

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

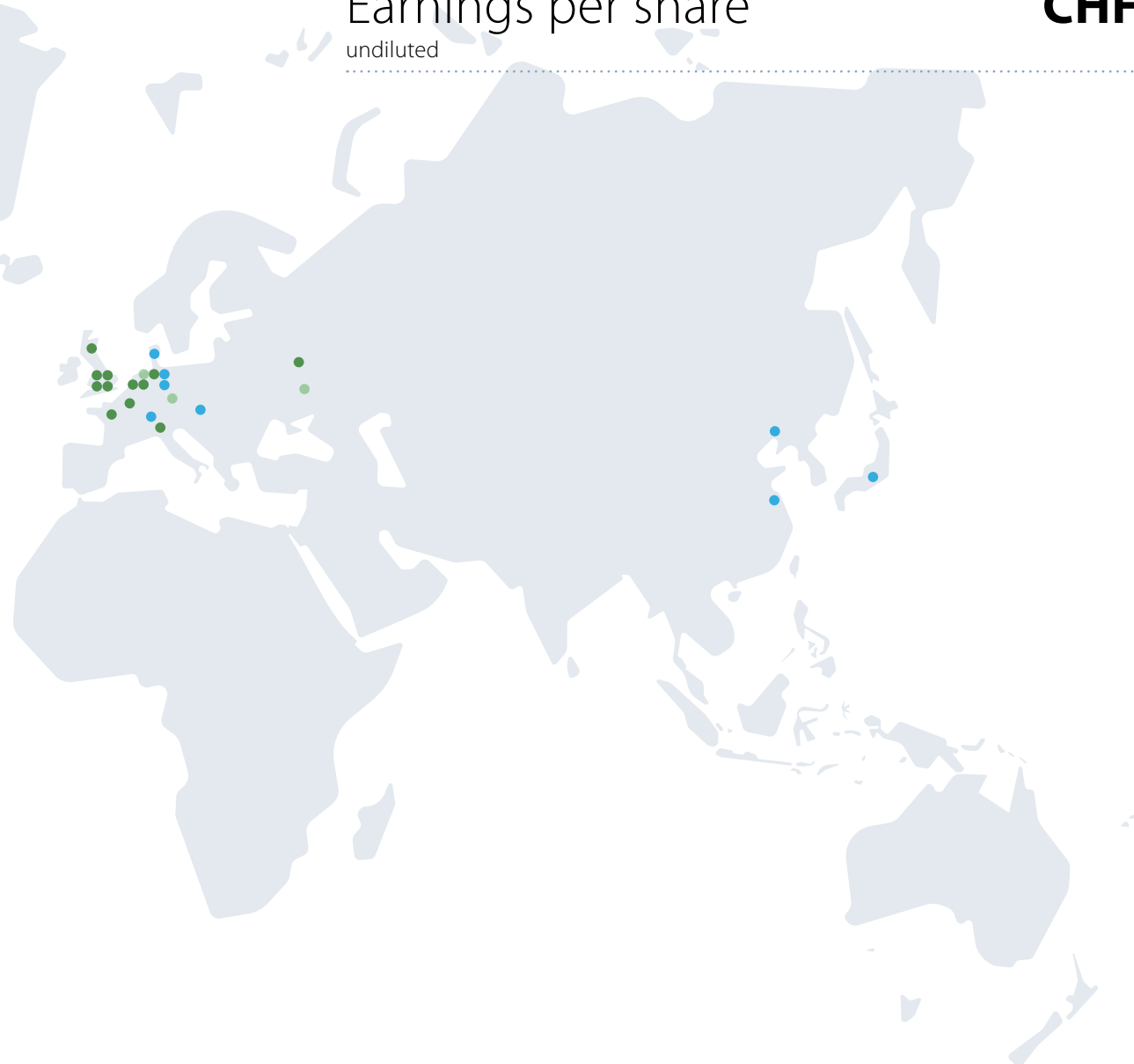
Movement Systems

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

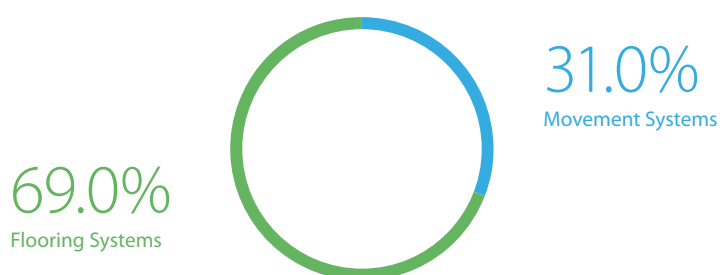


Net sales	CHF 1,185.5 million
EBIT	CHF 157.2 million
EBIT margin	13.3%
Group profit from continuing operations	CHF 127.6 million
Earnings per share undiluted	CHF 74.66



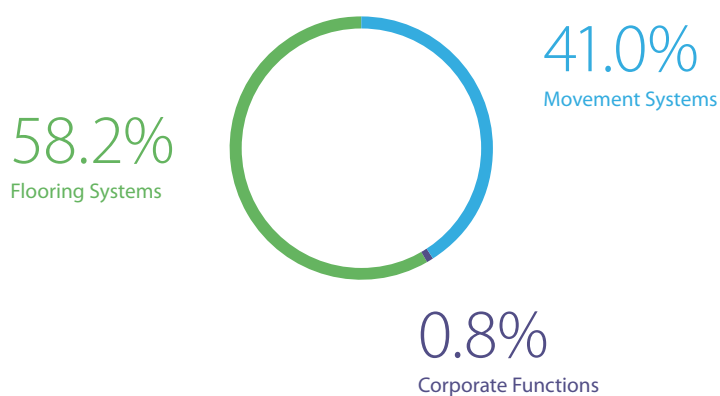
Net sales by division

	CHF m 2016	Change on previous year		In % of total
		in %	in local currencies in %	
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
	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Income statement				
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				
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				
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			2016 CHF m												
	%	in %	in local currencies in %		25	50	75	100	125	150	175	200	225	250	275	
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 %	-25	0	25	50	75	100	125	150
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	-50	0	50	100	150	200
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	
					10 20 30 40
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	200	400	600	800	1,000	1,200
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						