

## **MEDIA RELEASE**

### **2016 BUSINESS YEAR**

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## **Solid sales growth in both divisions – Double-digit growth in operating profit – Further increase in operating margins – Double-digit rise in Group profit – Significant increase in earnings per share – Dividend increased to CHF 19 per share**

Forbo performed well in 2016 amid challenging market conditions, generating net sales of CHF 1,185.5 million (previous year: CHF 1,139.1 million), representing an increase of 4.1%. Due to positive currency effects, this equates to a sales increase of 3.5% in local currencies. Group operating profit (EBIT) rose considerably by 10.1% to CHF 157.2 million (previous year: CHF 142.8 million), and Group profit from continuing operations was up by a gratifying 10.3% to CHF 127.6 million (previous year: CHF 115.7 million). Earnings per share increased significantly by 20.1% to CHF 74.66 (previous year: CHF 62.14).

Baar, March 7, 2017

### **2016 – a gratifying year**

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

Both divisions gained market share in important market segments despite challenging conditions by systematically implementing the Forbo strategy and generating added value for both existing and new customers with convincing products and services.

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.

### **Solid sales growth in both divisions**

Both divisions contributed to solid growth that came to 4.1% overall in the corporate currency. The attractive product range at Flooring Systems, with new and innovative collections especially for customers in the private sector, has convinced and generated sales growth of 3.4%. Movement Systems reported a sales gain of 5.7% on the back of high-quality, application-specific product innovations, along with the targeted expansion of its distribution and service structures.

Overall, net sales in local currencies in the Asia/Pacific and Africa region showed the strongest growth, which came to +5.5%, while North, Central and South America grew by +3.5%, and Europe reported a sales gain of +3.1% amid very mixed market conditions.

### **Profitability continues to grow**

The increased investments Forbo has 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 Forbo to increase profitability once again.

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#### **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 increased from 12.5% to 13.3%.

#### **Double-digit growth in Group profit**

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).

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

#### **Performance of the divisions**

The **Flooring Systems** division generated net sales of CHF 818.0 million (previous year: CHF 791.3 million). This comes to an increase of 3.4% in both the corporate currency and local currencies. The division's share of Group sales was 69%. The upturn in the USA and France, which are major core markets for Flooring Systems, along with signs of a recovery in the Netherlands, were the key factors in this vigorous trend. Operating profit (EBIT) rose by a gratifying 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%).

The **Movement Systems** division generated net sales of CHF 367.5 million (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% of Group sales. This sales growth was driven by a convincing performance in virtually all markets. The market downturn in the USA, which began in the first half of the year, continued into the second half. Higher sales plus consistently executed operational activities designed to improve global processes across the board again 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%

#### **Balance sheet remains in great shape**

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.

#### **Proposals to the Ordinary General Meeting**

##### ***Dividend increase from CHF 17 to CHF 19***

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.

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***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.

***Share buyback program***

Owing to the successful business year and Forbo'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***

For the 2017 business year Forbo expects market conditions to be similar to 2016, though they are difficult to predict. Forbo still faces significant challenges, especially as it is present on a range of different global markets. Economic and political circumstances can change quickly. Forbo will continue to pursue its tried and proven strategy, convince with its strong brand as well as its high-quality products and services, and further expand its global presence.

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

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You can find further information in the version of the 2016 Annual Report published this morning on the Internet:

[www.forbo.com](http://www.forbo.com) – Investors

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Forbo is a leading manufacturer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. The company employs more than 5,300 employees and has an international network of 24 production facilities and distribution companies as well as 45 pure sales organizations in 36 countries across the globe. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

The Group company Forbo Holding Ltd is listed on the SIX Swiss Exchange (securities number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

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Contact person:

This E. Schneider  
Executive Chairman  
Phone +41 58 787 25 49  
[www.forbo.com](http://www.forbo.com)

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## Financial overview of the Forbo Group

	2016 CHF m	2015 CHF m	Change	
			Corporate currency	Local currencies
<b>Net sales</b>	<b>1,185.5</b>	<b>1,139.1</b>	<b>+4.1%</b>	<b>+3.5%</b>
Flooring Systems	818.0	791.3	+3.4%	+3.4%
Movement Systems	367.5	347.8	+5.7%	+3.7%
<b>Operating profit (EBIT)</b>	<b>157.2</b>	<b>142.8</b>		<b>+10.1%</b>
<b>EBIT margin</b>	<b>13.3%</b>	<b>12.5%</b>		
<b>Group profit from continuing operations</b>	<b>127.6</b>	<b>115.7</b>		<b>+10.3%</b>
<b>Group profit</b>	<b>127.6</b>	<b>115.7</b>		<b>+10.3%</b>

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	2016	2015	
<b>Earnings per share from continuing operations (undiluted)</b>	<b>CHF 74.66</b>	<b>CHF 62.14</b>	<b>+20.1%</b>
<b>Equity ratio</b>	<b>62.8%</b>	<b>61.3%</b>	