
Gross dividend and cash distribution		19.0[4]	17.0	16.0	14.0	12.0
Gross dividend yield (in %)	High	1.2[5]	1.4[5]	1.5[5]	1.8[5]	1.8[5]
	Low	1.8[5]	2.1[5]	2.2[5]	2.4[5]	2.5[5]
Payout ratio[6] (in %)		25	27	26	26	13

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	1,367	1,255	1,043	769	685
	Low	960	811	719	580	484
	Year-end	1,313	1,182	995	762	585
Market capitalization (m)[7]	High	2,461	2,497	2,242	1,730	1,712
	Low	1,728	1,613	1,545	1,305	1,210
	Year-end	2,363	2,352	2,138	1,715	1,463

1) Par value per share in 2016, 2015, 2014, 2013 and 2012: CHF 0.10
2) Based on the weighted average of the number of shares as set out in note 13 'Earnings per share' on page 116 of the financial report.
3) See note 13 'Earnings per share' on page 116 of the financial report.
4) Proposal of the Board of Directors to the 2017 Ordinary General Meeting.
5) Calculated on the basis of a cash distribution in the form of a dividend.
6) Gross cash distribution as a percentage of Group profit.
7) Total number of shares multiplied by the corresponding share price.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

At Forbo, the concept of corporate governance encompasses the entire set of principles and rules on organization, conduct and transparency that are designed to protect the company's long-term interests. Forbo's aim is to strike a careful balance between management and control. The central rules are contained in the Articles of Association, the Organizational Regulations, and the regulations of the committees of the Board of Directors. The following information is set out in line with the Directive on Information relating to Corporate Governance (Directive on Corporate Governance 'DCG') and the relevant publications of SIX Swiss Exchange.

Group structure and shareholders

Group structure

Forbo Holding Ltd, domiciled at Lindenstrasse 8, 6340 Baar, is a limited company under Swiss law. The holding company holds all subsidiaries, directly or indirectly, that belong to the Forbo Group. The operational structure of the Group is shown in the organizational chart on page 49. The scope of consolidation of Forbo Holding Ltd does not include any listed companies. The unlisted companies within the scope of consolidation of Forbo Holding Ltd are listed under 'Group companies' starting on page 140 of the financial report. The company name and domicile, share capital and percentage of participation, along with information relating to the allocation of the Group company to the Group's businesses, can also be found in that section of this Annual Report.

Significant shareholders

As of December 31, 2016, 2,722 shareholders were listed in the share register of Forbo Holding Ltd, or 765 (39%) more than in the previous year. As of December 31, 2016, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2016 as a percentage
Michael Pieper[1]	30.23
Forbo Holding Ltd[2]	5.01
UBS Fund Management (Switzerland) AG	3 – 5
BlackRock Inc.	3 – 5
Norges Bank (Norwegian Central Bank)	3 – 5

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.
2) Forbo Holding Ltd holds its interest directly and indirectly through Forbo International SA and Forbo Finanz AG.

Disclosure of significant shareholders and significant shareholder groups and their holdings is effected in accordance with the disclosures made in the year under review pursuant to Article 120 of the Financial Market Infrastructure Act (FMIA) and the provisions of the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIO-FINMA).

Below is a summary of the latest disclosure notices published in the year under review:

Norges Bank (Norwegian Central Bank) reported on July 19, 2016, that its shareholding exceeded the 3% threshold and that it held 59,149 shares, corresponding to 3.29% of the voting rights.

Forbo Holding Ltd reported on July 20, 2016, that it had fallen below the threshold of 10% and that it held 90,434 of its own shares, corresponding to 5.02% of the voting rights, directly or indirectly via Forbo International SA, Baar, Switzerland and Forbo Finanz AG, Baar, Switzerland. Forbo Holding Ltd further reported that it had granted 500 stock purchase rights on 500 registered shares of Forbo Holding Ltd, corresponding to 0.028% of the voting rights.
UBS Fund Management (Switzerland) AG reported on September 15, 2016, that it had fallen below 5% and that it held 89,667 shares, corresponding to 4.98% of the voting rights.
Lastly, BlackRock Inc. reported on December 14, 2016, that it had exceeded the 3% threshold and that it held 54,472 shares, 982 voting rights to be exercised at its own discretion, and 3,388 contracts for difference, corresponding to 3.27% of voting rights altogether. BlackRock Inc. further reported that it also held 396 sales positions in connection with contracts for difference, corresponding to 0.02% of the voting rights.

Full disclosure reports and all further disclosure notices published in the year under review can be consulted on the publication platform of the disclosure office of the SIX Swiss Exchange (www.six-exchange-regulation.com → Publications → Significant shareholders).

For further information on significant shareholders or shareholder groups, we refer the reader to the table on page 58 and to page 159 of the financial report (duty of disclosure pursuant to Article 663c, Swiss Code of Obligations).

Cross-shareholdings
Forbo Holding Ltd has not entered into any cross-shareholdings with mutual capital shareholdings or voting rights.

Capital structure

Share capital
As of December 31, 2016, Forbo Holding Ltd had a fully paid up share capital of CHF 180,000, divided into 1,800,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

- 68.28% were registered in the name of 2,685 shareholders with voting rights
- 21.42% were shares of banks or of SIX SIS AG pending registration of transfer
- 10.30% were registered in the share register without voting rights

The shares of Forbo Holding Ltd (security number 000354151/ISIN CH0003541510) are listed on SIX Swiss Exchange. No different categories of shares exist. Each share entitles the owner to one vote. Further information on Forbo shares can be found on pages 54 and 55. Further information on the rights of participation associated with shares can be found on pages 69 and 70 of this Annual Report.

The share buyback program launched by the Board of Directors on September 10, 2015, based on the authorization given by the Ordinary General Meeting of Forbo Holding Ltd of April 24, 2015, was completed on December 23, 2015. The Ordinary General Meeting of April 29, 2016, approved the cancelation of the total of 190,000 shares acquired through the share buyback program.

Conditional and authorized capital
Pursuant to Clause 4 of the Articles of Association, Forbo Holding Ltd has a maximum conditional capital of CHF 16,645, corresponding to 166,450 registered shares to be paid up in full with a par value of CHF 0.10 each. The capital increase takes place in accordance with the Articles of Association through the exercise of option and convertible rights granted in connection with the bonds issued by the company or one of its subsidiaries, or through the exercise of option rights granted to shareholders. Except for shareholder options, shareholders have no right of subscription. Holders of option or convertible rights are entitled to subscribe to new share issues.

The registration of new shares is subject to the general restriction set out in Clause 6 of the Articles of Association, which stipulates that shareholders are entered in the share register with voting rights only if they declare expressly that they have acquired the shares in their own name and for their own account.

There is no authorized capital.

Changes in capital

The Ordinary General Meeting of Forbo Holding Ltd on April 29, 2016, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 19,000 from CHF 199,000 to CHF 180,000 by canceling 190,000 shares with a par value each of CHF 0.10. It was further decided to amend the Articles of Association accordingly. The capital reduction was effected, and the new share capital of CHF 180,000 was entered in the Commercial Register on July 14, 2016.

The Ordinary General Meeting of Forbo Holding Ltd on April 24, 2015, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 16,000 from CHF 215,000 to CHF 199,000, by canceling 160,000 shares with a par value of CHF 0.10 each. The Articles of Association were amended accordingly.

The Ordinary General Meeting of Forbo Holding Ltd on April 25, 2014, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 10,000 from CHF 225,000 to CHF 215,000 by canceling 100,000 shares with a par value of CHF 0.10 each. The Articles of Association were amended accordingly.

Participation certificates and non-voting equity securities ('Genussscheine')

Forbo Holding Ltd has issued neither participation certificates nor non-voting equity securities.

Limitations on transferability and nominee registrations

Forbo Holding Ltd does not have any percentage limitations on voting rights. The Board of Directors may only refuse to register stock in the share register if the purchaser of the stock does not expressly declare at the company's request that he/she has acquired the shares in his/her own name and for his/her own account.

Pursuant to Clause 6 of the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. Over and above this limit, nominees are only entered provided the name, address, and shareholding of those persons are disclosed for whose account the nominee holds a total of 0.3% or more of the registered share capital entered in the Commercial Register.

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

Convertible bonds and warrants/options

Forbo Holding Ltd has no outstanding convertible bonds nor has it issued any marketable warrants/options. Details on the management investment plan (MIP) for the Executive Board as amended in 2012, under which options allocated before the amendment are still outstanding, can be found on page 89, as well as on pages 123 and 124 of this Annual Report.

Board of Directors

Members of the Board of Directors
The cut-off date for the following information is December 31, 2016.

With the exception of This E. Schneider, Executive Chairman of the Board of Directors, none of the members of the Board of Directors listed below holds or has held any operational management positions for Forbo Holding Ltd or its Group companies. With the exception of This E. Schneider, none of the members of the Board of Directors sat on the Executive Board of Forbo Holding Ltd or the management of its Group companies in the three business years preceding the period under review. There are no essential business relationships between the members of the Board of Directors and Forbo Holding Ltd or its Group companies.

This E. Schneider, Executive Chairman
This E. Schneider, born in 1952, is a Swiss citizen. He studied economics at the University of St. Gallen (lic. oec. HSG) and at the Graduate School of Business, Stanford University, California, USA. After various management functions in Europe and the USA, he joined the Executive Board of Schmidt Agency, where he was responsible for strategic planning, operations and logistics from 1984 to 1990. From 1991 to 1993, he was Chairman and CEO of the publicly listed company SAFAA, Paris. In 1994, he became a member of the Executive Board of Valora, with responsibility for the canteen and catering division. From 1997 to 2002, he was Delegate and Vice President of the Board of Directors of Selecta Group. From March 2004 to December 2013, This E. Schneider was Delegate of the Board of Directors and CEO, and from January to April 2014 Delegate of the Board of Directors of the Forbo Group. He has been the Executive Chairman of the Board of Directors since the Ordinary General Meeting of 2014. This E. Schneider is also a member of the Board of Directors of Galenica SA, Rieter Holding AG and Autoneum Holding AG.

Michael Pieper, Vice Chairman
Michael Pieper, born in 1946, is a Swiss citizen. He studied economics (lic. oec. HSG) at the University of St. Gallen. He has been with the Artemis Group (formerly the Franke Group) since 1988 and has been its owner and CEO since 1989. Amongst others, he is a member of the Board of Directors of Hero AG, advalTech Holding AG, Arbonia AG, Berenberg Bank (Schweiz) AG, Rieter Holding AG and Autoneum Holding AG. He was first elected to the Board of Directors of Forbo Holding Ltd in 2000.

Dr. Peter Altorfer, Vice Chairman
Peter Altorfer, born in 1953, is a Swiss citizen. He studied law at the University of Zurich and holds a doctorate in law (Dr. iur.). He attended the PED program at the IMD, Lausanne. Until 1988, he worked at Bank Leu AG. He subsequently joined the law firm Wenger&Vieli in Zurich, where he is now a partner, specializing in bank and company law. Peter Altorfer sits on the Board of Directors of several companies, including agta record ag in Fehraltorf, Abegg Holding AG in Zurich, and various private and foreign banks, as well as unlisted investment and real estate companies in Switzerland. He has been a member of the Board of Directors of Forbo Holding Ltd since March 2005.

Claudia Coninx-Kaczynski

Claudia Coninx-Kaczynski, born in 1973, is a Swiss citizen. She took a degree in law at the University of Zurich (lic. iur.) and earned her Master of Law (LL. M.) at the London School of Economics and Political Sciences. From 2006 to 2011, she managed the business of Faerbi Immobilien AG (subsequently Rietpark Immobilien AG) in Zurich as a member of the Board of Directors. Subsequently until 2014, she implemented various projects for P. A. Media AG and Swisscontent AG in Zurich (M&A amongst others). Between 2013 and 2016, she was a member of the Board of Directors of Tamedia AG, where in 2017 she was appointed Chairwoman of the Pool of Majority Shareholders. She is a member of the Board of Directors of Swisscontent AG and sits on other Boards of Trustees. She has been a member of the Board of Directors of Forbo Holding Ltd since April 2014.

Dr. Reto Müller

Reto Müller, born in 1951, is a Swiss citizen. He took a first degree in economics and completed his doctorate (Dr. oec. HSG) at the University of St. Gallen. He also completed the Stanford Executive Program and additional training at IMD, INSEAD and the Harvard Business School. He is a founding partner of Helbling group of companies, for which he worked from 1984 to 2016. From 2000 to 2011, he was the CEO and Chairman of the Board and from 2011 to 2016, he was the full-time Chairman of the Board of Helbling Holding AG. Between 2002 and 2010, Reto Müller was either a member or Chairman of the Regional Economic Advisory Board (Zurich) of the Swiss National Bank. He was a member of the Council of SWISSMEM between 2008 and 2016. He is also Chairman, Vice Chairman or member of other Boards of Directors and advisory boards, and is partner at BLR&Partners AG. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2011.

Vincent Studer

Vincent Studer, born in 1962, is a Swiss citizen. He completed the University of Applied Sciences, Berne, and trained as a Swiss certified public accountant. In addition, he has attended various national and international training courses. From 1991 to 2008, Vincent Studer worked at Ernst&Young AG as an external auditor and was head auditor responsible for auditing the statements of national and international companies in various industries. In 2001, he was appointed a partner in the area of Auditing. Since 2008, he has been a partner and member of the management, and since 2015 a member of the Board, of the accountancy and auditing firm T+R AG, Gümligen/Berne, where he heads the Auditing business unit. Vincent Studer is a member of the Board of Directors of Bank EEK AG in Berne. He holds further directorships in other companies and foundations. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2009.

Board of Directors of Forbo Holding Ltd as per December 31, 2016

	First elected at OGM	AFC	HRNC	RC
Executive Chairman				
THIS E. SCHNEIDER	2004	–	–	–
Executive Director				
Vice Chairmen				
MICHAEL PIEPER	2000	–	M	M
Non-executive Director				
DR. PETER ALTORFER	2005	M	C	C
Non-executive Director				
Members				
CLAUDIA CONINX-KACZYNSKI	2014	–	M	M
Non-executive Director				
DR. RETO MÜLLER	2011	M	–	–
Non-executive Director				
VINCENT STUDER	2009	C	–	–
Non-executive Director				
Secretary of the Board of Directors				
NICOLE GRAF				
Non-member				

OGM: Ordinary General Meeting
AFC: Audit and Finance Committee
HRNC: Human Resources and Nomination Committee
RC: Remuneration Committee
C: Chair
M: Member

Statutory regulations governing the number of permissible activities pursuant to Article 12 Paragraph 1 Section 1 OaER

In accordance with Clause 22 of the Articles of Association, members of the Board of Directors may hold no more than five mandates in listed companies and twenty mandates in unlisted legal entities. A mandate is defined as any activity in the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

Election and term of office

The members of the Board of Directors will be elected in individual votes for a one-year term of office, in accordance with the Ordinance against Excessive Remuneration in Listed Public Companies (OaER). A year is defined as the period between two Ordinary General Meetings. In accordance with the Organizational Regulations of Forbo Holding Ltd, members who have reached the age of 70 resign from the Board of Directors at the Ordinary General Meeting of the following year. The Board may, however, approve exceptions. In determining the composition of the Board of Directors, importance is attached to the election of independent individuals with international experience in industrial companies as well as in the financial and consultancy sectors.

The Articles of Association of Forbo Holding Ltd do not contain any regulations that deviate from the statutory provisions for the appointment of the Chairman, the members of the Remuneration Committee and the independent proxy.

Internal organizational structure

The allocation of tasks within the Board of Directors and the composition of the Board committees are shown in the table on page 63.

Decisions are as a general rule taken by the full Board of Directors. The Board constitutes three standing committees from its own ranks – the Audit and Finance Committee (AFC), the Human Resources and Nomination Committee (HRNC), and the Remuneration Committee (RC) – to deal with clearly defined subject areas of overriding importance. These three committees have mainly advisory and control functions. The members of the AFC and HRNC are elected by the Board of Directors on an annual basis and can be dismissed at any time. The members of the RC are elected annually by the Ordinary General Meeting.

As a rule, the Executive Chairman of the Board of the Directors chairs the meetings of the Board and the General Meeting. He plans and conducts the meetings of the Board and the General Meeting. The meetings of the Board and the relevant items on the agenda are prepared by the Executive Chairman. He monitors the execution of the measures adopted by the Board. He is the direct superior of the CEO, is in regular contact with him, and has an advisory and supervisory function. In addition, the Executive Chairman represents the Board and the Forbo Group vis-à-vis the public, the authorities and the shareholders. The tasks of the Executive Chairman of the Board and the demarcation of responsibilities from those of the CEO are set out in the chapter 'Areas of responsibility'.

The Vice Chairmen are tasked with deputizing for the Executive Chairman should the latter be prevented from attending for any reason. In accordance with the Organizational Regulations and actual practice, the Vice Chairmen have no further duties.

The Vice Chairmen are elected by the Board of Directors.

The Board of Directors meets on being convened by the Executive Chairman as often as business requires but at least four times a year. The items on the agenda must be announced at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2016, the Board of Directors met six times, the meetings usually lasting a whole day.

The Executive Chairman may invite members of the Executive Board or other senior employees to attend Board meetings for individual items. Regular use is made of this option. External consultants participate in the meetings of the Board of Directors, the AFC, the RC or the HRNC only in exceptional circumstances to deal with particular items. As a rule, however, the meetings are held without external consultants.

Audit and Finance Committee
The AFC advises the Board of Directors in respect of its duties on behalf of the Group in the areas of financial reporting, the accounting standards and systems used, and decisions with significant financial implications. The AFC monitors the activities of the internal auditors and the external auditors. Moreover, it establishes the audit program of the internal auditors and proposes to the Board of Directors the choice of the external auditors for the attention of the General Meeting. The CEO and the CFO are regularly requested to attend meetings in an advisory capacity, while the internal and external auditors may attend on special invitation.

The AFC convenes as often as business requires, but at least twice a year. In the 2016 business year, two meetings were held, each lasting about half a day. The external auditors were present for some items on the agenda of the AFC's meeting on the financial statements and at the meeting to discuss the scope of the audit and the audit fee. The Ernst & Young representatives responsible for internal auditing attended both meetings held to discuss the internal audit reports.

Human Resources and Nomination Committee
We refer to the explanations in the remuneration report on pages 76 and 77.

Remuneration Committee
We refer to the explanations in the remuneration report on page 77.

Areas of responsibility
The Board of Directors bears ultimate responsibility for the management of Forbo Holding Ltd. The main duties of the Board of Directors are the following non-transferable and inalienable tasks pursuant to the Swiss Code of Obligations and the Articles of Association:

- ultimate management of the company and issuing the necessary directives
- definition of the organization
- organization of accounting, financial controlling, and financial planning
- appointment and dismissal of persons entrusted with the management of the company
- overall supervision of the persons entrusted with managing the company, particularly with respect to compliance with the law, articles of association, regulations, and directives
- preparation of the Annual Report as well as of the General Meeting and implementation of its resolutions
- preparation of the remuneration report
- notification of the court in the event of over-indebtedness

The Board of Directors bears ultimate responsibility for supervising and monitoring the management of the company and is responsible for the corporate strategy. It issues guidelines for business policy and is regularly briefed on the current state of business.

Business to be dealt with by the Board of Directors is regularly submitted in advance to the AFC, HRNC and RC, ad hoc committees or individual members, depending on the subject, for review or an opinion. With the exception of its non-transferable and inalienable tasks, the Board of Directors may transfer tasks and responsibilities in full or in part to individual members of the Board or to third parties.

The Board of Directors is empowered to take decisions on all matters which are not reserved or transferred to the General Meeting or another body of Forbo by law, the Articles of Association, or regulations.

Tasks of the Executive Chairman of the Board of Directors:

- leading the Board of Directors
- preparing the decisions of the Board of Directors and ensuring they are executed
- representing and positioning the Group in the public
- overall management of strategy development and involvement in realizing key strategic projects
- management of relationships with key accounts and business, sector and capital market partners

Tasks of the Chief Executive Officer:

- operational management of the Group
- leading the Executive Board
- development and operational implementation of strategies
- implementation and monitoring of multi-year planning and budgets
- support for the Executive Chairman of the Board of Directors in preparing important projects relating to strategy, personnel, and finances for discussion and decision-taking by the Board of Directors

The CEO reports to the Executive Chairman of the Board of Directors and as a rule participates in all Board meetings dealing with topics that are relevant for the exercise of his function. He himself though is not a member of the Board of Directors. All business management tasks that are not allocated to the Board of Directors or the Executive Chairman of the Board and that do not require the approval of the Board of Directors are delegated to the CEO and are conducted by him on his own responsibility. The CEO is responsible for ensuring compliance with the provisions of the law, the Articles of Association, and regulations throughout the Forbo Group.

In carrying out his tasks, the CEO is supported by the members of the Executive Board, who report to him. The Executive Board comprises the CEO, CFO, and the Executive Vice Presidents of the two divisions; it is responsible for the long-term success and market-driven management of the Forbo Group.

The members of the Executive Board are responsible for their particular area of activity and also bear co-responsibility for safeguarding the interests of the Group and achieving the financial Group result.

Information and control instruments vis-à-vis the Executive Board

At the meetings of the Board of Directors, any member may request information about any matter concerning the Forbo Group. Outside the meetings, such requests for information are to be addressed to the Executive Chairman. The CEO and the other members of the Executive Board inform the Board of Directors at each regular meeting about the current state of business, important business events, and significant deviations from the budget.

The Chairmen of the AFC, the HRNC, and the RC report at the Board of Directors meetings on the activities of their committees and express the opinions and recommendations of the AFC, HRNC or RC on the business items on which decisions are to be taken. Each member of the Board of Directors has the right to inspect the minutes of the AFC, HRNC, and RC meetings. The Executive Board reports to the AFC through the CFO in consultation with the CEO; it reports to the HRNC and RC through the CEO.

The Board is also regularly briefed outside meetings about events and challenges facing the Group and the general performance of the divisions. In addition, the Executive Chairman and the two Vice Chairmen are in regular contact when essential policy issues are involved. For important, particularly urgent events, the CEO informs the Executive Chairman of the Board of Directors immediately.

The Executive Board meets as often as business requires, normally once a month. In the 2016 business year, eight meetings were held, the meetings usually lasting half a day.

The CEO conducts the meetings of the Executive Board. For details concerning the participation of members of the Executive Board in meetings of the Board of Directors and its committees, see the sections on internal organization and on the AFC, HRNC, and RC on pages 64 and 65, as well as 76 and 77.

The Board of Directors furthermore fulfils its supervisory and monitoring obligations by means of financial reporting and its role in the planning cycle. The internal and external auditors also assist the Board in this task. Neither the external auditors nor the internal auditors, however, were invited to any meetings of the Board of Directors in 2016 as there were no special incidents or topics for discussion.

As part of financial reporting, the Board of Directors is informed as a rule once a month in writing about the company's current business performance and earnings situation by means of annotated income statements, key ratios, and deviation analyses.

The Board of Directors is, moreover, involved in the company's planning cycle. As a rule, the existing strategy is subjected to a thorough review by the Board of Directors in the first half of the year. The revised strategy is quantified in the three-year medium-term plan, which is normally approved at mid-year by the Board of Directors. Based on the medium-term plan, the Board of Directors sets the budget objectives for the coming business year. These budget objectives are the basis for the detailed budget, which is discussed and adopted by the Board of Directors in the fourth quarter.

The current business year is assessed in a first estimate always at the end of May and in a second estimate mid-October. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. This analysis is used to derive appropriate measures, which are then implemented in the next planning cycle.

Internal auditing is effected by Ernst & Young, which has been commissioned for this purpose. Internal auditing is administratively subordinated to the Executive Chairman of the Board of Directors, is functionally independent, and reports directly to the AFC.

The audits are conducted in accordance with an annual plan approved by the AFC. A distinction is made between ordinary and special engagement audits. The latter consist of limited reviews, follow-up reviews, compliance audits, and other special engagements. Where necessary, the risks and weaknesses identified in these audits are minimized or eliminated by measures adopted by management and are constantly monitored.

In 2016, a total of five internal audits were conducted. The internal audits were restricted to selected business processes. In its review of audited Group companies, Internal Audit included any issues that had been defined in the framework of the internal control system (ICS). Internal audits also involved various compliance reviews related to these processes. Lastly, additional risks and controls in connection with the above-mentioned business processes were analyzed in the audit. At least two companies in each division were audited in the course of the internal audits.

By means of self-assessments and management controls by division management, the implementation and reliability of the controls introduced with the ICS were examined to ensure that deviations were identified and that appropriate corrective measures were implemented.

Risk management

The ongoing and systematic evaluation of current and future risks invariably involves identifying and capitalizing on opportunities. Forbo regards risk management as a managerial and working tool designed, among other things, to safeguard the tangible and intangible assets of the company.

Forbo has a risk-based insurance coverage in line with industry practice and has appropriately insured in particular operational risks such as property damage, business interruption and liability. The risks specifically in the areas of property damage and business interruption are examined in the context of periodic risk engineering reports by external experts. For this purpose, production companies are visited at regular intervals, and comprehensive surveys are worked through with local management. Action plans are drawn up and implemented based on the risks identified. These risk engineering audits have been prepared since 1990.

As regards business risks, Forbo addresses strategic risks as well as market and financial risks. In the area of market risks, interest and currency risks are monitored centrally and hedged in certain cases. The liquidity and financing of subsidiaries are also monitored centrally. Please also refer to pages 135 to 139 of the financial report for more information on this subject.

With regard to the risk management process, the reader is referred to the relevant explanations on pages 135 to 139 (note 32 'Risk assessment and financial risk management') of the financial report.

Executive Board

Members of the Executive Board, other activities, and vested interests
The members of the Executive Board, their nationality, function, training and professional career, as well as other activities and vested interests, are set out on pages 47 and 48 of this Annual Report.

Statutory regulations governing the number of permissible activities pursuant to Article 12 Paragraph 1 Section 1 OaER
In accordance with Clause 22 of the Articles of Association, members of the Executive Board may hold no more than two mandates in listed companies and seven mandates in unlisted legal entities. The acceptance of mandates by members of the Executive Board is subject to prior approval by the Board of Directors. A mandate is defined as any activity in the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

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

Compensation, shareholdings, and loans

For the relevant information we refer to the remuneration report from page 75.

Shareholders' participation

Voting right restriction and representation
The registration of shares with voting rights in the share register requires the consent of the Board of Directors. Such consent may be withheld if the purchaser does not expressly declare that he/she has acquired and is holding the shares in his/her own name and for his/her own account. Pursuant to the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. The restriction also applies to shares that are subscribed or acquired through exercise of a subscription, option or convertible right. Resolutions on the amendment or abrogation of the clause on the registration of registered shares require a majority of two-thirds of the votes represented at the General Meeting and the absolute majority of the par value of the shares represented.

Deviating from Article 689 Paragraph 2 Swiss Code of Obligations, shareholders who are unable to attend the General Meeting in person may not be represented by any third party of their choosing. They may only be represented by the legal representative, the independent proxy, or another shareholder who is registered in the share register.

Electronic participation in the General Meeting
Clause 12 of the Articles of Association defines the rules for electronic issuing of instructions to the independent proxy; the precise modalities for this are defined by the Board of Directors. In accordance with Clause 14 of the Articles of Association, voting and elections at the General Meeting are in principle conducted electronically, unless the General Meeting decides that the ballot should be in writing or by a show of hands or the Chairman orders such a ballot procedure.

Statutory quorums

The Articles of Association of Forbo Holding Ltd do not provide for quorums that are larger than those stipulated by law for decisions of the General Meeting.

Convening of the General Meeting

The General Meeting is convened in accordance with the statutory provisions.

Agenda

Shareholders who represent shares with a par value of at least 1% of the share capital may request that an item be placed on the agenda. This request must be communicated to the Board of Directors in writing, indicating the proposals, at least 45 days before the date of the General Meeting.

Entry in the share register

In accordance with Clause 12 of the Articles of Association, the Board of Directors, in its invitation to the General Meeting, announces the cut-off date for entries in the share register authorizing shareholder participation and voting.

Changes in control and defense measures

Duty to make an offer

The Articles of Association of Forbo Holding Ltd do not contain an 'opting-up' clause or an 'opting-out' clause pursuant to Article 135 and 125 of the Financial Market Infrastructure Act.

Clause on changes of control

As per year-end 2016, no clauses on changes of control existed in agreements or plans involving members of the Board of Directors, the Executive Board or other members of management.

Auditors

Duration of the mandate and term of office of the head auditor

KPMG has been the Forbo Group's auditors since 2015. The auditors are elected every year by the Ordinary General Meeting on a proposal by the Board of Directors. Rolf Hauenstein has been the Auditor in Charge since April 24, 2015.

Auditing fees

The auditing fees levied by the Group's auditors for auditing the consolidated financial statements, including the statutory audit of the individual financial statements of the holding company and the consolidated subsidiaries, amounted to CHF 0.9 million in the year under review.

Additional fees

The additional consultancy fees that were invoiced by the auditing company amounted to CHF 0.1 million in 2016. These fees consist in the main of general tax advice as well as general advice.

Information instruments of the external auditors
The external auditors prepare as needed for the Executive Chairman of the Board of Directors, the CEO and the CFO an annual management letter on their work and the results of their audit at Group level in the year under review. The key points are submitted to the Board of Directors in the form of a comprehensive report. The external auditors also prepare management letters on the subsidiaries they have audited. The AFC assesses and evaluates the proposals and statements it has received and appraises the corrective measures taken by management. At the AFC's invitation, representatives of the external auditors attend the AFC meetings in an advisory capacity. The Chairman of the AFC reports on the activities of the AFC and its assessment of the external auditors at the meetings of the Board of Directors. Any member of the Board of Directors may inspect the minutes of the AFC meetings.

At its meetings, the AFC assesses the performance and fees of the external auditors as well as their independence in both their auditing and their non-auditing capacities. This evaluation is based on the documents prepared by the external auditors and the discussions held with the external auditors in the meetings. It also draws on the evaluation of the CFO, who, if required, obtains the opinion of local management with regard to the audit work for the subsidiaries. The criteria for the evaluation of the external auditors are, in particular, their technical and operational competency, their independence and objectivity, punctual delivery of audit reports, scope and focus of the audits, and the ability to provide effective and practical recommendations. This assessment by the AFC forms the basis for the proposal made by the Board of Directors to the Ordinary General Meeting regarding the choice of the external auditors.

Information policy

Transparency for investors
Forbo provides objective and periodic communication with shareholders, the capital market, the media, and the public by reporting in timely fashion on business trends and activities relevant to the company. The Executive Chairman of the Board of Directors can be contacted directly for such information.

Shareholders receive summary reports on the business year as well as half-year reports. The Annual Report, like all other published documents, is available in printed form as well as on the Internet at www.forbo.com. The General Meeting is an additional source of information. Periodic publication of media releases, the annual media and analysts' conference, and road shows are further information tools for the media and the capital market.

Ad hoc communication

Registration for the automated dissemination of ad hoc releases in accordance with the guideline on ad hoc publicity of the SIX Swiss Exchange is available at the following addresses:

www.forbo.com → Medien → Medienmitteilung 'Subscription Service'
www.forbo.com → Media → Media releases 'subscription service'

Notification to shareholders takes place through publication in the company's official publication provided no other form of information is stipulated. Written notification to shareholders takes place through a simple letter to the addresses listed in the share register.

A financial calendar with the key dates can be found on page 8 of this Annual Report. Further information on the Forbo share is printed on pages 54 and 55 of this Annual Report.

Publications may be ordered by e-mail, fax, or telephone:
E-Mail communications@forbo.com
Phone + 41 58 787 25 25
Fax + 41 58 787 20 25

The contact address for Investor Relations is:
Forbo International SA
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REMUNERATION REPORT

REMUNERATION REPORT

Introduction

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. The Ordinance allows a transition period until the end of 2015. The Board of Directors promptly submitted a comprehensive amendment of the Articles of Association to the Ordinary General Meeting of April 25, 2014. The present remuneration report was drawn up by the Board of Directors in compliance with the OaER and the amended Articles of Association.

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

In accordance with the amendment of the Articles adopted at the 2014 Ordinary General Meeting, the below rules apply to votes on remuneration.

Once a year, in a separate and binding ballot, the Ordinary General Meeting approves the maximum sum for the total remuneration to be paid to the Board of Directors for the business year following the Ordinary General Meeting. In addition, a vote is taken on the maximum total amount of fixed remuneration to be paid to the Executive Board for the business year following the Ordinary General Meeting, as well as the amount of variable remuneration to be paid to the Executive Board for the business year preceding the Ordinary General Meeting.

Owing to a change in the remuneration system effective as of 2017, shareholders will vote individually at the 2017 Ordinary General Meeting on the following four remuneration payments:

- Maximum total remuneration for the Board of Directors for 2018
- Maximum fixed remuneration for the Executive Board for 2018
- Variable remuneration of the Executive Board for 2016 (short-term incentive plan 2016)
- Maximum total amount of the variable long-term remuneration for the Executive Board for 2017 (long-term incentive plan 2017 – 2019)*

* See the explanation on page 78: outlook: important changes in 2017

The total remuneration was approved by a large majority in a consultative vote on the 2015 remuneration report at the Ordinary General Meeting of April 29, 2016 (agenda item 5.1). Participants in the 2017 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2016 remuneration report.

Content and methodology for determining the remuneration

The Human Resources and Nomination Committee (HRNC): task and function

The Human Resources and Nomination Committee (HRNC) advises the Board of Directors in exercising its responsibilities for the Group in matters relating to human resources and nominations both for the Board of Directors and the most senior level of management. More specifically, the HRNC formulates personnel policy proposals for appointments to the Board of Directors and to the posts of Chairman, CEO, and other Executive Board members for submission to the Board of Directors. Furthermore, it assesses and approves the proposals of the Executive Chairman of the Board and the CEO regarding Executive Board appointments and employment contracts. It also approves the acceptance of mandates by members of the Executive Board in companies that are not part of the Forbo Group.

The Human Resources and Nomination Committee meets as often as business requires, but at least twice a year. In the 2016 business year, the HRNC held two meetings, both lasting a couple of hours.

The Human Resources and Nomination Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 29, 2016, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2016 business year.

The Remuneration Committee (RC): task and function

The Remuneration Committee supports the Board of Directors in defining the principles of remuneration policy and in determining the remuneration paid to members of the Board of Directors and the Executive Board within the total sum of remuneration as approved by the Ordinary General Meeting. It supports the Board of Directors in drawing up participation programs and in all other tasks related to remuneration. The Remuneration Committee formulates appropriate recommendations for submission to the Board of Directors. The Board of Directors may delegate further duties and powers to the Remuneration Committee. The Executive Chairman of the Board of Directors is regularly invited to its meetings in an advisory capacity, as is the CEO in certain circumstances. Agenda items and matters directly affecting the function or the person of the Executive Chairman of the Board of Directors or the CEO are deliberated in their absence.

The Remuneration Committee meets as often as business requires, but at least twice a year. In the 2016 business year, the Remuneration Committee held three meetings, each lasting a couple of hours.

The Remuneration Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 29, 2016, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the Remuneration Committee for the 2016 business year. The members of the Remuneration Committee are independent (non-executive) members of the Board of Directors, i.e. they have never belonged to the management of Forbo and have no, or only negligible, business relations with the company, though they may be shareholders.

Decision-making process of the Remuneration Committee

The maximum amount of the total remuneration paid to the Board of Directors and the maximum fixed remuneration paid to the Executive Board are determined by the Remuneration Committee as a rule once a year in the spring for the following business year and are submitted to the Board of Directors for acceptance at its March meeting. The amount of the target bonus for the Executive Board is determined by the Remuneration Committee once a year in November for the following year.

	Proposal	Acceptance	Approval
Remuneration budget			
Maximum total remuneration of the Board of Directors	RC	BoD	Ordinary General Meeting for the following business year
Maximum fixed remuneration of the Executive Board	RC	BoD	Ordinary General Meeting for the following business year
Variable remuneration of the Executive Board (short-term incentive plan)	RC	BoD	Ordinary General Meeting for the preceding business year
Maximum total amount of the variable long-term remuneration for the Executive Board for 2017 (long-term incentive plan)*	RC	BoD	Ordinary General Meeting for current business year
Performance targets			
Performance targets – Executive Board re variable remuneration (short-term incentive plan)	RC	BoD	
Performance targets – Executive Board re variable long-term remuneration (long-term incentive plan)*	RC	BoD	
Performance targets – CEO	RC	BoD	

* See explanation on page 78: outlook: important changes in 2017

Important changes in 2016

In the 2016 business year there were no important changes in the remuneration system for the Board of Directors or the Executive Board.

Outlook: important changes in 2016

The variable remuneration currently paid to the Executive Board in the form of a performance-related bonus – the short-term incentive plan or STI – is to be amended to include a long-term participation scheme – the long-term incentive plan or LTI – with effect from January 1, 2017, and subject to approval by the Ordinary General Meeting of April 6, 2017.

The aim of the LTI is to link the remuneration of the Executive Board even more closely with the company's long-term success.

No payment under the LTI was made in 2016. The related amendment to the Articles of Association to be submitted to the Ordinary General Meeting of April 6, 2017, and approval of the maximum total sum of the LTI in 2017 will have no effect on disclosure of the 2016 remuneration.

The LTI 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 size of the PSU grant corresponds to a defined percentage of the Executive Board member's fixed remuneration. The percentage may vary from 10 to 30 percent. The PSUs are subject to a three-year vesting period. They are converted into vested shares only on condition that the performance objectives of the Group are achieved. At the end of the performance period, the company will determine the degree to which 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 3 years. They cannot be sold or pledged during this time. Immediately on termination of the plan participant's employment contract, regardless of whether the plan participant has terminated the contract or the company has terminated the contract with the plan participant, all PSUs are forfeited.

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 when the PSUs are granted.

The LTI performance indicators are geared to the company's long-term, sustainable development. The performance indicators consist of three, evenly weighted objectives. These are organic growth, return on net assets (RONA), and growth in earnings per share (EPS).

The LTI objectives are based on a target achievement of 100%. It is not possible to exceed the maximum target achievement level of 100%. If the member fails to reach a given threshold for an objective, no PSUs are converted into shares for this indicator.

Foreign members of the Executive Board may draw stock awards rather than shares when the PSUs are converted. The relevant shares are transferred after three years.

The degree to which objectives have been achieved is determined in March on conclusion of the three-year performance period.

Principles of remuneration for the Board of Directors and the Executive Board

Forbo's remuneration strategy is geared to long-term and sustainable corporate development. The aim is to remunerate employees appropriately for their achievements, commitment, and performance, and thereby gain their long-term loyalty to the company. The purpose of paying part of the remuneration in the form of shares is to link the interests of the managers to those of the shareholders. The portion of the remuneration paid in shares is tied to a fixed remuneration amount.

The members of the Board of Directors receive a fixed remuneration, the amount of which is determined according to whether the member is Board Chairman, a simple Board member or also a member of one of the Board committees. The remuneration is paid out to members of the Board of Directors partly in the form of locked-up shares in Forbo Holding Ltd.

The members of the Executive Board receive a fixed and a variable remuneration. The fixed remuneration is paid mainly in cash but may also include shares of Forbo Holding Ltd. The portion paid in shares is tied to a fixed remuneration amount. The variable remuneration consists of a performance-based remuneration (bonus), at least 50% of which must be taken in the form of locked-up shares of Forbo Holding Ltd (see the description of the management investment plan (MIP) on pages 83 and 84 of this remuneration report). The portion paid in shares is tied to a fixed remuneration amount. The bonus is tied to the achievement of individual (qualitative) targets by each Executive Board member and of financial (quantitative) targets by the company. Depending on the function and responsibilities of the Executive Board member in question, these financial targets may be tied to Group and/or divisional objectives. It may not exceed 200% of the fixed remuneration of the individual Executive Board member.

The relevant statutory provisions governing the principles of performance-based remuneration, the distribution of shares, and the additional sum for remuneration of new members of the Executive Board who are appointed after the Ordinary General Meeting are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd. These can be found at:
www.forbo.com → Investors → Ordinary General Meeting

Determining the remuneration of the Board of Directors

In order to determine the remuneration of the Board of Directors, the compensation paid to Board members of Forbo Holding Ltd is compared periodically with that paid to Board members of comparable industrial companies based on information that is available from publicly accessible sources, from respected market data providers, and from data published by Ethos (the Foundation for Socially Responsible Investment and Active Shareownership) or is known to Board members from their experience of office in similar companies. Industrial companies are regarded as comparable if they are similar to Forbo in terms of sector, structure, size (sales and number of employees), geographic presence, profitability, market capitalization, and complexity. As a general rule, no external consultants are co-opted for determining the remuneration.

The relevant statutory provisions governing the principles of performance-driven remuneration and the distribution of shares are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd. These can be found at:
www.forbo.com → Investors → Ordinary General Meeting

Elements of remuneration for the Board of Directors

Non-executive members of the Board of Directors
The non-executive members of the Board of Directors receive a fixed remuneration, the amount of which is determined according to whether the member is Board Chairman, a simple Board member or also a member of the Audit and Finance Committee (AFC), the Remuneration Committee (RC) or the Human Resources and Nomination Committee (HRNC). Of the remuneration, 40% is paid to the Board of Directors in shares of Forbo Holding Ltd. The portion paid in shares is tied to a fixed remuneration amount. These shares have a lock-up period of three years. The number of shares issued is determined by taking the average price in the ten stock market days after distribution of a dividend or repayment of par value. If no dividend is distributed or no par value repayment made, the average price during the first ten stock market days starting on June 1 of the relevant business year applies. The settlement or payment of the shares usually takes place in November.

For the purpose of reporting the remuneration, the shares issued are valued at fair value on the date of allocation. The total compensation for the non-executive members of the Board of Directors also includes a lump sum for expenses plus employer contributions to the usual social insurance benefits.

The non-executive Board members do not participate in the management investment plan (MIP).

Executive Chairman of the Board of Directors
The compensation for the Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors is disclosed separately and included under total remuneration to the Board of Directors.

With effect from May 2013, the employment contract with the Delegate of the Board of Directors, and as of April 25, 2014, the Executive Chairman of the Board of Directors, was extended to encompass the period from May 1, 2013, to December 31, 2016. The remuneration will again be paid mainly in locked-up shares which have lock-up periods of three, four, and five years respectively, and in an annual cash payment of CHF 310,000, to be used in part for taxes and for employee contributions to the pension fund and social security. The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which Forbo Holding Ltd shares were traded on the stock market in 2012 (CHF 522.12), less the reduced value as a result of locking up the shares. The share package corresponds to annual compensation of CHF 2,200,000 (5,314 shares).

With this share package and this cash remuneration, all compensations such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked-up shares will be available on May 1, 2018, at the earliest. This compensation model is thus geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders.

The total remuneration of the Delegate of the Board of Directors and as of April 25, 2014, the Executive Chairman of the Board of Directors for the period from May 1, 2013, to December 31, 2016, was described in detail in the 2012 Annual Report and was approved by a majority of 98% in a consultative vote at the Ordinary General Meeting of April 26, 2013.

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. According to Article 28 of the OaER, employment contracts must be compliant with the OaER by December 31, 2015, at the latest. Consequently, all payments that had been agreed and were paid out for 2016 have to be reversed by December 31, 2015, at the latest. The value of this fixed remuneration for This E. Schneider came to CHF 2,200,000 for 2016. In order to comply with and implement the provisions of the OaER, Forbo and This E. Schneider have agreed that he will repay Forbo in cash the amount of his fixed compensation for the period from January 1, 2016, to December 31, 2016, plus interest of 0.5% from May 1, 2013, to December 31, 2013. The repayment was completed before year-end 2013 and has been paid out to him again in monthly installments during 2016 after the approval of the 2015 Ordinary General Meeting. The compensation package and the relevant agreements were adjusted accordingly. No severance payment or compensation in the event of a takeover was agreed; the period of notice is 12 months.

The total compensation for the Executive Chairman of the Board of Directors came to CHF 2,964,562 for the year under review. Contained in this amount and reported in the column 'Other payments' are employer contributions to the pension fund, other usual social insurance benefits, private use of the company car, contributions for accident and health insurance, and location expenses. The Executive Chairman of the Board of Directors is not a party to the management investment plan (MIP) or the share-based compensation program of the Board of Directors.

Remuneration paid

For the remuneration paid to the Board of Directors in the year under review and the details concerning valuation of the shares, the reader is referred to pages 86 to 89 of this remuneration report.

Determining the remuneration of the Executive Board

Basic principles

In order to determine the remuneration of the Executive Board, criteria such as function, responsibility and experience are taken into account and the remuneration paid to Forbo Executive Board members is compared with that paid to Executive Board members in comparable industrial companies. This is based on information that is available from publicly accessible sources, from respected market data providers, and from data published by Ethos (the Foundation for Socially Responsible Investment and Active Shareownership) or is known to the members of the Remuneration Committee from their experience of office in similar companies. Industrial companies are regarded as comparable if they are similar to Forbo in terms of sector, structure, size (sales and number of employees), geographic presence, profitability, market capitalization, and complexity. As a general rule, no external consultants are co-opted for determining the remuneration.

Alignment of performance-based remuneration to the corporate strategy

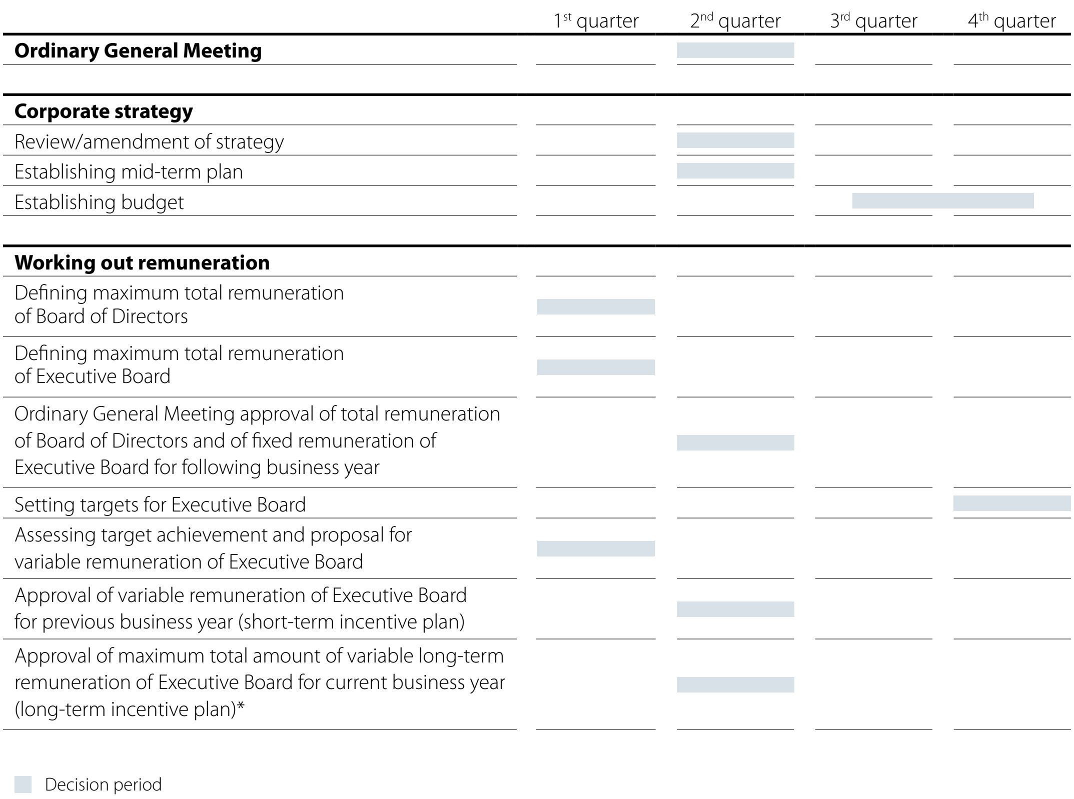
The remuneration strategy of Forbo is geared to its current corporate strategy and linked to the relevant key ratios. This is reflected in the choice of performance criteria that are tied to Group and/or divisional objectives depending on the function of the individual Executive Board member; these include net sales, EBIT, net working capital and free cash flow. The criteria for determining the remuneration paid to Executive Board members are thus transparent.

The Board of Directors is closely involved in the company's planning cycle. As a rule, the current corporate strategy is subjected to an in-depth review by the Board in the first half of the year. Once it has been confirmed or revised, the strategy is quantified in the three-year medium-term plan, which is approved at mid-year by the Board of Directors. Based on the medium-term plan, the Board of Directors sets the budget objectives for the coming business year. These budget objectives are the basis for the detailed budget, which is examined and adopted by the Board of Directors in the fourth quarter.

The Board of Directors assesses the current business year by means of an initial estimate at the end of May and a second estimate in mid-October. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. The actual amount of the performance-driven remuneration paid out to the Executive Board is determined on the basis of the achievement of these individual targets. The Board of Directors defines the relation between budget target achievement and payment ratio.

The performance-driven portion of the remuneration for the previous year is paid out on completion of the business year and after approval by the shareholders. Impacts/performance criteria affecting the amount of the payment are tied directly to Group profitability. The chart below provides a detailed breakdown on the timing and connection between the corporate targets and the remuneration.

Planning cycle



* See the explanation on page 78: outlook: important changes in 2017

Elements of remuneration of the Executive Board

Remuneration of the members of the Executive Board consists of a fixed base salary and a performance-driven bonus.

Fixed remuneration
The fixed base remuneration paid to the Executive Board in the reporting year consists of the gross base salary, private company car use, and social security payments made by the company. The Remuneration Committee may also decide that part of the remuneration will be paid in the form of shares in Forbo Holding Ltd (lock-up period of five years).

Performance-based remuneration (short-term incentive plan)
The variable (performance-based) remuneration component is tied to qualitative (individual) and quantitative (financial) targets, which are defined in accordance with the operational responsibility of the Executive Board member in question. The Board of Directors defines and weights the individual and financial targets.

The qualitative targets are geared to the company's long-term sustainable development and may account for 10% of the total variable remuneration. The remaining portion of the variable remuneration component depends on achievement of the financial (quantitative) targets. The main targets for members of the Executive Board are: net sales of the Group and/or a division (25 to 30% of the variable remuneration), EBIT of the Group and/or a division (50 to 55% of the variable remuneration), net working capital of the Group and/or a division (5 to 10% of the variable remuneration), RONA of the Group (0 to 10% of the variable remuneration) and free cash flow of the Group (0 to 10% of the variable remuneration).

The defined objectives of the entire variable remuneration are equivalent to 100% target achievement. The maximum target achievement is 150%. If a given threshold for a particular target is not reached, no bonus for that target is paid. Depending on the function, the variable remuneration may be as much as 140% of the fixed remuneration if targets are fully met. If the targets are exceeded, the variable remuneration may be as much as 200% of the fixed remuneration.

The amount of the performance-driven bonus, which is based on achievement of the individual and Group targets, is set in March on completion of the business year and is submitted to shareholders for approval at the Ordinary General Meeting.

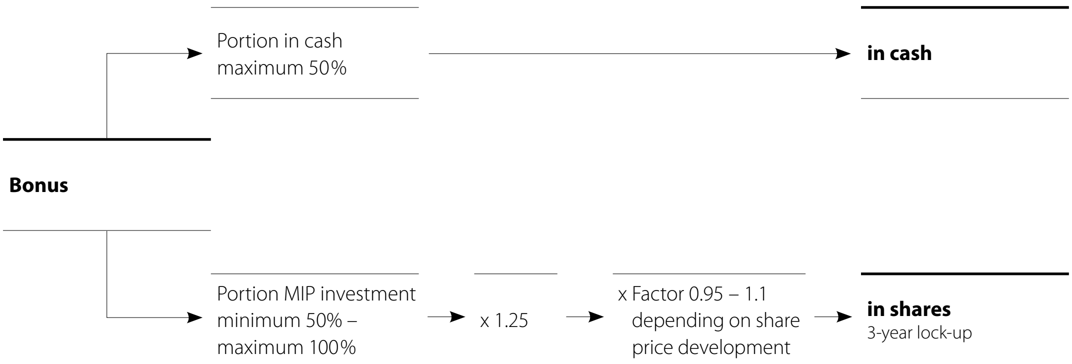
Conversion of remuneration into shares in the management investment plan (MIP)
The bonus payment is linked to the management investment plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual bonus of Executive Board members must be paid into the MIP. The portion paid in shares is derived from a fixed remuneration amount.

As for the remaining 50% of the annual bonus, the Executive Board members may either draw all or part of it in cash or pay it into the MIP. The Executive Board members may redefine the allocation of this remaining 50% every year. The portion paid in shares is derived from a fixed remuneration amount.

Following the amendment of the MIP, all the sums paid into it will be invested solely in shares of Forbo Holding Ltd as of January 1, 2013. As a first step, the amount invested in the MIP will be increased by 25%, partly in order to take account of the three-year lock-up period. In addition, this amount will be multiplied by a factor that tracks the share price movement. This factor is calculated as follows:

((SPA – SPP)/SPP) + 1, where 'SPA' stands for the share price applicable for the allocation of shares in the year of allocation and 'SPP' for the applicable share price in the previous year. The upper limit for this factor is 1.1 and the lower limit is 0.95.

The relevant share price for the allocation of shares is calculated from the unweighted average of the closing prices of the Forbo share in the first fourteen trading days in January of the allocation year. The shares are locked up for a period of three years. They cannot be sold or pledged during this time.



Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

Actual bonus payments
Readers are referred to pages 86 to 89 of this remuneration report for the amount of the actual variable remuneration paid to the Executive Board in the year under review and for the details on valuation and allocation of shares.

Employment contracts of the Executive Board members

According to Article 28 of the OaER, employment contracts had to be compliant with the OaER by December 31, 2015 at the latest.

Consequently, the employment contracts of the Executive Board members were already adjusted in 2014 in order to meet the ordinance guidelines that came into effect in 2015. The employment contracts of the Executive Board members provide for contracts of indefinite duration with a maximum period of notice of twelve months.

The Board of Directors can order that lock-up periods stipulated in the employment contracts of Executive Board members in connection with the MIP may be revoked wholly or in part upon the occurrence of defined events (e.g. change of control, termination of employment, retirement or death).

Should changes in control of the company occur, no additional remuneration or benefits will be paid out.

No severance payments have been agreed with Executive Board members.

Remuneration elements allocated for previous years and still outstanding

Under the previous MIP, 25% of the payments 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 options issued in connection with the MIP come to maturity no later than April 21, 2017. Owing to the revision of the MIP, the sums paid into the MIP are no longer invested in options and shares as of January 1, 2013, but solely in shares of Forbo Holding Ltd. These shares are subject to a lock-up period of three years.

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

Details on MIP allocation

The shares and options issued in connection with the MIP are equity-settled. The options were issued on the basis of a valuation by an independent bank, with the valuation being based on the average market price of the shares in the first 14 trading days in January of the year the allocation was made. The last allocation of options was made in 2012. The shares that were distributed in connection with the MIP up to and including 2012 were issued at the average market price for the first 14 trading days in January of the corresponding year.

Disclosure of remuneration for the Board of Directors and the Executive Board

Remuneration of the Board of Directors

The total remuneration paid to the non-executive members of the Board of Directors came to CHF 813,772 in the year under review (previous year: CHF 813,760). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 415,414 (previous year: CHF 415,487) and the base remuneration in shares (40% of the remuneration) of CHF 332,987 (previous year: CHF 332,905). This corresponds to 278 shares (previous year: 284 shares) at a market value of CHF 1,197.80 (previous year: CHF 1,172.20). The portion paid in shares is tied to a fixed remuneration amount. This total remuneration includes a lump sum for expenses plus employer contributions to the usual social insurances, which are reported separately in the column 'Other remuneration'.

The remuneration paid to the Executive Chairman of the Board of Directors is explained in detail on pages 80 and 81 of this remuneration report.

Remuneration of the Executive Board

The total remuneration paid to the members of the Executive Board came to CHF 3,606,280 in the year under review (previous year: CHF 2,921,338), subject to approval of the variable portion by the 2017 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,727,003 (previous year: CHF 1,700,352) and variable remuneration (short-term incentive plan) of CHF 1,386,787 (previous year: CHF 790,135) plus the private use of the company car, employer contributions to the pension fund and other usual social insurances, which are reported separately in the column 'Other remuneration'.

The fixed portion of the base salary paid in shares (lock-up period of five years) came to CHF 404,478 (previous year: CHF 404,619). The portion paid in shares is tied to a fixed remuneration amount. The portion of the variable remuneration (short-term incentive plan) paid in shares in connection with the MIP (lock-up period of three years) came to CHF 1,300,125 (previous year: CHF 720,127), which is subject to approval by the 2017 Ordinary General Meeting. The portion paid in shares is tied to a fixed remuneration amount.

Disclosure of remuneration of the Board of Directors and Executive Board

Remuneration
For the year 2016[1)]

	Base salary			Variable remuneration[2)]			Other remu-neration[3)]	Total
	Cash		Shares	Cash		Shares		
Name and function	CHF	Number	CHF	CHF	Number	CHF	CHF	CHF
This E. Schneider, Executive Chairman[4)]	310,000	5,314	2,200,020				454,542	2,964,562
Michael Pieper, Vice Chairman	80,692	54	64,681				12,058	157,431
Dr. Peter Altorfer, Vice Chairman	104,601	70	83,846				17,695	206,142
Claudia Coninx-Kaczynski, member	71,726	48	57,494				13,500	142,720
Dr. Reto Müller, member	71,726	48	57,494				13,500	142,720
Vincent Studer, member	86,669	58	69,472				8,618	164,759
Board of Directors total[5)]	**725,414**	**5,592**	**2,533,007**				**519,913**	**3,778,334**
Executive Board[6)7)8)] total	**1,322,525**	**326**	**404,478**	**86,662**	**959**	**1,300,125**	**492,490**	**3,606,280**
Of whom highest paid-member of Executive Board	400,000	162	201,031	0	450	610,069	206,869	1,417,969

1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements.

2) The variable remuneration of the Executive Board corresponds to the actual degree to which targets were reached in 2016 and will be submitted to the April 2017 Ordinary General Meeting for approval. The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo shares in the first 14 trading days in January of the allocation year in connection with the MIP. The allocation takes place in April (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year. The value at allocation was CHF 1,355.71. The shares are locked up for a period of three years.

3) 'Other remuneration' includes in particular employer contributions to the usual social insurances, private use of the company car and lump sum or on-site expenses.

4) This E. Schneider was Delegate of the Board of Directors until the 2014 Ordinary General Meeting. From this point on, he has had the function of Executive Chairman of the Board of Directors. Please refer to pages 80 and 81 of this remuneration report for details of his remuneration structure. These remarks also contain the criterion for determining the number of shares issued and their lock-up periods.

5) The criterion for determining the number of shares issued for the non-executive members of the Board of Directors is the average share price in the ten trading days after payment of the dividend or repayment of the par value: CHF 1,197.80. The allocation is made at the discounted tax value of CHF 1,005.70. The shares are locked up for a period of three years and are reported at market value in the table above.

6) Remuneration of the entire Executive Board including the highest paid Executive Board member.

7) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated in April for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of five years. The value of the shares allocated was CHF 1,060.57 in 2016 and CHF 1,355.71 for 2017.

8) The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares for the bonus for the business year 2016 will be allocated in April 2017, subject to approval by the 2017 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,355.71. Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

Remuneration
For the business year 2015[1)]

	Base salary			Variable remuneration[2)]			Other remu-neration[3)]	Total
	Cash	Shares		Cash	Shares			
Name and function	CHF	Number	CHF	CHF	Number	CHF	CHF	CHF
This E. Schneider, Executive Chairman[4)]	297,983	5,314	2,200,020				436,614	2,934,617
Michael Pieper, Vice Chairman	80,869	55	64,471				12,088	157,428
Dr. Peter Altorfer, Vice Chairman	104,138	72	84,398				17,606	206,142
Claudia Coninx-Kaczynski, member	71,774	49	57,438				13,531	142,743
Dr. Reto Müller, member	71,774	49	57,438				13,531	142,743
Vincent Studer, member	86,932	59	69,160				8,612	164,704
Total Board of Directors[5)]	**713,470**	**5,598**	**2,532,925**				**501,982**	**3,748,377**
Total Executive Board[6)7)8)]	**1,295,733**	**394**	**404,619**	**70,008**	**679**	**720,127**	**430,851**	**2,921,338**
Of whom highest-paid Executive Board member	400,000	196	201,249	0	328	347,867	169,893	1,119,009

1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements.

2 The variable remuneration of the Executive Board corresponds to the actual degree to which targets were reached in 2015 and has been submitted to the April 2016 Ordinary General Meeting for approval. The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo shares in the first 14 trading days in January of the allocation year in connection with the MIP. The allocation takes place in late April/early May (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year. The value at allocation was CHF 1,060.57. The shares are locked up for a period of 3 years.

3) 'Other remuneration' includes in particular employer contributions to the usual social insurances, private use of the company car and lump sum or on-site expenses.

4) This E. Schneider was Delegate of the Board of Directors until the 2014 Ordinary General Meeting. From this point on, he has had the function of Executive Chairman of the Board of Directors. Please refer to pages 80 and 81 of this remuneration report for details of his remuneration structure. These remarks also contain the criterion for determining the number of shares issued and their lock-up periods.

5) The criterion for determining the number of shares issued for the non-executive members of the Board of Directors is the average share price in the ten trading days after payment of the dividend or repayment of the par value: CHF 1,172.20. The allocation is made at the discounted tax value of CHF 984.20. The shares are locked up for a period of three years and are reported at market value in the table above.

6) Remuneration of the entire Executive Board including the highest paid Executive Board member.

7) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated in late April/early May for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of 5 years. The value of the shares allocated was CHF 965.65 in 2015 and CHF 1,060.57 in 2016.

8) The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares for the bonus for the business year 2015 were allocated in late April 2016, after approval by the 2016 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,060.57. Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after 3 years.

Options

As of the 2013 business year, no options have been issued in connection with the MIP. However, there are still options outstanding within the management investment plan (MIP), which was launched in 2006 and revised in 2012.

As at the balance sheet date December 31, 2016, the Executive Board held the following options:

Allocation	Number	Term	Locked-up until	Subscription ratio	Strike price (CHF)
2012	500	20.04.2012 – 21.04.2017	20.04.2015	1:1	616.33

Advances and loans

As at December 31, 2016, no advances or loans to members of the Board of Directors or the Executive Board were outstanding.

The relevant statutory provisions concerning advances, loans and employee benefits for members of the Board of Directors and the Executive Board are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd can be downloaded at:
www.forbo.com → Investors → Ordinary General Meeting

Disclosure of shareholdings pursuant to Article 663c CO

2016 business year

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

Name and function	Shares	Options[1] 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 3, 4, and 5 years. The last third of the shares will be available on May 1, 2018, at the earliest.

As at December 31, 2015, 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 2015

	Shares	Options[1]
Name and function		2012 series 1:1[2]
This E. Schneider, Executive Chairman[3]	46,221	
Michael Pieper, Vice Chairman	544,122	
Dr. Peter Altorfer, Vice Chairman	1,104	
Claudia Coninx-Kaczynski, member	85	
Dr. Reto Müller, member	505	
Vincent Studer, member	754	
Total Board of Directors	**592,791**	
Stephan Bauer, Chief Executive Officer	1,524	
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	1,944	500
Andreas Spreiter, Chief Financial Officer	1,102	
Jean-Michel Wins, Executive Vice President Movement Systems	195	
Total Executive Board	**4,765**	**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 fiscal 2013, no more options were issued under the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and amended in 2012.

2) Subscription ratio.

3) The share portion for the Executive Chairman of the Board 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 3, 4, and 5 years. The last third of the shares will be available on May 1, 2018, at the earliest.

Report of the statutory auditor

Report of the Statutory Auditor

To the General Meeting of Shareholders of Forbo Holding Ltd, Baar

We have audited the accompanying remuneration report of Forbo Holding Ltd for the year ended December 31, 2016. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) on pages 87 to 90 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended December 31, 2016, of Forbo Holding Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, March 2, 2017

FINANCIAL REPORT

Consolidated balance sheet

		31.12.2016	31.12.2015
Assets			
CHF m	Note		
Non-current assets		**388.1**	**402.8**
Property, plant, and equipment	14	227.6	227.3
Intangible assets and goodwill	15	119.8	135.7
Deferred tax assets	12	40.5	39.5
Other non-current financial assets		0.2	0.3
Current assets		**601.2**	**509.3**
Inventories	16	206.4	214.5
Trade receivables	17	151.4	147.3
Other receivables		19.8	18.8
Accrued income and deferred expenses		13.9	12.4
Cash and cash equivalents	18	209.7	116.3
Total assets		**989.3**	**912.1**

Shareholders' equity and liabilities			
CHF m	Note		
Shareholders' equity		**621.4**	**559.2**
Share capital	20	0.2	0.2
Treasury shares	20	– 0.1	– 0.1
Reserves and retained earnings		621.3	559.1
Non-current liabilities		**126.1**	**120.7**
Non-current financial debt	22	0.4	0.9
Employee benefit obligations	23	88.7	70.1
Non-current provisions	24	26.1	25.7
Deferred tax liabilities	12	10.9	24.0
Current liabilities		**241.8**	**232.2**
Trade payables		95.4	77.4
Current provisions	24	20.2	18.0
Accrued expenses and deferred income	25	81.5	79.9
Current financial debt	26	0.1	0.1
Current tax liabilities		20.4	20.3
Other current liabilities		24.2	36.5
Total liabilities		**367.9**	**352.9**
Total shareholders' equity and liabilities		**989.3**	**912.1**

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

Consolidated income statement

CHF m	Note	2016	2015
Continuing operations			
Net sales	5	**1,185.5**	**1,139.1**
Cost of goods sold		– 715.2	– 698.3
Gross profit		**470.3**	**440.8**
Development costs	6	– 15.1	– 15.1
Marketing and distribution costs		– 190.7	– 181.1
Administrative costs		– 95.0	– 89.8
Other operating expenses	7	– 16.7	– 16.6
Other operating income	8	4.4	4.6
Operating profit		**157.2**	**142.8**
Financial income	10	2.0	2.0
Financial expenses	11	– 0.1	– 0.4
Group profit before taxes		**159.1**	**144.4**
Income taxes	12	– 31.5	– 28.7
Group profit for the year from continuing operations		**127.6**	**115.7**
Group profit for the year from discontinued operations after taxes	27	**0.0**	**0.0**
Group profit for the year		**127.6**	**115.7**
Group profit attributable to shareholders of Forbo Holding Ltd.		127.6	115.7
Earnings per share, total			
CHF			
Basic earnings per share	13	74.66	62.14
Diluted earnings per share	13	74.65	62.13
Earnings per share from continuing operations			
CHF			
Basic earnings per share	13	74.66	62.14
Diluted earnings per share	13	74.65	62.13

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

Consolidated comprehensive income statement

CHF m	Note	2016	2015
Group profit for the year		**127.6**	**115.7**
Items that will not be reclassified to the income statement:			
Remeasurements of employee benefit obligations, net of taxes	12	– 14.6	– 10.0
Items that are or may be subsequently reclassified to the income statement:			
Translation differences		– 27.2	– 48.7
Other comprehensive income for the year, net of tax		**– 41.8**	**– 58.7**
Total comprehensive income		**85.8**	**57.0**
Total comprehensive income attributable to the shareholders of Forbo Holding Ltd.		85.8	57.0

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

Consolidated statement of changes in equity

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**

2015

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
December 31, 2014	**0.2**	**–0.1**	**982.9**	**–244.2**	**738.8**
Group profit for the year			115.7		115.7
Other comprehensive income for the year, net of tax			–10.0	–48.7	–58.7
Total comprehensive income			**105.7**	**–48.7**	**57.0**
Share-based payments			3.8		3.8
Treasury shares	–0.0	0.0	–210.1		–210.1
Dividend payment			–30.3		–30.3
December 31, 2015	**0.2**	**–0.1**	**852.0**	**–292.9**	**559.2**

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

Consolidated cash flow statement

		2016	2015
Cash flow from operating activities			
CHF m	Note		
Group profit for the year		**127.6**	**115.7**
Tax expense	12	31.5	28.7
Financial result		– 1.9	– 1.6
Depreciation of property, plant, and equipment	14	29.9	29.3
Amortization of intangible assets	15	5.9	2.8
Loss from the sale of non-current assets		0.0	0.1
Share-based payments	21	4.8	3.8
Income tax paid		– 29.9	– 28.1
Increase in provisions and employee benefit obligations		0.4	2.0
Decrease/Increase (–) in net operating working capital[1]		19.2	– 8.9
Increase in other current assets		– 21.0	– 2.9
Net cash flow from operating activities		**166.5**	**140.9**
Cash flow from investing activities			
CHF m	Note		
Purchase of business operations net of cash acquired		– 1.7	0.0
Purchase of non-current assets		– 40.0	– 39.5
Proceeds from the disposal of non-current assets		0.9	0.2
Proceeds from other current financial assets		0.0	50.2
Interest received	10	0.5	0.5
Net cash flow from investing activities		**– 40.3**	**11.4**
Cash flow from financing activities			
CHF m	Note		
Repayment of current financial debt		0.0	– 0.5
Repayment of non-current financial debt	22	– 0.5	– 0.5
Interest paid	11	0.0	0.0
Purchase of treasury shares		0.0	– 205.8
Proceeds from sale of treasury shares		0.0	5.3
Dividend payment		– 29.1	– 30.3
Net cash flow from financing activities		**– 29.6**	**– 231.8**
Change in cash and cash equivalents			
CHF m	Note		
Increase/Decrease (–) in cash and cash equivalents		96.6	– 79.5
Translation differences on cash and cash equivalents		– 3.2	– 9.3
Total cash and cash equivalents at beginning of year	18	116.3	205.1
Total cash and cash equivalents at year-end	**18**	**209.7**	**116.3**

1) Net operating working capital includes the items 'Trade receivables', 'Inventories', and 'Trade payables'.

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

Notes – accounting principles

1 General information

Forbo Holding Ltd ('the company') and its subsidiaries (together with the company constituting the 'Group') manufacture floorings, construction adhesives, and drive and conveyor technology. The Group has a global network of locations with production and distribution as well as pure sales companies.

The company is a public limited company under Swiss law, domiciled in Baar, Switzerland. It is listed on the SIX Swiss Exchange.

These financial statements were approved by the Board of Directors on March 2, 2017, and released for publication on March 7, 2017. This financial report is subject to approval by the Ordinary General Meeting of April 6, 2017.

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.

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

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 sells fabric conveyor belts and plastic modular belts. Tema S.r.l. is now an additional service point for the Movement Systems division in northern Italy.

In addition, in the reporting 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 140 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)	
			2016	2015	2016	2015
Exchange rates						
Euro zone	EUR	1	1.0901	1.0684	1.0719	1.0878
USA	USD	1	0.9853	0.9627	1.0184	1.0019
Great Britain	GBP	1	1.3354	1.4712	1.2576	1.4772
Japan	JPY	100	0.9071	0.7954	0.8709	0.8329
China	CNY	100	14.8300	15.3200	14.6600	15.4300
Sweden	SEK	100	11.5216	11.4181	11.1963	11.8561

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.

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 or sell 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 option programs. To take account of the dilutive effect of option programs, 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 outstanding options. 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	no depreciation
Buildings	20 to 40 years
Modifications and installations	5 to 10 years or duration of rental contract
Machines and tools	5 to 10 years
Other operational assets	3 to 10 years
Vehicles	5 years
IT	3 to 5 years
Assets under construction	no depreciation

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 financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified in this category unless they are designated as hedges.

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 twelve 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 3 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 14 'Property, plant, and equipment' and note 15 'Intangible assets and goodwill'.

Valuation of pension plan liabilities
Various employee pension plans and schemes 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 23 '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 24 '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, 2016:

- *Accounting for acquisitions of interests in a joint operation (amendments to IFRS 11)*
- *Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and 38)*
- *Annual improvements to IFRS 2012 – 2014 cycle*
- *Disclosure initiative (amendments to IAS 1)*

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

Introduction of new standards in 2017 and beyond

The following new and revised standards and interpretations that were published by end-2016 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'	**	January 1, 2018	Business year 2018
IFRS 16 – 'Leases'	***	January 1, 2019	Business year 2019
Amendments and changes to standards and interpretations:			
Disclosure initiative (amendments to IAS 7)	*	January 1, 2017	Business year 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	*	January 1, 2017	Business year 2017
Annual improvements to IFRS 2014 – 2016 cycle	*	January 1, 2017	Business year 2017
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	*	January 1, 2018	Business year 2018
Applying IFRS 9 – 'Financial instruments' with IFRS 4 – 'Insurance contracts' (amendments to IFRS 4)	*	January 1, 2018	Reporting year 2018

* No significant impact on the consolidated financial statements is expected.

** Mainly additional disclosures in the consolidated financial statements are anticipated.

*** The impact of recognizing leases in the balance sheet cannot yet be fully assessed.

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:

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
EBIT	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

Segment information on the reportable segments for the prior year:

2015				
CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	791.8	347.9	– 0.6	1,139.1
Inter-segment sales	– 0.5	– 0.1	0.6	0.0
Net sales to third parties	791.3	347.8		1,139.1
EBIT	109.8	42.9	– 9.9	142.8
EBITDA	133.1	51.2	– 9.5	174.8
Operating assets	528.6	215.2	12.3	756.1
Capital expenditure	30.5	8.9	0.1	39.5
Number of employees (December 31)	3,006	2,174	42	5,222

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:

	2016	2015
CHF m		
Total segment result (EBIT)	**157.2**	**142.8**
Financial result	1.9	1.6
Group profit before taxes	**159.1**	**144.4**

	31.12.2016	31.12.2015
CHF m		
Total operating assets	**738.9**	**756.1**
Non-operating assets	250.4	156.0
Total assets	**989.3**	**912.1**

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

	2016 Third-party sales	2015 Third-party sales
CHF m		
Switzerland (domicile)	23.2	26.1
France	146.3	139.1
Germany	139.7	134.0
Benelux	116.6	108.4
Great Britain and Ireland	108.6	123.0
Scandinavia	103.4	100.4
Southern Europe	63.7	55.9
Eastern Europe	55.0	47.9
Europe	**756.5**	**734.8**
North, Central, and South America	**251.0**	**239.4**
Asia/Pacific and Africa	**178.0**	**164.9**
Total net sales to third parties	**1,185.5**	**1,139.1**

	31.12.2016 Operating assets	31.12.2015 Operating assets
CHF m		
Switzerland (domicile)	27.6	29.5
France	62.9	62.4
Germany	78.9	77.1
Benelux	192.9	188.6
Great Britain and Ireland	123.5	155.1
Scandinavia	24.7	25.5
Southern Europe	20.9	18.2
Eastern Europe	19.9	17.8
Europe	**551.3**	**574.2**
North, Central, and South America	**99.2**	**100.9**
Asia/Pacific and Africa	**88.4**	**81.0**
Total operating assets	**738.9**	**756.1**

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 15.1 million in the reporting year (2015: 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.

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.

9 Personnel expenses

	2016	2015
Personnel expenses		
CHF m		
Salaries and wages	281.0	267.7
Social security contributions	68.3	65.6
Employee benefit expenses for defined benefit plans	6.4	3.9
Total personnel expenses	**355.7**	**337.2**

As at December 31, 2016, the headcount was 5,346 (2015: 5,222). The average headcount over the year was 5,336 (2015: 5,223).

Salaries and wages include share-based payments expenses of CHF 4.8 million (2015: CHF 3.8 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 21 'Employee participation plan').

10 Financial income

	2016	2015
Financial income		
CHF m		
Interest income	0.5	0.5
Gains from financial instruments classified as being at fair value through profit and loss	0.0	0.8
Foreign exchange gains, net	1.5	0.7
Total financial income	**2.0**	**2.0**

11 Financial expenses

	2016	2015
Financial expenses		
CHF m		
Interest expenditure from financial liabilities valued at amortized cost	0.0	0.0
Foreign exchange losses, net	0.0	0.0
Other financial expense	0.1	0.4
Total financial expenses	**0.1**	**0.4**

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

	2016	2015
Income taxes		
CHF m		
Current income taxes	38.9	31.5
Deferred income taxes	– 7.4	– 2.8
Total income taxes	**31.5**	**28.7**

Analysis of tax expense

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

	2016	2015
CHF m		
Group profit before taxes	159.1	144.4
Tax expense at the expected tax rate	**– 40.1**	**– 32.5**
Tax effects of:		
Non-tax-deductible expenses	– 1.4	– 1.2
Tax-exempt income	1.2	2.9
Recognition of previously unrecognized tax losses	4.1	2.4
Utilization of previously unrecognized tax losses	2.0	0.0
Previous-year taxes and other positions	2.7	– 0.3
Effective income tax expenses	**– 31.5**	**– 28.7**

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 25.2% (2015: 22.5%).

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

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**

2015

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.3	0.0	0.3
2 years	1.0	0.1	1.1
3 years	1.6	0.1	1.7
4 years	1.2	0.0	1.2
5 years	3.5	0.0	3.5
More than 5 years	75.7	40.3	116.0
Total tax loss carry-forwards	**83.3**	**40.5**	**123.8**

In 2016, no tax loss carry-forwards expired unused (2015: CHF 0.3 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	31.12.2016	31.12.2015
Deferred tax assets	40.5	39.5
Deferred tax liabilities	– 10.9	– 24.0
Deferred tax assets, net	**29.6**	**15.5**

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, 2015	**7.7**	**3.1**	**4.8**	**11.2**	**15.6**	**7.8**	**50.2**
Increase/decrease (–) in deferred tax assets	1.1	– 0.8	0.7	2.7	2.0	– 0.6	5.1
As at December 31, 2016	**8.8**	**2.3**	**5.5**	**13.9**	**17.6**	**7.2**	**55.3**
Netting							– 14.8
As at December 31, 2016, net							**40.5**

Deferred tax liabilities

CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Employee benefit obligations	Other	Total
As at December 31, 2015	**3.3**	**4.7**	**6.6**	**17.3**	**1.7**	**1.1**	**34.7**
Decrease (–)/increase in deferred tax liabilities	– 0.1	– 0.9	– 3.2	– 3.8	– 1.7	0.7	– 9.0
As at December 31, 2016	**3.2**	**3.8**	**3.4**	**13.5**	**0.0**	**1.8**	**25.7**
Netting							– 14.8
As at December 31, 2016, net							**10.9**

Increase in deferred tax assets, net	**14.1**
Of which recognized in other comprehensive income	3.5
Of which recognized in the income statement	7.4
Of which due to currency translation	3.2

As at December 31, 2016, 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:

	2016			2015		
CHF m	Before tax	Tax income	After tax	Before tax	Tax income	After tax
Actuarial losses (–) on employee benefit obligations	– 18.1	3.5	– 14.6	– 12.0	2.0	– 10.0
Translation differences	– 27.2	0.0	– 27.2	– 48.7	0.0	– 48.7
Other comprehensive income	**– 45.3**	**3.5**	**– 41.8**	**– 60.7**	**2.0**	**– 58.7**

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:

	2016	2015
Group profit for the year from continuing operations in CHF million	127.6	115.7
Group profit for the year from discontinued operations after taxes in CHF million	0	0
Group profit for the year in CHF million	127.6	115.7
Weighted average number of shares	1,709,233	1,861,248
Amount of shares adjusted for stock option plans	246	219
Weighted average number of shares used to calculate diluted earnings per share	1,709,479	1,861,467

14 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, 2015	**127.4**	**701.5**	**128.9**	**17.3**	**975.1**
Additions	1.1	5.3	1.2	31.4	39.0
Disposals	– 2.3	– 23.2	– 5.3		– 30.8
Transfers	1.5	15.0	1.2	– 17.7	
Translation differences	– 19.7	– 53.2	– 9.5	– 1.1	– 83.5
As at December 31, 2015	**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**

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, 2015	**16.1**	**607.0**	**117.1**	**0.0**	**740.2**
Depreciation	6.6	18.5	4.2		29.3
Disposals	– 2.2	– 23.1	– 5.2		– 30.5
Transfers					0.0
Translation differences	– 12.6	– 45.4	– 8.5		– 66.5
As at December 31, 2015	**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**
Net carrying amount					
As at January 1, 2015	111.3	94.5	11.8	17.3	234.9
As at December 31, 2015	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

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 20.1 million (2015: CHF 21.2 million). The depreciation expense of CHF 29.9 million (2015: CHF 29.3 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 0.5 million (2015: CHF 1.0 million). The leasing liability for fixed assets carried in the balance sheet amounts to CHF 0.5 million (2015: CHF 1.0 million) and is found in note 22 'Non-current financial debt'.

As at December 31, 2016 there were no assets for which interest on borrowed capital was capitalized during the preparation phase.

As at December 31, 2016 the Group had outstanding purchase orders for capital goods amounting to CHF 22.1 million (2015: CHF 1.7 million).

15 Intangible assets and goodwill

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2015	**91.6**	**34.3**	**86.9**	**212.8**
Additions			0.4	0.4
Translation differences	– 5.7	– 0.3	– 3.2	– 9.2
As at December 31, 2015	**85.9**	**34.0**	**84.1**	**204.0**
Change in scope of consolidation			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**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2015	**9.5**	**25.8**	**31.4**	**66.7**
Amortization			2.8	2.8
Translation differences	– 0.7	0.0	– 0.5	– 1.2
As at December 31, 2015	**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**
Net carrying amount				
As at January 1, 2015	82.1	8.5	55.5	146.1
As at December 31, 2015	77.1	8.2	50.4	135.7
As at December 31, 2016	75.0	6.8	38.0	119.8

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

	31.12.2016	31.12.2015
Flooring Systems	70.9	73.5
Movement Systems	4.1	3.6
	75.0	**77.1**

The goodwill in Flooring Systems as at December 31, 2016, 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% (2015: 17%) for Flooring Systems and around 15% (2015: 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 9.3% and 11.8% (2015: 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.

Amortizations are higher in the reporting year, since the useful lives for selected assets were adjusted in the course of the annual review of the intangible assets' useful lives.

16 Inventories

	31.12.2016	31.12.2015
Inventories		
CHF m		
Raw materials and supplies	39.8	39.6
Work in progress	67.0	73.4
Finished goods	129.8	129.4
Valuation allowance for inventories	– 30.2	– 27.9
Total inventories	**206.4**	**214.5**

Expenses for inventories recognized in the reporting year came to CHF 455.0 million (2015: CHF 443.1 million).

17 Trade receivables

	31.12.2016	31.12.2015
Trade receivables		
CHF m		
Accounts receivable	140.8	137.2
Notes receivable	16.2	16.0
Allowance for doubtful trade receivables	– 5.6	– 5.9
Total trade receivables	**151.4**	**147.3**

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:

	31.12.2016	31.12.2015
CHF m		
Total trade receivables, gross	**157.0**	**153.2**
Not due	137.6	130.4
Overdue < 30 days	10.1	11.4
Overdue < 90 days	4.6	5.4
Overdue < 180 days	2.5	3.1
Overdue > 180 days	2.2	2.9
Allowance for doubtful trade receivables	– 5.6	– 5.9
Total trade receivables	**151.4**	**147.3**

Of the total of CHF 19.4 million in trade receivables past due as at December 31, 2016 (2015: CHF 22.8 million), CHF 16.1 million (2015: CHF 17.8 million) were not subjected to a valuation allowance. Overall, valuation allowances of CHF 5.6 million (2015: CHF 5.9 million) were made for receivables with a nominal value of CHF 20.5 million (2015: CHF 21.2 million).

Gross value of trade receivables by currency:

	31.12.2016	31.12.2015
CHF m		
CHF	1.0	0.7
EUR	75.9	70.1
USD	22.9	23.4
JPY	13.4	13.4
GBP	11.3	11.8
CNY	3.8	9.6
SEK	5.3	5.3
Other	23.4	18.9
Total trade receivables, gross	**157.0**	**153.2**

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

	2016	2015
CHF m		
As at January 1	**– 5.9**	**– 6.6**
Additions	– 0.8	– 0.9
Release	0.4	0.1
Use	0.6	1.0
Translation differences	0.1	0.5
As at December 31	**– 5.6**	**– 5.9**

Allowances of CHF 1.9 million (2015: CHF 1.9 million) were made for trade receivables not yet due and of CHF 3.7 million (2015: CHF 4.0 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.

18 Cash

	31.12.2016	31.12.2015
Cash and cash equivalents		
CHF m		
Petty cash	0.1	0.1
Bank accounts	164.8	107.9
Short-term deposits with banks	44.8	8.3
Total cash and cash equivalents	**209.7**	**116.3**

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

19 Pledged or assigned assets

There were no significant pledged or assigned assets.

20 Share capital

As at December 31, 2016, the share capital of Forbo Holding Ltd stood at CHF 180,000 (2015: CHF 199,000), 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 at the disposal of the Board of Directors. Consequently, 1,778,581 registered shares were eligible for dividends as at December 31, 2016 (2015: 1,968,581).

Change of shares issued and outstanding:

	31.12.2016	Change	31.12.2015
	Number	Number	Number
Total shares outstanding	**1,800,000**	**– 190,000**	**1,990,000**
Treasury shares			
Shares with dividend rights:			
Treasury shares	68,737	– 1,386	70,123
Share buyback programs		– 190,000	190,000
Own shares with no dividend rights	21,419		21,419
Total treasury shares	**90,156**	**– 191,386**	**281,542**
Total shares issued and outstanding	**1,709,844**	**1,386**	**1,708,458**

At the Ordinary General Meeting of Forbo Holding Ltd held on April 29, 2016, the shareholders approved a capital reduction from CHF 199,000 to CHF 180,000 by cancellation of the 190,000 shares acquired in connection with the fixed-price share buyback offer and via the second trading line of the SIX Swiss Exchange, as approved at the Ordinary General Meeting of April 24, 2015, and adopted the corresponding amendment to the Articles of Association.

The capital reduction was completed with the entry into the Commercial Register of the Canton of Zug on July 11, 2016, and was published in the SHAB on July 14, 2016. The exchange adjustment took place on the same day.

21 Employee participation plan

Variable compensation for the Executive Board is linked with the management investment plan (MIP), which was introduced in 2006 and amended in 2012. The members of the Board of Directors do not participate in the MIP. According to this plan, at least 50% of the annual variable remuneration of Executive Board members is paid into the MIP. As for the remaining 50% of the annual 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 anew.

Under the previous plan until 2012, 25% of the payments were invested in options and 75% in shares of Forbo Holding Ltd. The shares and options were subject to a three-year lock-up period and the term of the options was five years. The options issued in connection with the MIP come to maturity on April 21, 2017, at the latest. Following the amendment of the MIP, all the sums paid into it will be invested only in shares of Forbo Holding Ltd as of January 1, 2013, and no longer in options. These shares, too, are subject to a three-year lock-up period. The shares and options issued under the MIP are equity-settled. The share-based portion of the variable compensation is recognized at fair value, offset by equity instruments and recognized as a corresponding increase in equity. The shares that are 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 are distributed. The options until 2012 were issued on the basis of a valuation by an independent bank, whereby the valuation was based on the average market price of the shares in the first 14 trading days in January of the respective year.

Options

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

	2016		2015	
	Weighted average strike price in CHF	Number of options	Weighted average strike price in CHF	Number of options
Options outstanding as at January 1	**616**	**500**	**616**	**9,047**
Granted				
Exercised			616	– 8,547
Expired				
Options outstanding as at December 31	**616**	**500**	**616**	**500**

Of the 500 (2015: 500) options outstanding, all were exercisable as at December 31, 2016 (2015: 500). No options were exercised during the reporting year. The exercise of 8,547 options in the previous year resulted in the issue of 8,547 Forbo Holding shares at a weighted average issue price of CHF 616. The weighted average share price on the exercise days was CHF 1,174.

Information on the outstanding options as at December 31, 2016:

Series	Strike price (CHF)	Number of outstanding options	Average remaining term (years)	Number of exercisable options
2012	616	500	0.3	500
Total options outstanding		**500**		

Shares
In the year under review, 729 shares of Forbo Holding Ltd were issued under the MIP (2015: 1,894). A further 379 shares were allocated to Executive Board members in the reporting year as part of base remuneration (2015: 416). The share price at valuation date was CHF 1,061 (2015: CHF 966).

The Executive Chairman of the Board of Directors is compensated primarily with shares. The detailed information and figures for this compensation model can be found on pages 134 and 135 of this financial report and on pages 80 and 81 of the remuneration report.

The number of shares with a three-year lock-up period allocated to the non-executive members of the Board of Directors came to 278 in the reporting year (2015: 284).

In the year under review, the amount charged to the income statement in application of IFRS 2 for shares issued came to CHF 4.8 million (2015: CHF 3.8 million).

22 Non-current financial debt

	31.12.2016	31.12.2015
CHF m		
Lease obligations	0.5	1.0
Less current portion	– 0.1	– 0.1
Total non-current financial debt	**0.4**	**0.9**

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

23 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, but benefits continue to accrue for a small number of existing members. The composition of the pension liabilities is as follows: 3% to active employees, 35% to deferred members and 62% 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: 57% of the assets of the fund are held in physical form in corporate bonds and a further 17% 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 18% of the Group's entire pension liabilities. 95% of the liabilities are to active members and 5% to retired beneficiaries.

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

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

Others
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, 2016, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2016, based on the information available when the annual financial statements were prepared. The weighted average duration of the pension plans (plan duration) is 14.8 years for the United Kingdom, 19.3 years for Switzerland, and 16.3 years for the other countries.

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

Actuarial assumptions	2016				2015			
	Switzer-land	UK	Other	Weighted	Switzer-land	UK	Other	Weighted
Discount rate (in %)	0.7	2.5	1.7	2.1	0.9	3.7	2.2	3.0
Future increases in salaries (in %)	1.5	4.2	2.7	2.3	2.0	3.8	2.4	2.5
Inflation rate (in %)	1.0	3.5	1.8	2.9	1.5	3.1	1.4	2.7
Life expectancy at age of 65 (in years)								
Year of birth 1949								
Men	22	22	20	21	22	22	20	22
Women	24	24	23	24	24	24	23	24
Year of birth 1964								
Men	24	23	21	23	23	23	21	23
Women	26	25	25	25	25	25	25	25

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

Pension costs	2016				2015			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Service cost	2.1	0.9	2.2	5.2	0.0	1.3	1.9	3.2
Interest costs	0.6	8.0	1.1	9.7	0.7	8.6	1.1	10.4
Interest income on plan assets	–0.4	–7.9	–0.2	–8.5	–0.5	–9.0	–0.2	–9.7
Total actuarial net periodic pension costs	**2.3**	**1.0**	**3.1**	**6.4**	**0.2**	**0.9**	**2.8**	**3.9**

Changes in pension liabilities under the defined benefit plans:

Benefit obligations				2016				2015
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**65.4**	**244.0**	**51.0**	**360.4**	**62.0**	**247.5**	**58.1**	**367.6**
Service cost	2.1	0.9	2.2	5.2	0.0	1.3	1.9	3.2
Employee contributions	1.0		0.0	1.0	1.0		0.1	1.1
Interest costs	0.6	8.0	1.1	9.7	0.7	8.6	1.1	10.4
Benefits paid	– 4.0	– 10.9	– 3.0	– 17.9	– 1.8	– 10.1	– 1.7	– 13.6
Actuarial gains (–)/losses	– 1.4	39.7	3.9	42.2	3.5	5.7	– 3.0	6.2
Curtailments and settlements							– 1.7	– 1.7
Translation differences		– 38.5	– 0.1	– 38.6		– 9.0	– 3.8	– 12.8
Changes in scope of consolidation			0.2	0.2				
As at December 31	**63.7**	**243.2**	**55.3**	**362.2**	**65.4**	**244.0**	**51.0**	**360.4**

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

Plan assets				2016				2015
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**43.0**	**241.5**	**5.8**	**290.3**	**41.3**	**257.9**	**7.9**	**307.1**
Interest income on plan assets	0.4	7.9	0.2	8.5	0.5	9.0	0.2	9.7
Employer contributions	1.8	0.1	2.9	4.8	1.7	0.1	1.6	3.4
Employee contributions	1.0		0.0	1.0	1.0		0.1	1.1
Return on pension assets (excluding amounts in interest income)	0.0	24.1	0.0	24.1	0.3	– 6.0	– 0.1	– 5.8
Benefits paid	– 4.0	– 10.9	– 3.0	– 17.9	– 1.8	– 10.1	– 1.7	– 13.6
Settlements							– 1.7	– 1.7
Translation differences		– 37.1	– 0.2	– 37.3		– 9.4	– 0.5	– 9.9
As at December 31	**42.2**	**225.6**	**5.7**	**273.5**	**43.0**	**241.5**	**5.8**	**290.3**

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 37.2 million (2015: CHF 34.8 million) out of a total of CHF 362.2 million (2015: CHF 360.4 million) are unfunded.

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

Net liabilities				2016				2015
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**22.4**	**2.5**	**45.2**	**70.1**	**20.7**	**– 10.4**	**50.2**	**60.5**
Net pension cost	2.3	1.0	3.1	6.4	0.2	0.9	2.8	3.9
Employer contributions	– 1.8	– 0.1	– 2.9	– 4.8	– 1.7	– 0.1	– 1.6	– 3.4
Actuarial gains (–)/losses	– 1.4	15.6	3.9	18.1	3.2	11.7	– 2.9	12.0
Translation differences		– 1.4	0.1	– 1.3		0.4	– 3.3	– 2.9
Changes in scope of consolidation			0.2	0.2				
Net liabilities as at December 31	**21.5**	**17.6**	**49.6**	**88.7**	**22.4**	**2.5**	**45.2**	**70.1**

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

Recognized gains and losses				2016				2015
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial gains/losses (–) in the current period:	**0.6**	**– 42.3**	**– 3.9**	**– 45.6**	**– 3.0**	**3.0**	**3.2**	**3.2**
Based on adjustment of demographic assumptions	1.1	3.4	0.0	4.5	0.0	0.2	0.0	0.2
Based on adjustment of financial assumptions	– 0.5	– 45.7	– 3.9	– 50.1	– 3.0	2.8	3.2	3.0
Experience adjustment	0.8	2.6	0.0	3.4	– 0.5	– 8.7	– 0.2	– 9.4
Return on pension assets (excluding amounts in interest income)	0.0	24.1	0.0	24.1	0.3	– 6.0	– 0.1	– 5.8
Total gains/losses (–) recognized in the comprehensive income statement before taxes	**1.4**	**– 15.6**	**– 3.9**	**– 18.1**	**– 3.2**	**– 11.7**	**2.9**	**– 12.0**

Change in the present value of defined benefit liabilities:

			2016			2015
Sensitivities +50bp			+50bp			+50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	–5.9	–16.9	–4.2	–5.9	–15.8	–3.6
Rate of salary increase	1.8	0.2	2.7	1.9	0.3	2.5
Inflation rate	1.4	9.9	3.7	1.5	8.4	3.2
Interest credits on retirement assets	1.6			1.5		
Sensitivities –50bp			–50bp			–50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	6.5	18.5	4.6	6.7	17.5	4.1
Rate of salary increase	–1.8	–0.2	–2.4	–1.9	–0.3	–2.2
Inflation rate	–1.3	–9.3	–3.3	–1.5	–7.7	–2.8
Interest credits on retirement assets	–1.4			–1.5		

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:

	2016	2015
%		
Shares	1.8	2.0
Bonds	46.2	59.2
Other securities	51.4	37.9
Cash and cash equivalents	0.6	0.9
Total plan assets as at December 31	**100.0**	**100.0**

Other securities amounting to 51.4% (2015: 37.9%) consisted of 35.9% listed investments (2015: 23.0%) and 15.5% unlisted investments (2015: 14.9%). 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 13.1 million (2015: CHF 12.5 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.

24 Provisions

Provisions

CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total 2016
As at January 1, 2016	**4.1**	**11.5**	**12.5**	**11.4**	**4.2**	**43.7**
Additions	2.4		0.8	3.6	0.8	7.6
Used during the year	– 0.3		– 0.5	– 1.9	– 0.7	– 3.4
Released during the year	– 0.8		– 0.1	– 0.5	– 0.1	– 1.5
Translation differences	0.0	– 0.1		– 0.1	0.1	– 0.1
As at December 31, 2016	**5.4**	**11.4**	**12.7**	**12.5**	**4.3**	**46.3**
Of which current provisions	3.4		1.4	12.2	3.2	20.2
Of which non-current provisions	2.0	11.4	11.3	0.3	1.1	26.1

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.

In connection with the sale of the industrial adhesives activity, including synthetic polymers, provisions of CHF 11.0 million are kept unchanged for anticipated cash outflows in connection with risks in the areas of environmental (CHF 7.0 million), legal claims (CHF 3.0 million) and other (CHF 1.0 million).

25 Accrued expenses and deferred income

	31.12.2016	31.12.2015
Accrued expenses and deferred income		
CHF m		
Accrued expenses for compensation and employee benefits	37.8	35.6
Other accrued expenses	43.7	44.3
Total accrued expenses and deferred income	**81.5**	**79.9**

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.

26 Current financial debt

	31.12.2016	31.12.2015
Current financial debt		
CHF m		
Current bank loans and overdrafts	0.0	0.0
Current portion of non-current debt	0.1	0.1
Total current financial debt	**0.1**	**0.1**

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

As reported in note 24 '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 and as in the previous year, there were neither cash flows nor changes in provisions in the reporting year.

28 Contingent liabilities

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

29 Leasing

	31.12.2016	31.12.2015
Leasing		
CHF m		
Operating leasing liabilities:		
Up to 1 year	6.0	8.3
2 – 5 years	17.9	21.7
More than 5 years	5.7	6.1
Total operating leasing liabilities	**29.6**	**36.1**

Expenses for operating leasing and rentals charged to the 2016 income statement totaled CHF 19.1 million (2015: CHF 18.3 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
31.12.2016				
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.

Classification of financial instruments				Carrying amount
CHF m	Fair value through profit or loss – held for trading	Loans and receivables	Other financial liabilities	Total
31.12.2015				
Financial assets valued at fair value:				
Financial assets valued at amortized costs:				
Other non-current financial assets		0.3		0.3
Trade receivables		147.3		147.3
Other receivables		5.4		5.4
Cash and cash equivalents				116.3
Financial liabilities valued at fair value:				
Financial liabilities valued at amortized costs:				
Non-current financial debt			0.9	0.9
Trade payables			77.4	77.4
Current financial debt			0.1	0.1
Other current liabilities			8.6	8.6

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 the Executive Board:

	Executive Board		Board of Directors		Total	
CHF m	2016	2015	2016	2015	2016	2015
Remuneration	1.7	1.6	1.0	1.0	2.7	2.6
Employer contributions to the pension scheme	0.2	0.2	0.2	0.2	0.4	0.4
Share-based payments	1.7	1.1	2.5	2.5	4.2	3.7
Total payments	**3.6**	**2.9**	**3.8**	**3.7**	**7.4**	**6.7**

The remuneration paid to the Executive Board in the reporting year came to CHF 1.7 million (2015: CHF 1.6 million) and consists of the fixed gross base salary in cash, the 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. Share-based payments to the Executive Board consist of the proportion of the fixed gross base salary, which is paid in shares of Forbo Holding Ltd, and the variable remuneration within the framework of the MIP (see note 21 'Employee participation plan') for the reporting year, amounting to CHF 1.7 million (variable remuneration payable in April 2017, subject to approval by the 2017 Ordinary General Meeting).

The remuneration of the Board of Directors amounted to CHF 1.0 million in the year under review (2015: CHF 1.0 million). This includes the gross base remuneration in cash, the employer contributions to the usual social insurances, the lump sum and on-site expenses, and private use of the company car (only for the Executive Chairman of the Board of Directors).

The employer contributions to the pension fund for the Executive Chairman of the Board of Directors are reported separately. The share-based remuneration of the Board of Directors includes the portion of the gross base remuneration in shares. This consists on the one hand of the 40% portion of the remuneration paid in shares to non-executive Board members, amounting to CHF 0.3 million (2015: CHF 0.3 million) and, on the other, of the share package of the Executive Chairman of the Board of Directors amounting to CHF 2.2 million (2015: CHF 2.2 million).

With effect from May 2013, the employment contract with the Delegate and as of April 25, 2014, the Executive Chairman of the Board of Directors was extended to encompass the period from May 1, 2013, to December 31, 2016. The bulk of the compensation will again be paid in locked-up shares which have lock-up periods of three, four, and five years respectively, and in an annual cash payment of CHF 310,000 to be used in part for taxes and for employee contributions to the pension fund and social security payments.

The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which shares of Forbo Holding Ltd were traded on the stock market in 2012 (CHF 522.12), less the discount as a result of the shares being locked up. The share package corresponds to annual compensation of CHF 2,200,000 (5,314 shares). As per IFRS 2, they are recognized pro rata for each calendar year.

With this share package and the cash remuneration, all benefits such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked-up shares will be available on May 1, 2018, at the earliest.

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

Information on the remuneration of the Executive Board and Board of Directors is explained in detail on page 87 of the Remuneration Report.

As at December 31, 2016 and 2015, Forbo 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 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

Transaction risks from financial instruments 2015

CHF m	Net exposure	Change in exchange rate	Impact on profit before tax
EUR/CHF	– 18.6	5%	– 0.9
		– 5%	0.9
USD/CHF	– 10.6	5%	– 0.5
		– 5%	0.5
EUR/USD	– 6.6	5%	– 0.3
		– 5%	0.3
GBP/USD	0.7	5%	0.0
		– 5%	0.0

Management of interest rate risks

Interest rate risks arise from changes in the fair value of interest-bearing assets and liabilities caused by fluctuations in interest rates. Since these risks may have a negative effect on net financial profit and shareholders' equity, the Group uses derivatives to manage them on a case-by-case basis. The table below shows only the sensitivity of profit before tax to the stated changes in interest rates for cash and cash equivalents, interest-bearing debt, and financial derivatives. Except for the effect on profit, the same change in interest rates of +/– 50 bp has no effect on equity.

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

Interest rate risks from cash and cash equivalents, interest-bearing debt and financial derivatives 2015

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	0.1
	– 50bp	– 0.1

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 54% on December 31, 2016. At present, the Group regards a cash level of roughly CHF 50 million as sufficient to meet its payment obligations at all times.

The maturity structure of the existing financial liabilities is shown in the following table. These liabilities correspond to contractually agreed maturities and represent nominal payment outflows. Inflows and outflows of funds from derivative financial instruments are shown separately.

As at December 31, 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	105.4			
Liabilities from finance leasing	0.1	0.1	0.3	

As at December 31, 2015

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	86.1			
Liabilities from finance leasing	0.1	0.1	0.4	0.4

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, 2016, shareholders' equity stood at 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 2016 annual financial statements.

Group companies (as at December 31, 2016)

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	6,000,000	100%		S	
Austria								
Forbo Flooring Austria GmbH	Vienna		EUR	73,000	100%	S		
Forbo Siegling Austria Ges.m.b.H.	Vienna		EUR	330,000	100%		S	
Belgium								
Forbo Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S		
Brazil								
Forbo Pisos Ltda.	São Paulo		BRL	18,175,000	100%	S		
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%		MS	
Canada								
Forbo Flooring Canada Corp.	Halifax		CAD	500,200	100%	S		
Forbo Siegling Canada Corp.	Halifax		CAD	501,000	100%		S	
Chile								
Forbo Siegling Chile S.A.	Santiago	N	CLP	335,631,092	50%		S	
Czech Republic								
Forbo Siegling 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, 2016
D Direct participation of Forbo Holding Ltd

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Movement 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
H Holding/Services
N Not consolidated as at December 31, 2016
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	MS	
Forbo Siegling (China) Co., Ltd.	Shenyang		USD	16,221,000	100%		MS	
Portugal								
Forbo-Revestimentos, S.A.	Maia (Porto)		EUR	74,850	100%	S		
Romania								
Forbo Siegling Romania S.R.L.	Bucharest		RON	38,000	100%		S	
Russia								
OOO 'Forbo Flooring'	Moscow		RUB	500,000	100%	S		
OOO 'Forbo Kaluga'	Moscow		RUB	158,313,780	100%	MS		
OOO 'Forbo 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	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2016
D Direct participation of Forbo Holding Ltd

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	D	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 Prakarn	D	THB	13,005,000	100%		S	
Turkey								
Forbo Hareket ve Zemin Sistemleri Ticaret Limited Şirketi	Istanbul		TRY	3,500,000	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
H Holding/Services
N Not consolidated as at December 31, 2016
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 2016 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 94 to 143) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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

Existence and valuation of inventories

Employee benefit obligations

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.

KPMG

Revenue recognition

Key Audit Matter

Total consolidated net sales of the financial year 2016 amounted to CHF 1,185.5 million (2015: CHF 1,139.1 million). The segment Flooring Systems contributed CHF 818.0 million (2015: CHF 791.8 million) or 69.0% (2015: 69.5%) to total net sales, while the segment Movement Systems realized CHF 367.5 million (2015: CHF 347.9 million), representing 31.0% of total net sales (2015: 30.5%).

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 101

Report of the statutory auditor

Existence and valuation of inventories

Key Audit Matter

Inventory as at 31 December 2016 amounted to CHF 206.4million (31 December 2015: CHF 214.5 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.

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.

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.

— To test existence of significant inventories, we assessed the instructions and procedures for recording and monitoring inventory counts and we participated in selected inventory count observations on site. Based on samples we re-performed counts and compared quantities counted to the inventory sub ledger.

— In addition, 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 105

— Note 16 – Inventories, page 120

Employee benefit obligations

Key Audit Matter

The employee benefit obligations mainly relate to plans in Switzerland and the United Kingdom (UK).

The defined benefit obligation (DBO) is calculated based on the scope of beneficiaries and a number of financial and demographical assumptions. The most significant assumptions are the discount rate, the future development of salaries and the life expectancy.

These assumptions are determined by management and involve judgment that has a material impact on the amount of the DBO and pension costs. The discount rate is particularly significant, as even small changes in the discount rate can result in material fluctuations of the DBO.

As a consequence of the political developments in the UK (Brexit) there is potentially also increased uncertainty relating to the valuation of the plan's underlying assets.

Our response

We mainly performed the following audit procedures:

— We assessed the completeness and accuracy of personnel data underlying the expert report of the actuary (who was mandated by Forbo) by testing the operating effectiveness of internal controls, and we reconciled the data on a sample basis.

— We analyzed the assumptions and input parameters determined by management, which were used in the actuarial report. In doing so, we examined the methodology used to determine the parameters and the consistency with prior year and compared these parameters with the range of observable market information.

— In addition, we assessed the appropriateness of the asset valuation underlying the calculation relating to the UK.

— We furthermore assessed the competence and independence of the actuary.

For further information on employee benefit obligations refer to the following:

— Note 2 – Summary of significant accounting policies: employee pension plans, page 105

— Note 3 – Critical judgements, estimates and appraisals by management: valuation of pension plan liabilities, page 107

— Note 23 – Employee benefit obligations, page 125

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.

Report of the statutory auditor

KPMG

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 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, 2 March 2017

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

Consolidated income statements 2012 – 2016

	2016	2015	2014	2013	2012
CHF m					
Net sales	**1,185.5**	**1,139.1**	**1,226.8**	**1,199.7**	**1,201.1**
Cost of goods sold	– 715.2	– 698.3	– 765.8	– 747.3	– 761.2
Gross profit	**470.3**	**440.8**	**461.0**	**452.4**	**439.9**
Development costs	– 15.1	– 15.1	– 16.5	– 16.4	– 16.3
Marketing and distribution costs	– 190.7	– 181.1	– 196.6	– 197.1	– 194.0
Administrative costs	– 95.0	– 89.8	– 94.2	– 90.7	– 96.6
Other operating expenses	– 16.7	– 16.6	– 13.2	– 19.3	– 25.3
Other operating income	4.4	4.6	8.9	6.8	63.8
Operating profit	**157.2**	**142.8**	**149.4**	**135.7**	**171.5**
Financial income	2.0	2.0	5.9	10.9	5.7
Financial expenses	– 0.1	– 0.4	– 1.0	– 5.7	– 11.2
Group profit before taxes	**159.1**	**144.4**	**154.3**	**140.9**	**166.0**
Income taxes	– 31.5	– 28.7	– 30.9	– 30.7	– 35.9
Group profit for the year from continuing operations	**127.6**	**115.7**	**123.4**	**110.2**	**130.1**
Group profit for the year from discontinued operations after taxes	**0.0**	**0.0**	**0.2**	**7.4**	**83.2**
Group profit for the year	**127.6**	**115.7**	**123.6**	**117.6**	**213.3**

Consolidated balance sheets 2012 – 2016

	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Assets					
CHF m					
Non-current assets	**388.1**	**402.8**	**418.5**	**408.2**	**410.4**
Property, plant, and equipment	227.6	227.3	234.9	232.3	233.8
Intangible assets	119.8	135.7	146.1	146.4	149.2
Deferred tax assets	40.5	39.5	37.2	29.3	27.2
Other non-current financial assets	0.2	0.3	0.3	0.2	0.2
Current assets	**601.2**	**509.3**	**677.1**	**718.8**	**802.9**
Inventories	206.4	214.5	230.6	213.4	218.6
Trade receivables	151.4	147.3	150.6	148.8	150.2
Other receivables	19.8	18.8	24.0	29.2	28.9
Accrued income and deferred expenses	13.9	12.4	17.3	18.3	11.8
Other current financial assets	0.0	0.0	49.5	68.1	142.1
Cash and cash equivalents	209.7	116.3	205.1	241.0	251.3
Total assets	**989.3**	**912.1**	**1,095.6**	**1,127.0**	**1,213.3**

	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Shareholders' equity and liabilities					
CHF m					
Shareholders' equity	**621.4**	**559.2**	**738.8**	**786.8**	**729.2**
Share capital	0.2	0.2	0.2	0.2	0.3
Treasury shares	– 0.1	– 0.1	– 0.1	– 0.1	– 0.1
Reserves and retained earnings	621.3	559.1	738.7	786.7	729.0
Non-current liabilities	**126.1**	**120.7**	**112.6**	**99.1**	**105.0**
Non-current financial debt	0.4	0.9	1.4	1.2	2.6
Employee benefit obligations	88.7	70.1	60.5	51.8	51.1
Non-current provisions	26.1	25.7	24.2	26.1	35.8
Deferred tax liabilities	10.9	24.0	26.5	20.0	15.5
Current liabilities	**241.8**	**232.2**	**244.2**	**241.1**	**379.1**
Trade payables	95.4	77.4	86.5	87.2	84.7
Current provisions, accrued expenses, and deferred income	101.7	97.9	108.2	105.8	112.9
Current financial debt	0.1	0.1	0.6	0.7	132.5
Current tax liabilities	20.4	20.3	18.9	14.5	26.6
Other current liabilities	24.2	36.5	30.0	32.9	22.4
Total liabilities	**367.9**	**352.9**	**356.8**	**340.2**	**484.1**
Total shareholders' equity and liabilities	**989.3**	**912.1**	**1,095.6**	**1,127.0**	**1,213.3**

FINANCIAL REPORT

Income statement for Forbo Holding Ltd

		2016	2015
Income			
CHF	Note		
Financial income:			
From investments in and loans to Group companies	2	211,245,653	222,556,666
From securities and current investments		6	46
Total income		**211,245,659**	**222,556,712**

		2016	2015
Expenses			
CHF	Note		
Administrative expenses	3	5,573,164	11,450,394
Financial expenses:		2,213,680	686,766
From investments in and loans from Group companies	4	2,213,680	686,766
Taxes		0	– 1,149,481
Total expenses		**7,786,844**	**10,987,679**
Net profit for the year		**203,458,815**	**211,569,033**

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

		31.12.2016	31.12.2015
Assets			
CHF	Note		
Current assets		**31,524,484**	**12,464,831**
Cash and cash equivalents		24,806,790	4,407,843
Other receivables from Group companies		6,682,331	7,786,996
Accrued income and deferred expenses		35,363	269,992
Non-current assets		**437,685,610**	**441,591,225**
Loans to Group companies	5	117,539,378	119,094,504
Investments in Group companies	6	320,146,232	322,496,721
Total assets		**469,210,094**	**454,056,056**

		31.12.2016	31.12.2015
Shareholders' equity and liabilities			
CHF	Note		
Current liabilities		**24,070,499**	**183,388,008**
Current liabilities to third parties	7	47,050	12,949,598
Other liabilities to Group companies	8	23,702,949	170,103,258
Accrued expenses and deferred income		320,500	335,152
Shareholders' equity		**445,139,595**	**270,668,048**
Share capital	9	180,000	199,000
Statutory reserves:			
General reserves		15,600,000	15,600,000
Capital contribution reserves		14,225,906	43,288,528
Reserves for treasury shares	11	8,367,183	8,796,681
Available earnings:			
Retained earnings		227,549,421	227,049,935
Net profit for the year		203,458,815	211,569,033
Treasury shares	11	– 24,241,730	– 235,835,129
Total shareholders' equity and liabilities		**469,210,094**	**454,056,056**

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 Financial income from investments in and loans to Group companies

Income from investments in and loans to Group companies amounting to CHF 211.2 million (2015: CHF 222.6 million) consisted primarily of dividend income, which came to CHF 211.1 million (2015: CHF 221.5 million) as well as interest income and – with reference to the previous year – realized price gains on loans.

3 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 announcements. Forbo Holding Ltd does not employ any personnel.

Administrative expenses for the previous year includes higher stewardship costs for services that were provided by Forbo International SA.

4 Financial expenses from investments in and loans from Group companies

Financial expenses include losses on foreign currency accounts of CHF 1.3 million (2015: CHF 0.0 million) and interest expense for liabilities to Group companies of CHF 0.9 million (2015: CHF 0.7 million).

5 Loans to Group companies

Loans to Group companies, amounting to EUR 97.8 million and CHF 12.7 million, are unchanged.

6 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 transfer of Forbo-Giubiasco SA, Switzerland, within the Group.

As at December 31, 2016, 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 Project Vinyl AB	SE-Gothenburg	Services	SEK	50,000	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 Prakarn	Sales	THB	13,005	69.1%

7 Current liabilities to third parties

Current liabilities to third parties include liabilities from income and withholding taxes. In the previous year, the position included CHF 12.9 million in withholding taxes to be paid from the repurchase of the company's own shares in December 2015.

8 Other liabilities to Group companies

Other liabilities to Group companies as at December 31, 2016, include in particular advances from Forbo Finanz AG in connection with its cash pool.

9 Share capital

As at December 31, 2016, the share capital of Forbo Holding Ltd totaled CHF 180,000 (2015: CHF 199,000), 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.

At the Ordinary General Meeting of Forbo Holding Ltd held on April 29, 2016, the shareholders approved a capital reduction from CHF 199,000 to CHF 180,000 by cancellation of the 190,000 shares acquired in connection with the fixed-price share buyback offer and via the second trading line of the SIX Swiss Exchange, as approved at the Ordinary General Meeting of April 24, 2015, and adopted the corresponding amendment to the Articles of Association.

The capital reduction was completed with the entry into the Commercial Register of the Canton of Zug on July 11, 2016, and was published in the SHAB on July 14, 2016. The exchange adjustment took place on the same day.

10 Conditional capital

Originally, conditional capital of CHF 8,500,000 for the exercise of shareholder options and warrants in connection with a bond issue was created by a resolution of the Annual General Meeting held on April 27, 1994. Following the exercise of options in 1994, 1995 and 1997 and reductions in the par value by CHF 22 per share in 2003, CHF 8 per share in 2004, CHF 6 per share in 2007, CHF 10 per share in 2008, and CHF 3.90 per share in 2009, the conditional capital on December 31, 2016, remained unchanged against the previous year at CHF 16,645.

11 Treasury shares

The treasury shares in Forbo Holding Ltd amounting to CHF 24.2 million on the balance sheet date correspond to the value of the directly held 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 8.4 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, 2016	244,631,810	281,542
Additions	0	0
Disposals	– 212,022,897	– 191,386
As at December 31, 2016	**32,608,913**	**90,156**

12 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 9.0 million at year-end 2016 (2015: CHF 9.4 million), of which as in the previous year none were utilized.

The Forbo 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.

13 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	544,176	30.23%
Forbo Holding Ltd, Baar, together with its two subsidiaries Forbo International SA, Baar, and Forbo Finanz AG, Baar	90,156	5.01%

Shareholdings
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

Name and function	Shares	Options[1] 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 3, 4, and 5 years. The last third of the shares will be available on May 1, 2018, at the earliest.

IN 2015

As at December 31, 2015, 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 2015

Name and function	Shares	Options[1] 2012 series 1:1[2]
This E. Schneider, Executive Chairman[3]	46,221	
Michael Pieper, Vice Chairman	544,122	
Dr. Peter Altorfer, Vice Chairman	1,104	
Claudia Coninx-Kaczynski, member	85	
Dr. Reto Müller, member	505	
Vincent Studer, member	754	
Total Board of Directors	**592,791**	
Stephan Bauer, Chief Executive Officer	1,524	
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	1,944	500
Andreas Spreiter, Chief Financial Officer	1,102	
Jean-Michel Wins, Executive Vice President Movement Systems	195	
Total Executive Board	**4,765**	**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 fiscal 2013, no more options were issued under the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and amended in 2012.

2) Subscription ratio.

3) The share portion for the Executive Chairman of the Board 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 3, 4, and 5 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 87 and 88 of the remuneration report.

14 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 2016 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:

	2016
CHF	
Net profit	203,458,815
Retained earnings	227,549,421
Release of general capital contribution reserves	14,191,705
Treasury shares	– 24,241,730
Total at the shareholders' meeting's disposal[1)]	**420,958,211**

be appropriated as follows:

	2016
CHF	
Distribution from general capital contribution reserves	14,191,705
Distribution ordinary dividend	18,295,331
To be carried forward	388,471,175
Total at the shareholders' meeting's disposal[1)]	**420,958,211**

1) At the Ordinary General Meeting of April 6, 2017, the Board of Directors will propose a withholding-tax-free distribution from capital contribution reserves of CHF 8.30 (2015: CHF 17) per registered share as well as an ordinary gross dividend of CHF 10.70 (2015: CHF 0) 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 as well as the amount definitively specified for the release of general capital contribution reserves and withholding-tax-free distribution may therefore still change.

Report of the statutory auditor

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 2016, 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 154 to 160) for the year ended 31 December 2016, 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

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.

KPMG

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, 2 March 2017

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

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Our Annual Report appears in **German** language and in **English** translation and can be downloaded from our website www.forbo.com. The printed German version is authoritative.

All statements in this report that do not refer to historical facts are forward-looking statements which are no guarantee of future performance. They are based on assumptions and involve risks and uncertainties as well as other factors beyond the control of the company.

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