

**2017 AT A GLANCE**

FORBO IS A LEADING  
PRODUCER OF  
FLOOR COVERINGS,  
BUILDING AND  
CONSTRUCTION  
ADHESIVES, AS WELL  
AS POWER TRANS-  
MISSION AND  
CONVEYOR BELT  
SOLUTIONS.

The company employs more than 5,500 people and has an international network of 24 production and distribution companies, 6 assembly operations and 45 pure sales organizations in a total of 36 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

# FORBO IN FIGURES

Forbo is a global player, and its two divisions supply a wide range of industries. The Group's global reach means that it is close to dynamic markets, making Forbo the first choice as a local partner for customers that have similar global requirements. The quality, longevity, and performance of our products and systems reflect the quality and stability of our relations with our business partners.

## Flooring Systems

15 production facilities in 6 countries and distribution companies in 26 countries. Sales offices in Europe, North, Central, and South America as well as Asia/Pacific.

- Floor coverings
- Building and construction adhesives

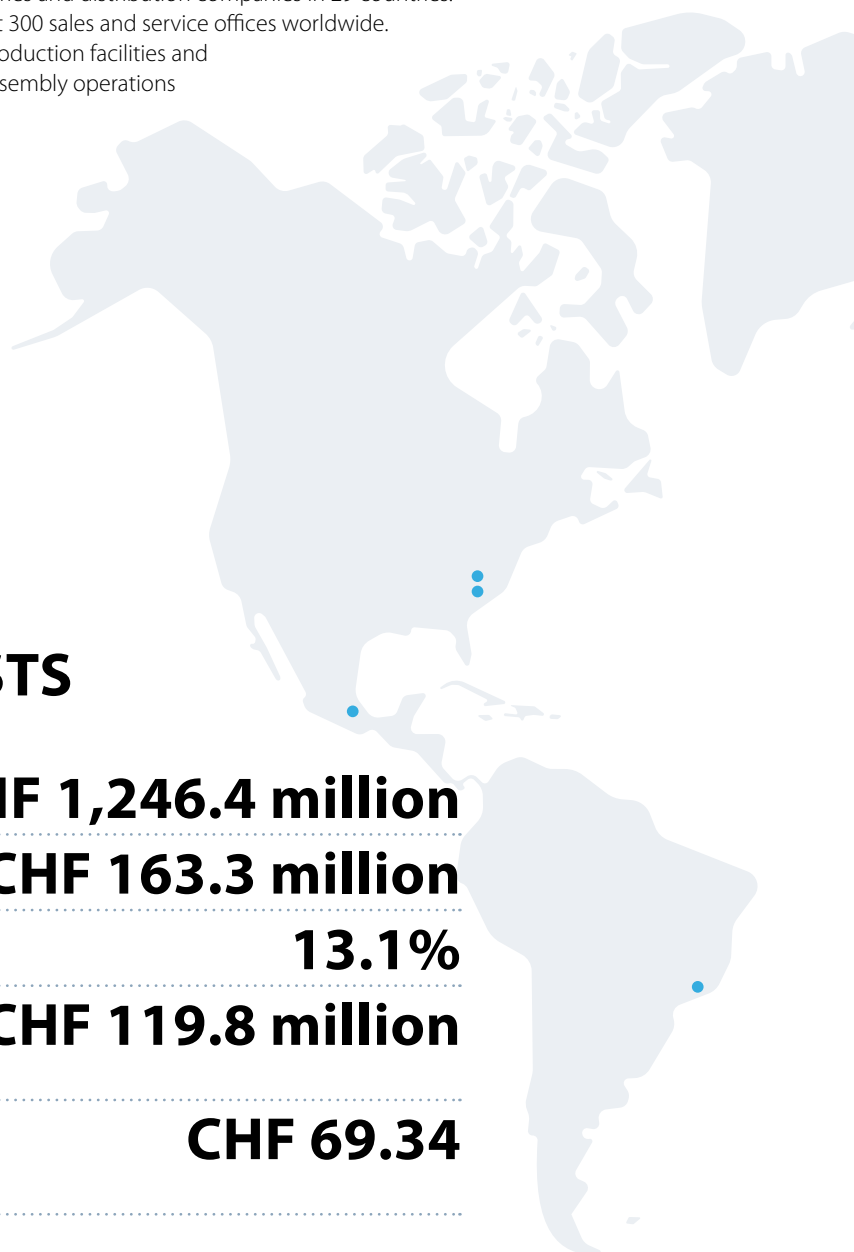
## Movement Systems

9 production sites and 6 assembly operations in 9 countries and distribution companies in 29 countries. About 300 sales and service offices worldwide.

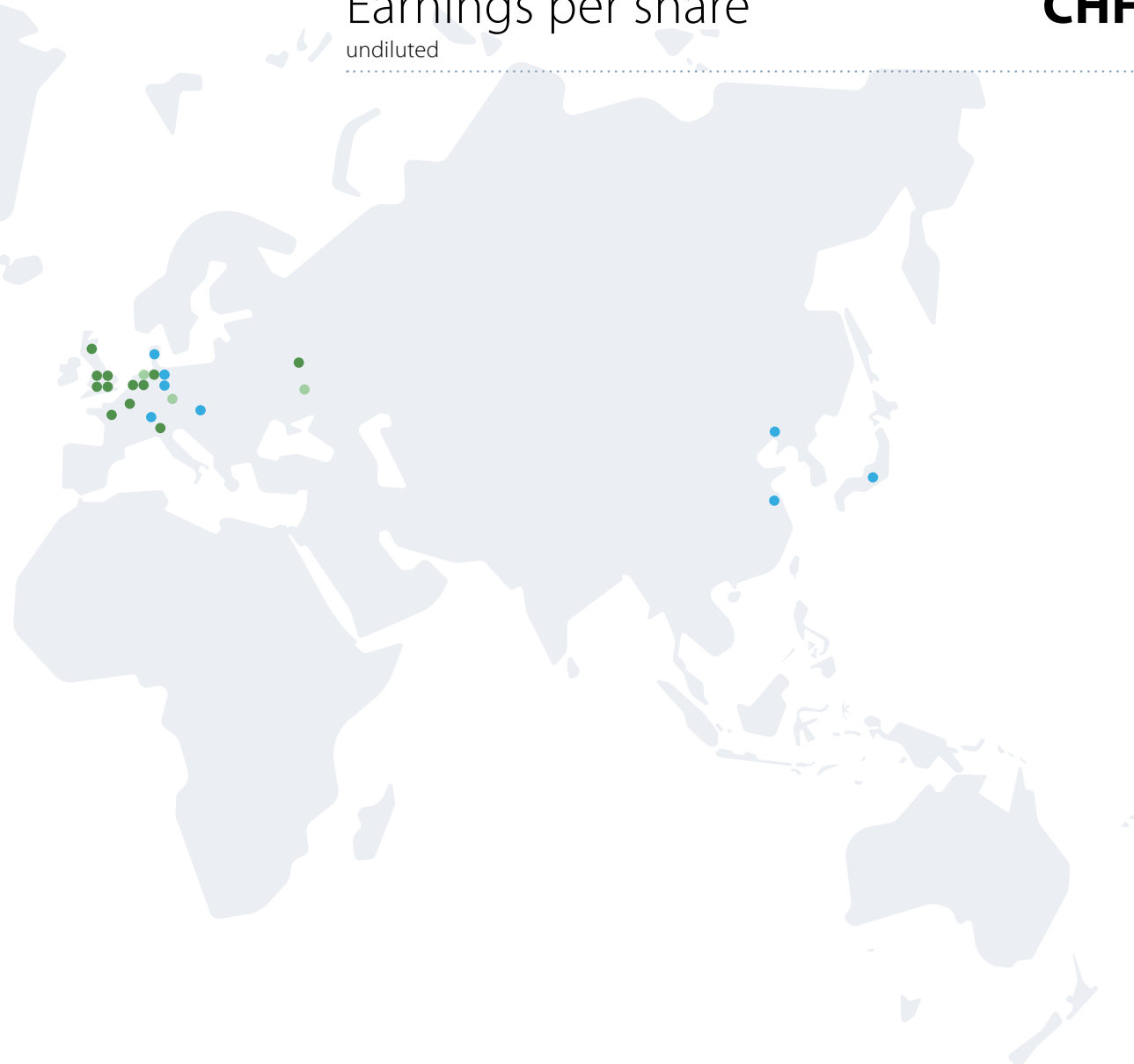
- Production facilities and assembly operations

## BEFORE ONE-OFF COSTS

Net sales	<b>CHF 1,246.4 million</b>
EBIT	<b>CHF 163.3 million</b>
EBIT margin	<b>13.1%</b>
Group profit from continuing operations	<b>CHF 119.8 million</b>
Earnings per share undiluted	<b>CHF 69.34</b>

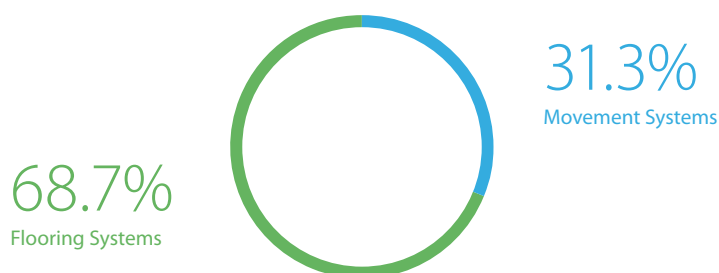


Net sales	<b>CHF 1,246.4 million</b>
EBIT	<b>CHF 79.9 million</b>
EBIT margin	<b>6.4%</b>
Group profit from continuing operations	<b>CHF 36.5 million</b>
Earnings per share undiluted	<b>CHF 21.10</b>



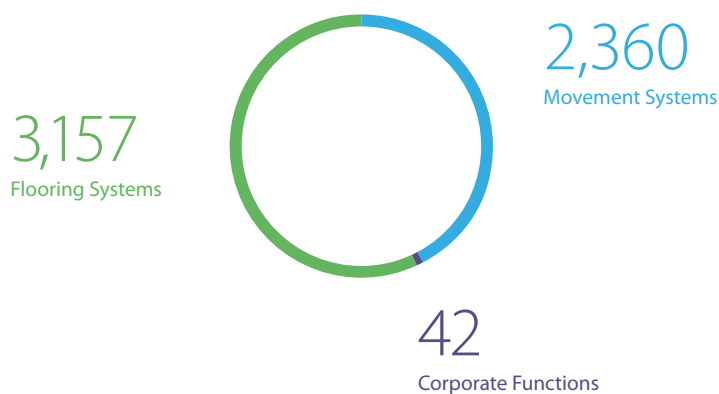
## Net sales by division

	CHF m 2017	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	856.6	4.7	3.7	68.7
Movement Systems	389.8	6.1	5.8	31.3
<b>Total</b>	<b>1,246.4</b>	<b>5.1</b>	<b>4.3</b>	<b>100.0</b>



## Employees by division

	Number 2017	Change on previous year in %		In % of total
Flooring Systems	3,157	1.5		56.8
Movement Systems	2,360	7.6		42.5
Corporate Functions	42	0.0		0.7
<b>Total</b>	<b>5,559</b>	<b>4.0</b>		<b>100.0</b>



## Financial overview Forbo Group

	2017	2016	2017	2016
<b>Income statement</b>	CHF m	CHF m	EUR m <sup>1)</sup>	EUR m <sup>1)</sup>
Net sales	1,246.4	1,185.5	1,121.2	1,087.5
Flooring Systems	856.6	818.0	770.5	750.4
Movement Systems	389.8	367.5	350.6	337.1
EBITDA	117.6	192.9	105.8	177.0
EBITDA before one-off costs <sup>6)</sup>	201.0	192.9	180.8	177.0
EBIT	79.9	157.2	71.9	144.2
EBIT before one-off costs <sup>6)</sup>	163.3	157.2	146.9	144.2
Group profit from continuing operations	36.5	127.6	32.8	117.1
Group profit from continuing operations before one-off costs <sup>6)</sup>	119.8	127.6	107.8	117.1
Group profit	38.7	127.6	34.8	117.1
Group profit before one-off costs <sup>6)</sup>	122.0	127.6	109.7	117.1
<b>Balance sheet</b>	CHF m	CHF m	EUR m <sup>1)</sup>	EUR m <sup>1)</sup>
Total assets	1,067.5	989.3	960.2	907.5
Operating assets	832.8	738.9	749.1	677.8
Shareholders' equity	661.2	621.4	594.8	570.0
Net cash	195.0	209.2	175.4	191.9
<b>Cash flow statement</b>	CHF m	CHF m	EUR m <sup>1)</sup>	EUR m <sup>1)</sup>
Cash flow from operating activities	78.8	166.5	70.9	152.7
Cash flow from investing activities	-56.5	-40.3	-50.8	-37.0
Free cash flow	22.3	126.2	20.1	115.8
<b>Key ratios</b>	%	%		
ROS (EBITDA/net sales)	9.4	16.3		
Equity ratio (shareholders' equity/total assets)	61.9	62.8		
Gearing (net debt/shareholders' equity)	-29.5	-33.7		
<b>Employees (as at December 31)</b>	Number	Number		
Total employees	5,559	5,346		
<b>Ratios per share</b>	CHF	CHF	EUR <sup>1)</sup>	EUR <sup>1)</sup>
Earnings per share (undiluted) <sup>2)</sup> , from continuing operations	21.10	74.66	18.98	68.49
Earnings per share (undiluted) <sup>2)</sup> , from continuing operations before one-off costs <sup>6)</sup>	69.34	74.66	62.37	68.49
Equity (undiluted)	382.60	363.57	344.16	333.52
Dividend	19.00 <sup>3)</sup>	19.00 <sup>4)</sup>	17.10	17.40
<b>Stock market capitalization (as at December 31)</b>	CHF m	CHF m	EUR m <sup>1)</sup>	EUR m <sup>1)</sup>
Stock market capitalization <sup>5)</sup>	2,709.0	2,363.4	2,436.8	2,168.1

1) Euro values translated at the average annual exchange rate of CHF 1.1117/1 EUR (2017) and CHF 1.0901/1 EUR (2016).

2) See note 13 'Earnings per share' on page 114 of the financial report.

3) The Board of Directors proposes to the Ordinary General Meeting of April 6, 2018, the distribution of a dividend in the amount of CHF 19 per registered share.

4) Approval of a dividend of CHF 19 per registered share at the Ordinary General Meeting of April 6, 2017.

5) Total number of shares multiplied by year-end share price.

6) Not factoring in the one-off costs from the antitrust proceedings against Flooring Systems in France.

# STRONG SALES RESULT; SPECIAL ITEMS IMPACT PROFIT

The 2017 business year at Forbo was marked by strong sales growth in a challenging environment, though market dynamics sometimes differed greatly according to country and market segment. Both divisions again raised their operating profit – before one-off costs incurred in connection with the anti-trust proceedings against Flooring Systems in France – despite higher raw material prices and a major increase in capital expenditure.

The Group added attractive and innovative products to its portfolio, selectively expanded its distribution and service structures, significantly increased capacity, and streamlined operational processes with investments in manufacturing facilities and equipment tools to bring them up to the state of the art.

Our strong global presence, our solid balance sheet, and our attractive offering of products and services, along with selective capacity expansion, give us a strong basis and the right prerequisites for future growth.

## Net sales by geographic area

	%	Change on previous year		2017 CHF m											
		in %	in local currencies in %		25	50	75	100	125	150	175	200	225	250	275
North, Central, and South America	20.8	3.4	3.1	259.5											
Asia/Pacific and Africa	15.0	4.7	5.8	186.3											
France	12.7	8.2	6.2	158.3											
Germany	12.1	7.7	5.7	150.5											
Benelux	10.0	6.8	4.7	124.5											
Scandinavia	8.4	1.7	1.0	105.2											
Great Britain/Ireland	7.8	-9.9	-5.8	97.8											
Southern Europe	5.7	10.8	8.6	70.6											
Eastern Europe	5.4	23.1	14.5	67.7											
Switzerland	2.1	12.1	12.1	26.0											
<b>Total</b>	<b>100.0</b>	<b>5.1</b>	<b>4.3</b>	<b>1,246.4</b>											

### Strong sales growth in both divisions

In the year under review, Forbo reported 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 strong and gratifying growth and gained market shares in a challenging environment.

The Flooring Systems division generated net sales of CHF 856.6 million in 2017 (previous year: CHF 818.0 million). This represents an increase of 4.7% in the corporate currency (+3.7% in local currencies). All three regions contributed to this growth with different drivers amid mixed market conditions, particularly in our core markets France, Germany, and the Netherlands. Attractive additions to the product portfolio and the targeted expansion of distribution resources supported this positive trend.

The Movement Systems division again demonstrated its strong growth potential and generated net sales of CHF 389.8 million in the year under review (previous year: CHF 367.5 million), which was equivalent to a significant increase of 6.1% (+ 5.8% in local currencies). All three regions, most markets, and all customer seg-

ments contributed to varying degrees to this strong increase in net sales. The other key factors driving this success were application-specific, technologically advanced product innovations, ongoing expansion of the distribution and service structures, and investments in efficiency-enhancing fabrication tools.

## EBITDA by division

	2017 CHF m	Change on previous year in %					
			-25	0	25	50	75
Flooring Systems	69.7	-53.3					
Movement Systems	58.7	7.9					
Corporate	-10.8	1.9					

### Profit impacted by special items

Forbo's profitability remains strong even though various one-off special items had a negative impact on operating profit.

On the positive side, operating profit was positively affected by strong sales growth and various efficiency-enhancing measures in a number of different operational areas. The opposing factors were higher raw material prices, significantly higher capital expenditure, and above all the one-off costs in connection with the antitrust proceedings against Flooring Systems in France.

Group operating profit before depreciation and amortization (EBITDA) and before one-off costs in connection with the antitrust proceedings against Flooring Systems in France rose by 4.2% to CHF 201.0 million (previous year: CHF 192.9 million). Factoring in one-off costs, EBITDA came to CHF 117.6 million. EBITDA at Flooring Systems before one-off costs rose by 2.7% to CHF 153.1 million (previous year: CHF 149.1 million) owing to higher sales and operational efficiency gains, despite higher raw material prices. Factoring in one-off costs, the division's EBITDA came to CHF 69.7 million. At Movement Systems, EBITDA was up 7.9% to CHF 58.7 million (previous year: 54.4 million) on the back of strong sales growth and systematic improvements in global processes, despite additional capacity expansion in China.

The EBITDA margin for the Group before one-off costs decreased slightly from 16.3% to 16.1%. At Flooring Systems, the EBITDA margin before one-off costs declined from 18.2% the previous year to 17.9% in the year under review, while at Movement Systems the EBITDA margin improved by 0.3 percentage points to 15.1% (previous year: 14.8%).

Group operating profit (EBIT) before one-off costs increased by 3.9% to CHF 163.3 million (previous year: CHF 157.2 million). Factoring in one-off costs, EBIT came to CHF 79.9 million. The Group EBIT margin before one-off costs decreased from 13.3% in the previous year to 13.1% in the year under review.

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 from the sale of Forbo treasury shares.

Factoring in one-off costs, Group profit from continuing operations came to CHF 36.5 million, while Group profit stood at CHF 38.7 million (previous year: CHF 127.6 million). The reason for the difference of CHF 2.2 million was the release of provisions owing to the expiry of warranty periods in connection with the sale of the industrial adhesives activity at the beginning of 2012.

### Taxes and financial income

The tax rate for the year under review was 54.4%, well above the 19.8% of the previous year. This is due to the impact of the one-off costs in connection with the antitrust proceedings against Flooring Systems in France as well as the sale of Forbo treasury shares. This sale produced capital gains of a high double-digit million amount, which, however, was not recognized in the income statement but rather credited directly to shareholders' equity. The federal tax paid on this extraordinary income, meanwhile, was charged to the income statement.

Financial expenses came to CHF 0.8 million (previous year: CHF 0.1 million); the increase was due to foreign currency losses. This was offset by financial income of CHF 0.9 million (previous year: CHF 2.0 million); the decline is due to non-recurring foreign exchange gains in the previous year. On balance, the financial result came to CHF 0.1 million (previous year: CHF 1.9 million).



## Free cash flow

	2017 CHF m	2016 CHF m	-100	-50	0	50	100	150	200
Cash flow from operating activities	78.8	166.5							
Cash flow from investing activities	-56.5	-40.3							
Free cash flow	22.3	126.2							

### Cash flow performance impacted by one-off special factors

In the reporting year, cash flow from operating activities came to CHF 78.8 million, a decline of CHF 87.7 million compared with the previous year (CHF 166.5 million), due mainly to the one-off costs incurred in connection with the antitrust proceedings against Flooring Systems in France. Cash flow from investing activities came to CHF -56.5 million (previous year: CHF -40.3 million), due primarily to the significant increase in capital expenditure in the year under review. Free cash flow thus amounted to CHF 22.3 million (previous year: CHF 126.2 million). The main reasons for the decline were the one-off costs incurred in connection with the antitrust proceedings against Flooring Systems in France, higher capital expenditure, and the one-off steep rise in taxes.

### Balance sheet remains robust

Total assets as at December 31, 2017, stood at CHF 1,067.5 million, which was CHF 78.2 million higher than the previous year (CHF 989.3 million). Net liquidity remains at a comfortable level, despite the one-off costs in connection with the antitrust proceedings against Flooring Systems in France and the significant increase in capital expenditure. Liquidity declined by CHF 14.2 million to CHF 195.0 million (previous year: CHF 209.2 million). Equity stood at CHF 661.2 million on December 31, 2017, which was CHF 39.8 million higher than in the previous year (CHF 621.4 million). The equity ratio still remains at a high 61.9% (previous year: 62.8%).

## Investments 2013 – 2017

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m		10	20	30	40	50	60
2017	22	36	0	58							
2016	20	17	3	40							
2015	31	9	0	40							
2014	30	9	1	40							
2013	27	7	1	35							

### Significant increase in capital expenditure

In addition to increasing efficiency and steadily streamlining processes, our focus is on factors that will promote future growth. Capital expenditure in the year under review was significantly higher than in the previous year, mainly due to the construction of a new Movement Systems plant in Pinghu, China. In addition to this major capacity increase, over the past year we concentrated our resources in both divisions on key activities and strategic projects in the areas of product portfolio, technology, production capacity, and market expansion. Total Group investments in property, plant, and equipment and intangible assets in 2017 rose significantly by 44.5% year-on-year to CHF 57.8 million (previous year: CHF 40.0 million).

In the reporting period, Flooring Systems invested CHF 22.3 million (previous year: CHF 20.5 million), which represents a 8.8% increase. This sum includes in particular a portion for the recently installed digital printing facility for high-end Flotex designs in 3-D quality in France as well as a new 3-D digital printing line for modular Flotex floor coverings in the USA. The additional cutting facility for luxury vinyl tiles in the Netherlands is supporting the double-digit growth of this product line. In the UK, production capacity for manufacturing carrier layers from recycled material for carpet tiles was expanded. Part of the funds were also used for the extension of the product offering with innovative new collections.

At Movement Systems, investment in property, plant, and equipment came to CHF 35.5 million, more than double the prior-year figure (previous year: CHF 16.5 million). The main reason for the increase was the construction of a new plant in Pinghu, China, which will provide additional capacity for Transilon processing

belts. Funds were also used for various additional fabrication tools, in particular cutting machines, heat presses, cooling stations, punch presses using waterjet technology, bending machines, and laser measurement systems. Part of the expenditure was invested in innovative range extensions for specific applications.

## Employees by geographic area

	%	Change on		2017	200	400	600	800	1,000	1,200	1,400
		previous year in %	2017								
Benelux	21.8	3.3	1,214								
Asia/Pacific and Africa	15.0	8.2	832								
North, Central, and South America	13.8	4.5	772								
Germany	12.2	4.5	677								
Great Britain/Ireland	10.9	-1.9	604								
Eastern Europe	9.9	8.7	551								
France	7.8	0.2	431								
Switzerland	3.1	1.7	175								
Scandinavia	2.9	0.0	159								
Southern Europe	2.6	9.9	144								
<b>Total</b>	<b>100.0</b>	<b>4.0</b>	<b>5,559</b>								

### Headcount higher owing to capacity expansion

At year-end 2017, the Forbo Group employed 5,559 people. This is an increase of 213 employees year-on-year; the increase was due mainly to the capacity expansion at Movement Systems. The individual percentage changes in employee levels by and large reflect market developments in the countries and regions in question.

The significant increase in Asia/Pacific was due mainly to the new plant in Pinghu, China. The fabrication activity started in fall 2017. For the planned production start mid-2018, hiring of production personnel already began in the year under review. These employees are currently being trained in test production runs. The strong increase in headcount in Eastern Europe is largely due to the expansion of the European fabrication plant of Movement Systems in Slovakia. The increase in Southern Europe can be ascribed to the expansion of both divisions in the growth market Turkey and to the continuing growth of Movement Systems in Spain and Italy.