

# FINANCIAL REPORT

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# Consolidated balance sheet

		31.12.2016	31.12.2015
<b>Assets</b>			
CHF m	Note		
<b>Non-current assets</b>		<b>388.1</b>	<b>402.8</b>
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
<b>Current assets</b>		<b>601.2</b>	<b>509.3</b>
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
<b>Total assets</b>		<b>989.3</b>	<b>912.1</b>
<b>Shareholders' equity and liabilities</b>			
CHF m	Note		
<b>Shareholders' equity</b>		<b>621.4</b>	<b>559.2</b>
Share capital	20	0.2	0.2
Treasury shares	20	-0.1	-0.1
Reserves and retained earnings		621.3	559.1
<b>Non-current liabilities</b>		<b>126.1</b>	<b>120.7</b>
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
<b>Current liabilities</b>		<b>241.8</b>	<b>232.2</b>
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
<b>Total liabilities</b>		<b>367.9</b>	<b>352.9</b>
<b>Total shareholders' equity and liabilities</b>		<b>989.3</b>	<b>912.1</b>

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

# Consolidated income statement

		2016	2015
CHF m	Note		
Continuing operations			
<b>Net sales</b>	5	<b>1,185.5</b>	<b>1,139.1</b>
Cost of goods sold		-715.2	-698.3
<b>Gross profit</b>		<b>470.3</b>	<b>440.8</b>
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
<b>Operating profit</b>		<b>157.2</b>	<b>142.8</b>
Financial income	10	2.0	2.0
Financial expenses	11	-0.1	-0.4
<b>Group profit before taxes</b>		<b>159.1</b>	<b>144.4</b>
Income taxes	12	-31.5	-28.7
<b>Group profit for the year from continuing operations</b>		<b>127.6</b>	<b>115.7</b>
<b>Group profit for the year from discontinued operations after taxes</b>	27	<b>0.0</b>	<b>0.0</b>
<b>Group profit for the year</b>		<b>127.6</b>	<b>115.7</b>
Group profit attributable to shareholders of Forbo Holding Ltd.		127.6	115.7
<i>Earnings per share, total</i>			
CHF			
Basic earnings per share	13	74.66	62.14
Diluted earnings per share	13	74.65	62.13
<i>Earnings per share from continuing operations</i>			
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
<b>Group profit for the year</b>		<b>127.6</b>	<b>115.7</b>
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
<b>Other comprehensive income for the year, net of tax</b>		<b>- 41.8</b>	<b>- 58.7</b>
<b>Total comprehensive income</b>		<b>85.8</b>	<b>57.0</b>
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
<b>December 31, 2015</b>	<b>0.2</b>	<b>-0.1</b>	<b>852.0</b>	<b>-292.9</b>	<b>559.2</b>
Group profit for the year			127.6		127.6
Other comprehensive income for the year, net of tax			-14.6	-27.2	-41.8
<b>Total comprehensive income</b>			<b>113.0</b>	<b>-27.2</b>	<b>85.8</b>
Share-based payments			4.8		4.8
Treasury shares		0.0	0.7		0.7
Dividend payment			-29.1		-29.1
<b>December 31, 2016</b>	<b>0.2</b>	<b>-0.1</b>	<b>941.4</b>	<b>-320.1</b>	<b>621.4</b>

## 2015

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

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

# Consolidated cash flow statement

		2016	2015
<b>Cash flow from operating activities</b>			
CHF m	Note		
<b>Group profit for the year</b>		<b>127.6</b>	<b>115.7</b>
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 <sup>1)</sup>		19.2	-8.9
Increase in other current assets		-21.0	-2.9
<b>Net cash flow from operating activities</b>		<b>166.5</b>	<b>140.9</b>
<b>Cash flow from investing activities</b>			
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
<b>Net cash flow from investing activities</b>		<b>-40.3</b>	<b>11.4</b>
<b>Cash flow from financing activities</b>			
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
<b>Net cash flow from financing activities</b>		<b>-29.6</b>	<b>-231.8</b>
<b>Change in cash and cash equivalents</b>			
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
<b>Total cash and cash equivalents at year-end</b>	<b>18</b>	<b>209.7</b>	<b>116.3</b>

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

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## 1 General information

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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.

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## 2 Summary of significant accounting policies

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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
<b>Exchange rates</b>						
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.

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### 3 Critical judgements, estimates and appraisals by management

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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

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

### 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)

### 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
<i>New standards or interpretations:</i>			
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
<i>Amendments and changes to standards and interpretations:</i>			
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:

<b>2016</b>				
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:

<b>2015</b>				
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		
<b>Total segment result (EBIT)</b>	<b>157.2</b>	<b>142.8</b>
Financial result	1.9	1.6
<b>Group profit before taxes</b>	<b>159.1</b>	<b>144.4</b>

	31.12.2016	31.12.2015
CHF m		
<b>Total operating assets</b>	<b>738.9</b>	<b>756.1</b>
Non-operating assets	250.4	156.0
<b>Total assets</b>	<b>989.3</b>	<b>912.1</b>

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
<b>Europe</b>	<b>756.5</b>	<b>734.8</b>
<b>North, Central, and South America</b>	<b>251.0</b>	<b>239.4</b>
<b>Asia/Pacific and Africa</b>	<b>178.0</b>	<b>164.9</b>
<b>Total net sales to third parties</b>	<b>1,185.5</b>	<b>1,139.1</b>

  

	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
<b>Europe</b>	<b>551.3</b>	<b>574.2</b>
<b>North, Central, and South America</b>	<b>99.2</b>	<b>100.9</b>
<b>Asia/Pacific and Africa</b>	<b>88.4</b>	<b>81.0</b>
<b>Total operating assets</b>	<b>738.9</b>	<b>756.1</b>

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
<b>Personnel expenses</b>		
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
<b>Total personnel expenses</b>	<b>355.7</b>	<b>337.2</b>

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
<b>Financial income</b>		
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
<b>Total financial income</b>	<b>2.0</b>	<b>2.0</b>

## 11 Financial expenses

	2016	2015
<b>Financial expenses</b>		
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
<b>Total financial expenses</b>	<b>0.1</b>	<b>0.4</b>

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
<b>Income taxes</b>		
CHF m		
Current income taxes	38.9	31.5
Deferred income taxes	-7.4	-2.8
<b>Total income taxes</b>	<b>31.5</b>	<b>28.7</b>

### 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
<b>Tax expense at the expected tax rate</b>	<b>-40.1</b>	<b>-32.5</b>
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
<b>Effective income tax expenses</b>	<b>-31.5</b>	<b>-28.7</b>

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 in-

come/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:

<b>2016</b>			
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
<b>Total tax loss carry-forwards</b>	<b>47.5</b>	<b>53.9</b>	<b>101.4</b>

<b>2015</b>			
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
<b>Total tax loss carry-forwards</b>	<b>83.3</b>	<b>40.5</b>	<b>123.8</b>

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:

	31.12.2016	31.12.2015
CHF m		
Deferred tax assets	40.5	39.5
Deferred tax liabilities	- 10.9	- 24.0
<b>Deferred tax assets, net</b>	<b>29.6</b>	<b>15.5</b>

Deferred tax assets and liabilities, tax credits and tax charges from deferred taxes (gross):

<b>Deferred tax assets</b>							
CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry-forwards	Employee benefit obligations	Other	Total
<b>As at December 31, 2015</b>	<b>7.7</b>	<b>3.1</b>	<b>4.8</b>	<b>11.2</b>	<b>15.6</b>	<b>7.8</b>	<b>50.2</b>
Increase/decrease (-) in deferred tax assets	1.1	-0.8	0.7	2.7	2.0	-0.6	5.1
<b>As at December 31, 2016</b>	<b>8.8</b>	<b>2.3</b>	<b>5.5</b>	<b>13.9</b>	<b>17.6</b>	<b>7.2</b>	<b>55.3</b>
Netting							-14.8
<b>As at December 31, 2016, net</b>							<b>40.5</b>

  

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

  

<b>Increase in deferred tax assets, net</b>	<b>14.1</b>
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:

CHF m	2016			2015		
	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
<b>Other comprehensive income</b>	<b>-45.3</b>	<b>3.5</b>	<b>-41.8</b>	<b>-60.7</b>	<b>2.0</b>	<b>-58.7</b>

### 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

<b>Cost on acquisition</b>					
CHF m	Land and buildings	Machinery and equipment	Other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
<b>As at January 1, 2015</b>	<b>127.4</b>	<b>701.5</b>	<b>128.9</b>	<b>17.3</b>	<b>975.1</b>
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
<b>As at December 31, 2015</b>	<b>108.0</b>	<b>645.4</b>	<b>116.5</b>	<b>29.9</b>	<b>899.8</b>
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
<b>As at December 31, 2016</b>	<b>112.0</b>	<b>655.3</b>	<b>113.6</b>	<b>17.4</b>	<b>898.3</b>

  

<b>Accumulated depreciation and impairments</b>					
CHF m	Land and buildings	Machinery and equipment	Other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
<b>As at January 1, 2015</b>	<b>16.1</b>	<b>607.0</b>	<b>117.1</b>	<b>0.0</b>	<b>740.2</b>
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
<b>As at December 31, 2015</b>	<b>7.9</b>	<b>557.0</b>	<b>107.6</b>	<b>0.0</b>	<b>672.5</b>
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
<b>As at December 31, 2016</b>	<b>10.8</b>	<b>553.6</b>	<b>106.3</b>	<b>0.0</b>	<b>670.7</b>

  

<b>Net carrying amount</b>					
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

<b>Cost on acquisition</b>					
CHF m	Goodwill	Trademarks	Other intangible assets	Total	
<b>As at January 1, 2015</b>	<b>91.6</b>	<b>34.3</b>	<b>86.9</b>	<b>212.8</b>	
Additions			0.4	0.4	
Translation differences	-5.7	-0.3	-3.2	-9.2	
<b>As at December 31, 2015</b>	<b>85.9</b>	<b>34.0</b>	<b>84.1</b>	<b>204.0</b>	
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	
<b>As at December 31, 2016</b>	<b>83.7</b>	<b>32.8</b>	<b>77.2</b>	<b>193.7</b>	

  

<b>Accumulated amortization and impairments</b>					
CHF m	Goodwill	Trademarks	Other intangible assets	Total	
<b>As at January 1, 2015</b>	<b>9.5</b>	<b>25.8</b>	<b>31.4</b>	<b>66.7</b>	
Amortization			2.8	2.8	
Translation differences	-0.7	0.0	-0.5	-1.2	
<b>As at December 31, 2015</b>	<b>8.8</b>	<b>25.8</b>	<b>33.7</b>	<b>68.3</b>	
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	
<b>As at December 31, 2016</b>	<b>8.7</b>	<b>26.0</b>	<b>39.2</b>	<b>73.9</b>	

  

<b>Net carrying amount</b>					
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
	<b>75.0</b>	<b>77.1</b>

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 EBIT-DA 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
<b>Inventories</b>		
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
<b>Total inventories</b>	<b>206.4</b>	<b>214.5</b>

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
<b>Trade receivables</b>		
CHF m		
Accounts receivable	140.8	137.2
Notes receivable	16.2	16.0
Allowance for doubtful trade receivables	–5.6	–5.9
<b>Total trade receivables</b>	<b>151.4</b>	<b>147.3</b>

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		
<b>Total trade receivables, gross</b>	<b>157.0</b>	<b>153.2</b>
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
<b>Total trade receivables</b>	<b>151.4</b>	<b>147.3</b>

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
<b>Total trade receivables, gross</b>	<b>157.0</b>	<b>153.2</b>

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

	2016	2015
CHF m		
<b>As at January 1</b>	<b>-5.9</b>	<b>-6.6</b>
Additions	-0.8	-0.9
Release	0.4	0.1
Use	0.6	1.0
Translation differences	0.1	0.5
<b>As at December 31</b>	<b>-5.6</b>	<b>-5.9</b>

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
<b>Cash and cash equivalents</b>		
CHF m		
Petty cash	0.1	0.1
Bank accounts	164.8	107.9
Short-term deposits with banks	44.8	8.3
<b>Total cash and cash equivalents</b>	<b>209.7</b>	<b>116.3</b>

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
<b>Total shares outstanding</b>	<b>1,800,000</b>	<b>- 190,000</b>	<b>1,990,000</b>
<b>Treasury shares</b>			
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
<b>Total treasury shares</b>	<b>90,156</b>	<b>- 191,386</b>	<b>281,542</b>
<b>Total shares issued and outstanding</b>	<b>1,709,844</b>	<b>1,386</b>	<b>1,708,458</b>

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
<b>Options outstanding as at January 1</b>	<b>616</b>	<b>500</b>	<b>616</b>	<b>9,047</b>
Granted				
Exercised			616	-8,547
Expired				
<b>Options outstanding as at December 31</b>	<b>616</b>	<b>500</b>	<b>616</b>	<b>500</b>

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
<b>Total options outstanding</b>		<b>500</b>		

### 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

CHF m	31.12.2016	31.12.2015
Lease obligations	0.5	1.0
Less current portion	-0.1	-0.1
<b>Total non-current financial debt</b>	<b>0.4</b>	<b>0.9</b>

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			
	Switzerland	UK	Other	Weighted	Switzerland	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			
	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
CHF m								
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
<b>Total actuarial net periodic pension costs</b>	<b>2.3</b>	<b>1.0</b>	<b>3.1</b>	<b>6.4</b>	<b>0.2</b>	<b>0.9</b>	<b>2.8</b>	<b>3.9</b>

Changes in pension liabilities under the defined benefit plans:

	2016				2015			
Benefit obligations	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
CHF m								
<b>As at January 1</b>	<b>65.4</b>	<b>244.0</b>	<b>51.0</b>	<b>360.4</b>	<b>62.0</b>	<b>247.5</b>	<b>58.1</b>	<b>367.6</b>
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				
<b>As at December 31</b>	<b>63.7</b>	<b>243.2</b>	<b>55.3</b>	<b>362.2</b>	<b>65.4</b>	<b>244.0</b>	<b>51.0</b>	<b>360.4</b>

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

	2016				2015			
Plan assets	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
CHF m								
<b>As at January 1</b>	<b>43.0</b>	<b>241.5</b>	<b>5.8</b>	<b>290.3</b>	<b>41.3</b>	<b>257.9</b>	<b>7.9</b>	<b>307.1</b>
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
<b>As at December 31</b>	<b>42.2</b>	<b>225.6</b>	<b>5.7</b>	<b>273.5</b>	<b>43.0</b>	<b>241.5</b>	<b>5.8</b>	<b>290.3</b>

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:

	2016				2015			
	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
<b>Net liabilities</b>								
CHF m								
<b>As at January 1</b>	<b>22.4</b>	<b>2.5</b>	<b>45.2</b>	<b>70.1</b>	<b>20.7</b>	<b>- 10.4</b>	<b>50.2</b>	<b>60.5</b>
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				
<b>Net liabilities as at December 31</b>	<b>21.5</b>	<b>17.6</b>	<b>49.6</b>	<b>88.7</b>	<b>22.4</b>	<b>2.5</b>	<b>45.2</b>	<b>70.1</b>

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

	2016				2015			
	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
<b>Recognized gains and losses</b>								
CHF m								
<b>Actuarial gains/losses (-) in the current period:</b>	<b>0.6</b>	<b>- 42.3</b>	<b>- 3.9</b>	<b>- 45.6</b>	<b>- 3.0</b>	<b>3.0</b>	<b>3.2</b>	<b>3.2</b>
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
<b>Total gains/losses (-) recognized in the comprehensive income statement before taxes</b>	<b>1.4</b>	<b>- 15.6</b>	<b>- 3.9</b>	<b>- 18.1</b>	<b>- 3.2</b>	<b>- 11.7</b>	<b>2.9</b>	<b>- 12.0</b>

Change in the present value of defined benefit liabilities:

	2016			2015		
	+ 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		
	- 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
<b>Total plan assets as at December 31</b>	<b>100.0</b>	<b>100.0</b>

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
<b>As at January 1, 2016</b>	<b>4.1</b>	<b>11.5</b>	<b>12.5</b>	<b>11.4</b>	<b>4.2</b>	<b>43.7</b>
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
<b>As at December 31, 2016</b>	<b>5.4</b>	<b>11.4</b>	<b>12.7</b>	<b>12.5</b>	<b>4.3</b>	<b>46.3</b>
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
<b>Accrued expenses and deferred income</b>		
CHF m		
Accrued expenses for compensation and employee benefits	37.8	35.6
Other accrued expenses	43.7	44.3
<b>Total accrued expenses and deferred income</b>	<b>81.5</b>	<b>79.9</b>

Accrued expenses for compensation and employee benefits mainly comprise overtime accruals and commissions. Other accrued expenses include accrued vol-

ume rebates, commissions, premiums, interest and goods and services received but not yet invoiced.

## 26 Current financial debt

	31.12.2016	31.12.2015
<b>Current financial debt</b>		
CHF m		
Current bank loans and overdrafts	0.0	0.0
Current portion of non-current debt	0.1	0.1
<b>Total current financial debt</b>	<b>0.1</b>	<b>0.1</b>

## 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.

## 29 Leasing

	31.12.2016	31.12.2015
<b>Leasing</b>		
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
<b>Total operating leasing liabilities</b>	<b>29.6</b>	<b>36.1</b>

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.

## 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.

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			
	Fair value through profit or loss – held for trading	Loans and receivables	Other financial liabilities	Total
CHF m				
<b>31.12.2016</b>				
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.



<b>Classification of financial instruments</b>	Carrying amount			
CHF m	Fair value through profit or loss – held for trading	Loans and receivables	Other financial liabilities	Total
<b>31.12.2015</b>				
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:

CHF m	Executive Board		Board of Directors		Total	
	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
<b>Total payments</b>	<b>3.6</b>	<b>2.9</b>	<b>3.8</b>	<b>3.7</b>	<b>7.4</b>	<b>6.7</b>

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.

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## 32 Risk assessment and financial risk management

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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.

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**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

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**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.

<b>As at December 31, 2016</b>				
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	

<b>As at December 31, 2015</b>				
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.

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**33 Events after the balance sheet date**

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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
<b>Australia</b>								
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	
<b>Austria</b>								
Forbo Flooring Austria GmbH	Vienna		EUR	73,000	100%	S		
Forbo Siegling Austria Ges.m.b.H.	Vienna		EUR	330,000	100%		S	
<b>Belgium</b>								
Forbo Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S		
<b>Brazil</b>								
Forbo Pisos Ltda.	São Paulo		BRL	18,175,000	100%	S		
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%		MS	
<b>Canada</b>								
Forbo Flooring Canada Corp.	Halifax		CAD	500,200	100%	S		
Forbo Siegling Canada Corp.	Halifax		CAD	501,000	100%		S	
<b>Chile</b>								
Forbo Siegling Chile S.A.	Santiago	N	CLP	335,631,092	50%		S	
<b>Czech Republic</b>								
Forbo Siegling Česká republika s.r.o.	Liberec		CZK	100,000	100%		S	
Forbo s.r.o.	Prague		CZK	500,000	100%	S		
<b>Denmark</b>								
Forbo Flooring A/S	Glostrup		DKK	500,000	100%	S		
Forbo Siegling Danmark A/S	Brøndby		DKK	32,300,000	100%		MS	
<b>Finland</b>								
Forbo Flooring Finland Oy	Helsinki		EUR	33,638	100%	S		
<b>France</b>								
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	Move-ment Systems	Holding/ Services
<b>Germany</b>								
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	
<b>Great Britain</b>								
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
<b>Hong Kong</b>								
Forbo International Hong Kong Ltd.	Hong Kong		HKD	1	100%			H
<b>India</b>								
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	
<b>Indonesia</b>								
PT Forbo Siegling Indonesia	Kabupaten Bandung		IDR	6,344,580,000	100%		S	
<b>Ireland</b>								
Forbo Ireland Ltd.	Dublin		EUR	125,000	100%	S		
<b>Italy</b>								
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	
<b>Japan</b>								
Forbo Siegling Japan Ltd.	Tokyo		JPY	330,000,000	100%		MS	
<b>Malaysia</b>								
Forbo Siegling SDN. BHD.	Johor Bahru		MYR	2,500,002	100%		S	
<b>Mexico</b>								
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
<b>Netherlands</b>							
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	
<b>New Zealand</b>							
Forbo Siegling Ltd.	Auckland	NZD	650,000	100%		S	
<b>Norway</b>							
Forbo Flooring AS	Asker	NOK	1,000,000	100%	S		
<b>People's Republic of China</b>							
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	
<b>Portugal</b>							
Forbo-Revestimentos, S.A.	Maia (Porto)	EUR	74,850	100%	S		
<b>Romania</b>							
Forbo Siegling Romania S.R.L.	Bucharest	RON	38,000	100%		S	
<b>Russia</b>							
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		
<b>Slovakia</b>							
Forbo Siegling s.r.o.	Malacky	EUR	15,281,639	100%		MS	
<b>South Korea</b>							
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
<b>Spain</b>								
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	—
<b>Sweden</b>								
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	Kållerød (Gothenburg)	—	SEK	1,000,000	100%	—	S	—
<b>Switzerland</b>								
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
<b>Thailand</b>								
Forbo Siegling (Thailand) Co. Ltd.	Samut Prakarn	D	THB	13,005,000	100%	—	S	—
<b>Turkey</b>								
Forbo Hareket ve Zemin Sistemleri Ticaret Limited Şirketi	Istanbul	—	TRY	3,500,000	100%	S	S	—
<b>United Arab Emirates</b>								
Forbo Flooring Middle East DMCC	Dubai	—	AED	499,000	100%	S	—	—
<b>USA</b>								
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



## 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.



## 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.

For further information on revenue recognition refer to the following:

- Note 2 – Summary of significant accounting policies: net sales and revenue recognition, page 101

### 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.

# 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.

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.

### 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.

# Report of the statutory auditor



## 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

# Consolidated income statements

## 2012 – 2016

	2016	2015	2014	2013	2012
CHF m					
<b>Net sales</b>	<b>1,185.5</b>	<b>1,139.1</b>	<b>1,226.8</b>	<b>1,199.7</b>	<b>1,201.1</b>
Cost of goods sold	-715.2	-698.3	-765.8	-747.3	-761.2
<b>Gross profit</b>	<b>470.3</b>	<b>440.8</b>	<b>461.0</b>	<b>452.4</b>	<b>439.9</b>
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
<b>Operating profit</b>	<b>157.2</b>	<b>142.8</b>	<b>149.4</b>	<b>135.7</b>	<b>171.5</b>
Financial income	2.0	2.0	5.9	10.9	5.7
Financial expenses	-0.1	-0.4	-1.0	-5.7	-11.2
<b>Group profit before taxes</b>	<b>159.1</b>	<b>144.4</b>	<b>154.3</b>	<b>140.9</b>	<b>166.0</b>
Income taxes	-31.5	-28.7	-30.9	-30.7	-35.9
<b>Group profit for the year from continuing operations</b>	<b>127.6</b>	<b>115.7</b>	<b>123.4</b>	<b>110.2</b>	<b>130.1</b>
<b>Group profit for the year from discontinued operations after taxes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>7.4</b>	<b>83.2</b>
<b>Group profit for the year</b>	<b>127.6</b>	<b>115.7</b>	<b>123.6</b>	<b>117.6</b>	<b>213.3</b>

# Consolidated balance sheets

## 2012 – 2016

	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
<b>Assets</b>					
CHF m					
<b>Non-current assets</b>	<b>388.1</b>	<b>402.8</b>	<b>418.5</b>	<b>408.2</b>	<b>410.4</b>
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
<b>Current assets</b>	<b>601.2</b>	<b>509.3</b>	<b>677.1</b>	<b>718.8</b>	<b>802.9</b>
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
<b>Total assets</b>	<b>989.3</b>	<b>912.1</b>	<b>1,095.6</b>	<b>1,127.0</b>	<b>1,213.3</b>
<b>Shareholders' equity and liabilities</b>					
CHF m					
<b>Shareholders' equity</b>	<b>621.4</b>	<b>559.2</b>	<b>738.8</b>	<b>786.8</b>	<b>729.2</b>
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
<b>Non-current liabilities</b>	<b>126.1</b>	<b>120.7</b>	<b>112.6</b>	<b>99.1</b>	<b>105.0</b>
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
<b>Current liabilities</b>	<b>241.8</b>	<b>232.2</b>	<b>244.2</b>	<b>241.1</b>	<b>379.1</b>
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
<b>Total liabilities</b>	<b>367.9</b>	<b>352.9</b>	<b>356.8</b>	<b>340.2</b>	<b>484.1</b>
<b>Total shareholders' equity and liabilities</b>	<b>989.3</b>	<b>912.1</b>	<b>1,095.6</b>	<b>1,127.0</b>	<b>1,213.3</b>



# FINANCIAL REPORT

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# Income statement for Forbo Holding Ltd

		2016	2015
<b>Income</b>			
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
<b>Total income</b>		<b>211,245,659</b>	<b>222,556,712</b>

		2016	2015
<b>Expenses</b>			
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
<b>Total expenses</b>		<b>7,786,844</b>	<b>10,987,679</b>
<b>Net profit for the year</b>		<b>203,458,815</b>	<b>211,569,033</b>

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

		31.12.2016	31.12.2015
<b>Assets</b>			
CHF	Note		
<b>Current assets</b>		<b>31,524,484</b>	<b>12,464,831</b>
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
<b>Non-current assets</b>		<b>437,685,610</b>	<b>441,591,225</b>
Loans to Group companies	5	117,539,378	119,094,504
Investments in Group companies	6	320,146,232	322,496,721
<b>Total assets</b>		<b>469,210,094</b>	<b>454,056,056</b>

		31.12.2016	31.12.2015
<b>Shareholders' equity and liabilities</b>			
CHF	Note		
<b>Current liabilities</b>		<b>24,070,499</b>	<b>183,388,008</b>
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
<b>Shareholders' equity</b>		<b>445,139,595</b>	<b>270,668,048</b>
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
<b>Total shareholders' equity and liabilities</b>		<b>469,210,094</b>	<b>454,056,056</b>

# Notes to the financial statements for Forbo Holding Ltd

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## 1 Accounting

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These financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (32<sup>nd</sup> 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.

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## 2 Financial income from investments in and loans to Group companies

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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.

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## 3 Administrative expenses

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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.

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## 4 Financial expenses from investments in and loans from Group companies

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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).

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## 5 Loans to Group companies

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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.

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## 9 Share capital

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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.

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## 10 Conditional capital

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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.

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## 11 Treasury shares

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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
<b>As at December 31, 2016</b>	<b>32,608,913</b>	<b>90,156</b>

## 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	90,156	5.01%
Forbo International SA, Baar, and Forbo Finanz AG, Baar		

### 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	Shares	Options <sup>1)</sup>
		2012 series 1:1 <sup>2)</sup>
Name and function		
This E. Schneider, Executive Chairman <sup>3)</sup>	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	
<b>Total Board of Directors</b>	<b>593,069</b>	
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	
<b>Total Executive Board</b>	<b>5,732</b>	<b>500</b>

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:

<b>Shareholdings 2015</b>		
	Shares	Options <sup>1)</sup>
Name and function		2012 series 1:1 <sup>2)</sup>
This E. Schneider, Executive Chairman <sup>3)</sup>	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	
<b>Total Board of Directors</b>	<b>592,791</b>	
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	
<b>Total Executive Board</b>	<b>4,765</b>	<b>500</b>

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
<b>Total at the shareholders' meeting's disposal<sup>1)</sup></b>	<b>420,958,211</b>

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
<b>Total at the shareholders' meeting's disposal<sup>1)</sup></b>	<b>420,958,211</b>

- 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.



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



## 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

A handwritten signature in black ink, appearing to read 'Rolf Hauenstein'.

Rolf Hauenstein  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in black ink, appearing to read 'Regula Tobler'.

Regula Tobler  
Licensed Audit Expert

Zurich, 2 March 2017