



**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



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Executive Chairman



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CEO

## Financial calendar

Ordinary General Meeting:	<b>April 6, 2017</b>
Publication of 2017 Half-Year Report:	<b>July 28, 2017</b>
Publication of 2017 Annual Report:	<b>March 6, 2018</b>