



FLOORING SYSTEMS

Forbo Flooring A/S

Produktionsvej 14  
2600 Glostrup

CVR no. 51 47 54 10

## Annual report 2016

The annual report was presented and approved at the  
Company's annual general meeting on

29 May 2017

  
Harald Henrik Burstaller  
chairman

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## **Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today discussed and approved the annual report of Forbo Flooring A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Glostrup, 29 May 2017

Executive Board:

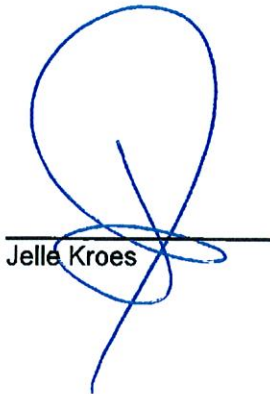


Jens-Christian Holm  
Iversen

Board of Directors:



Harald Henrik  
Burgstaller  
Chairman



Jelle Kroes



Matthias Peter  
Hünérwadel



## **Independent auditor's report**

**To the shareholder of Forbo Flooring A/S**

### **Opinion**

We have audited the financial statements of Forbo Flooring A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management 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, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## **Independent auditor's report**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to 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 ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



## Independent auditor's report

We communicate with those charged with governance 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.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 May 2017

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Kenn Wolff Hansen', written in a cursive style.

Kenn Wolff Hansen  
State Authorised  
Public Accountant

Forbo Flooring A/S  
Annual report 2016  
CVR no. 51 47 54 10

## Management's review

### Company details

Forbo Flooring A/S  
Produktionsvej 14  
2600 Glostrup

CVR no.: 51 47 54 10  
Established: 16 September 1974  
Registered office: Glostrup  
Financial year: 1 January – 31 December

### Board of Directors

Harald Henrik Burgstaller, Chairman  
Jelle Kroes  
Matthias Peter Hünerwadel

### Executive Board

Jens-Christian Holm Iversen

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 København Ø

### Annual general meeting

The annual general meeting will be held on 29 May 2017 at the company's adress.

## **Management's review**

### **Operating review**

#### **Principal activities**

The Company's main activity is wholesale in Denmark of linoleum products including floors, walls, desks and other related products, produced at Forbo Group's own factories.

#### **Development in activities and financial position**

The Company's income statement for 2016 shows a profit of DKK 2,705 thousand (2015: DKK 2,359 thousand). The balance sheet at 31 December 2016 shows an equity of DKK 4,579 thousand (2015: DKK 4,373 thousand).

#### **Events after the balance sheet date**

No events have occurred after the balance sheet date which could significantly affect the assessment of the Company's financial position.



## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2016	2015
<b>Gross profit</b>		12.494.908	11.625.441
Staff costs	2	-8.889.672	-8.363.535
Depreciation, amortisation and impairment		-2.268	-56.516
<b>Operating profit</b>		3.602.968	3.205.390
Financial income		25.052	33.566
Financial expenses		-8.107	0
<b>Profit before tax</b>		3.619.913	3.238.956
Tax on profit for the year	3	-914.503	-880.341
<b>Profit for the year</b>		2.705.410	2.358.615

### Proposed profit appropriation

Proposed dividend for the financial year	2.700.000	2.500.000
Retained earnings	5.410	-141.385
	2.705.410	2.358.615

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2016	2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>			
Leasehold improvements under constructions		97.414	0
Leasehold improvements		57.226	59.484
		<u>154.640</u>	<u>59.484</u>
<b>Financial fixed assets</b>			
Deposits		287.835	286.683
		<u>287.835</u>	<u>286.683</u>
<b>Total fixed assets</b>		<u>442.475</u>	<u>346.167</u>
<b>Current assets</b>			
<b>Inventories</b>			
Inventories		11.410	17.227
		<u>11.410</u>	<u>17.227</u>
<b>Receivables</b>			
Trade receivables		5.922.541	7.308.689
Receivables from group entities		132.494	23.042
Deferred tax asset		6.057	13.368
Prepayments		323.490	228.361
		<u>6.384.582</u>	<u>7.573.460</u>
<b>Cash at bank and in hand</b>		<u>8.099.183</u>	<u>6.977.275</u>
<b>Total current assets</b>		<u>14.495.175</u>	<u>14.567.962</u>
<b>TOTAL ASSETS</b>		<u><u>14.937.650</u></u>	<u><u>14.914.129</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	4		
Share capital		500.000	500.000
Proposed dividends for the year		2.700.000	2.500.000
Retained earnings		1.378.609	1.373.199
<b>Total equity</b>		<u>4.578.609</u>	<u>4.373.199</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Trade payables		3.002.509	2.660.183
Payables to group entities		2.673.975	2.915.657
Corporation tax		907.192	880.545
Other payables		3.775.365	4.084.545
		<u>10.359.041</u>	<u>10.540.930</u>
<b>Total liabilities other than provisions</b>		<u>10.359.041</u>	<u>10.540.930</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>14.937.650</u>	<u>14.914.129</u>
Contingent liabilities	5		
Related party disclosures	6		

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Forbo Flooring A/S for 2016 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015 (The new Financial Statement Act).

The changes have no monetary effect on the income statement or the balance sheet for 2015 or for the comparative figures.

Further the Company has changed the presentation in the income statement. Costs are now recognised and presented by their nature instead of by function. Comparative figures for 2015 have been adjusted.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### Income statement

#### Revenue

Income from the sale of goods, comprising the sale of linoleum products, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

#### Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year.

#### Other external costs

Other external costs comprise costs for distribution and sales costs, costs for advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

#### Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

#### Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

#### Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

### Balance sheet

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Leasehold improvements: 5 years

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses are recognised in the income statement as other income or other expenses.

#### Inventories

Inventories are measured at cost. Where the net realisable value is lower than cost, inventories are written down to this lower value. Inventories consists of demo products and sales samples.

#### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

#### Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

#### Equity

##### *Dividends*

The expected dividend payment for the year is disclosed as a separate item under equity.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Corporation tax and deferred tax

The Company is jointly taxed with other Danish subsidiaries in the Forbo Group.

Joint taxation contribution is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

##### Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

#### 2 Staff costs

DKK	2016	2015
Wages and salaries	8.117.191	7.517.058
Pensions	713.787	728.516
Other social security costs	58.694	117.961
	<u>8.889.672</u>	<u>8.363.535</u>
Average number of full-time employees	<u>14</u>	<u>13</u>

## Financial statements 1 January – 31 December

### Notes

#### 3 Tax on profit for the year

DKK	2016	2015
Current tax for the year	907.192	896.854
Adjustment of deferred tax for the year	7.311	-172
Adjustments from previous years	0	-16.341
	<u>914.503</u>	<u>880.341</u>

#### 4 Equity

DKK	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2016	500.000	1.373.199	2.500.000	4.373.199
Distributed dividends	0	0	-2.500.000	-2.500.000
Profit for the year	0	4.926	2.700.000	2.704.926
Equity at 31 December 2016	<u>500.000</u>	<u>1.378.125</u>	<u>2.700.000</u>	<u>4.578.125</u>

There have been no changes in the share capital during the last five years.

The share capital consists of 1,000 shares of a nominal value of DKK 500 each.

All shares rank equally.

#### 5 Contingent liabilities

##### Operating lease obligations

Remaining operating lease obligations and rent commitment at the balance sheet date falling due within four years amount to DKK 1,993 thousand (2015: DKK 1,918 thousand).

#### 6 Related party disclosures

Forbo Flooring A/S is part of the consolidated financial statements of Forbo Flooring AB, August Barks Gata 26, 421 32 Västra Frölunda Sweden, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of Forbo Holding SA, Switzerland can be obtained by contacting the Company or at the following website:

[http://www.forbo.com/corporate/en-gl/media/mediacenter/corporate-publications/piddka#panel\\_2](http://www.forbo.com/corporate/en-gl/media/mediacenter/corporate-publications/piddka#panel_2)