



This E. Schneider
Executive Chairman

Stephan Bauer
CEO

'Forbo raised sales significantly in 2017. Both divisions again improved operating profit through operations. Movement Systems built a new, state-of-the-art production plant in China, which will provide additional capacity for conveyor belts, mainly for the Asia/Pacific region. The plant is slated to come on stream mid-2018. The high-tech 3-D digital printing machine installed in the spring of 2017 is enabling Flooring Systems to roll out unique Flotex designs.'

We once again selectively broadened our portfolio with innovative products and particularly expanded our distribution and service structures. These efforts are reflected in the company's strong sales growth.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo increased net sales significantly in 2017 amid challenging market conditions. It again improved operating profit before one-off costs despite higher raw material prices. Both divisions were instrumental in this success.

An investigation by the French antitrust authorities that has been going on for several years concerning the exchange of information by various flooring producers – going back to 1990 – was concluded in the year under review with a payment of EUR 75 million. This was an isolated event relating to a subsidiary of Flooring Systems in France. Forbo cooperated closely with the French authorities and supported them in establishing the facts of the case. We have up-to-date compliance rules, and under no circumstances do we accept violations of the law or of ethical codes of conduct. We have extended training and have tightened our directives and regulations. This event, which we carried in our financial reporting as a contingent liability until the 2017 Half-Year Report and which we booked at the end of June 2017, had a major impact on the 2017 results.

The construction of one of our largest and most modern production plants in Pinghu, China, which is slated to come on stream mid-2018, has created additional capacity for Transilon conveyor belts, mainly for the Asia/Pacific region.

We gained market share in important market segments despite challenging conditions by systematically implementing our strategy and generating added value with products and services for our customers. Ongoing optimization of global processes along the entire value chain enabled us to largely offset the expansion costs and higher prices for raw materials.

When the results in local currencies were translated into the corporate currency, the currency effect was slightly positive on balance compared with the previous year.

Significant growth in sales

Strong sales growth in both divisions

In the year under review, Forbo generated net sales of CHF 1,246.4 million (previous year: CHF 1,185.5 million) which represents an increase of 5.1%, or 4.3% in local currencies, due to slightly positive currency effects. Both divisions contributed to this solid growth.

The net sales of Flooring Systems rose by 4.7% to CHF 856.6 million (previous year: CHF 818.0 million). This represents an increase of 3.7% in local currencies. The innovative flooring collections launched in 2017 impressed customers and were instrumental in producing this positive development. We backed this up by selectively expanding our distribution structures.

Movement Systems reported net sales of CHF 389.8 million (previous year: CHF 367.5 million), another encouraging increase of 6.1%, or a gain of 5.8% in local currencies. The increase was driven by high-quality, application-specific product innovations along with the ongoing expansion of distribution and service structures, particularly in growth markets.

Operating profit confirmed

Profitability remains strong

Operating profit before depreciation and amortization (EBITDA) and before one-off costs in connection with the antitrust proceedings against Flooring Systems in France increased by CHF 8.1 million, or 4.2%, to CHF 201.0 million (previous year: CHF 192.9 million). Group operating profit (EBIT) before one-off costs rose by CHF 6.1 million, or 3.9%, to CHF 163.3 million (previous year: CHF 157.2 million). The EBITDA margin declined slightly from 16.3% to 16.1%, and the EBIT margin from 13.3% to 13.1%, owing to higher raw material prices.

Factoring in one-off costs, operating profit before depreciation and amortization (EBITDA) came to CHF 117.6 million (previous year: CHF 192.9 million), while operating profit (EBIT) stood at CHF 79.9 million (previous year: CHF 157.2 million).

Tax effects significantly impact Group profit

Profitability impacted by one-off effects

Group profit from continuing operations before one-off costs declined by CHF 7.8 million to CHF 119.8 million (previous year: CHF 127.6 million) owing in particular to higher taxes. The higher tax charge was predominantly due to the sale of Forbo treasury shares. The sale produced a profit of a high double-digit million amount, which was not recognized in the income statement but rather credited directly to shareholders' equity. The federal tax on capital gains, however, was booked in the income statement. Additionally, financial income in fiscal 2017 was CHF 1.8 million lower than the previous year owing to foreign currency effects.

Factoring in one-off costs, Group profit from continuing operations came to CHF 36.5 million (previous year: CHF 127.6 million), while Group profit stood at CHF 38.7 million (previous year: CHF 127.6 million).

Balance sheet remains robust

High net liquidity

Net liquidity at year-end stood at CHF 195.0 million (previous year: CHF 209.2 million) despite high capital expenditure of CHF 57.8 million – in particular to expand capacity – and a cash outflow of EUR 75.0 million in the wake of the antitrust proceedings against Flooring Systems in France. In addition, as at December 31, 2017, Forbo held 95,556 treasury shares valued at year-end at CHF 143.8 million (previous year: CHF 118.4 million). Of these, 63,105 shares are earmarked for a capital reduction.

The equity ratio still remains at a high 61.9% (previous year: 62.8%).

Undiluted earnings per share from continuing operations before one-off costs decreased by 7.1% to CHF 69.34 (previous year: CHF 74.66). Factoring in the one-off costs, undiluted earnings per share from continuing operations came to CHF 21.10.

Share buyback program

The share buyback program approved by the 2017 Ordinary General Meeting for a maximum of 10 percent of the share capital will remain in effect unchanged. The program is scheduled to end at the Ordinary General Meeting in 2020. To date, 63,105 shares have been repurchased at an average price of CHF 1,430.

Solid foundation for profitable growth opportunities

Our strong global presence – which we have bolstered with the new Movement Systems plant in Pinghu, China – as well as our solid balance sheet, and our systematic implementation of the Forbo strategy enable us to forge ahead with expansion in growth markets and, where appropriate, to capitalize on external growth opportunities. However, we will make acquisitions only if doing so creates added value for our shareholders.

Proposals to the Ordinary General Meeting

Re-elections to the Board of Directors

All the current members of the Board of Directors will stand for re-election for a further one-year term of office.

Stable dividend

The Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend for 2017, unchanged from the previous year, of CHF 19 per share.

In good shape for 2018

Outlook for 2018

For the 2018 business year we expect market conditions to be similar to 2017. We still face significant challenges, especially as we are present in a range of different global markets. Economic and – especially – political circumstances can change quickly. We will stick to our tried-and-tested strategy, convince our customers with our strong brand plus our high-quality products and services, and further expand our global presence.

Against this background and provided the currency situation remains unchanged and the economic environment remains similar, for 2018 we anticipate a slight increase in net sales and Group profit from continuing operations before one-off costs (2017: CHF 119.8 million) and special tax effects of CHF 7.8 million (2017: CHF 127.6 million).

Thank you

Thanks to employees, business partners, and shareholders

Close cooperation at all levels, the committed and professional attitude of our employees, and their flexibility were the major factors contributing to operational success in the year under review. Many thanks for this effort.

We also wish to thank our customers, business partners, and suppliers for the good cooperation and the confidence they have placed in our company.

On behalf of the Board of Directors and the Executive Board, we thank you too, dear shareholders, for the ongoing trust and loyalty you show to Forbo.

Baar, March 2018



This E. Schneider
Executive Chairman



Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting	April 6, 2018
Publication of 2018 Half-Year Report	July 27, 2018
Publication of 2018 Annual Report	March 5, 2019