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2017 BUSINESS YEAR

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Strong rise in sales amid mixed market conditions – Operating profit before one-off costs once more increased – Group profit strongly impacted by one-off costs – Significantly higher investments – Balance sheet remains robust – Dividend of CHF 19 per share

In 2017, Forbo raised sales significantly despite mixed market conditions, generating 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. Group operating profit (EBIT) – before one-off costs in connection with the antitrust proceedings against Flooring Systems in France – rose 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. Group profit from continuing operations before one-off costs declined due to special tax effects by CHF 7.8 million to CHF 119.8 million (previous year: CHF 127.6 million).

Baar, March 6, 2018

2017 – a year marked by one-off effects

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. Forbo has up-to-date compliance rules, and under no circumstances does it accept violations of the law or of ethical codes of conduct. Forbo has extended training and has tightened up directives and regulations. This event, which Forbo carried in its financial reporting as a contingent liability until the 2017 Half-Year Report and which it booked at the end of June 2017, had a major impact on the 2017 results.

Investments for future growth

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

Forbo gained market share in important market segments despite challenging conditions by systematically implementing its strategy and generating added value with products and services for its customers. Ongoing optimization of global processes along the entire value chain enabled Forbo 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

Both divisions contributed to a significant rise in sales, which came to 5.1% overall in the corporate currency. The innovative flooring collections launched in 2017 along with the expansion of distribution structures at Flooring Systems generated sales growth of 4.7%. Movement Systems posted a sales gain of 6.1% thanks to high-quality, application-specific product innovations along with the ongoing expansion of distribution and service structures.

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Overall, sales in local currencies in the Asia/Pacific and Africa region showed the strongest growth, which came to +5.8%, while Europe reported a sales gain of +4.4% amid very mixed market conditions, and sales in the North, Central and South America region grew by +3.1%.

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).

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).

Performance of the divisions

The **Flooring Systems** division generated net sales of CHF 856.6 million (previous year: CHF 818.0 million). This represents a solid increase of 4.7% in the corporate currency (+3.7% in local currencies). The division's share of Group sales was 68.7%. All three regions contributed to this growth amid mixed market conditions, though with different growth rates. Operating profit (EBIT) before one-off costs rose by 2.3% to CHF 125.5 million (previous year: CHF 122.7 million) despite the negative impact of higher raw material prices. The EBIT margin before one-off costs declined by 0.3 percentage points to 14.7% (previous year: 15.0%). Factoring in one-off costs, EBIT came to CHF 42.1 million.

The **Movement Systems** division generated net sales of CHF 389.8 million (previous year: CHF 367.5 million), which reflects a substantial year-on-year increase of 6.1% in the corporate currency (+5.8% in local currencies). The division accounted for 31.3% of Group sales. All three regions, most markets, and all customer segments contributed to varying degrees to this significant increase in sales revenue. This sales growth coupled with consistently executed operational activities designed to improve global processes across the board again had a positive impact on operating profit (EBIT), which climbed to CHF 49.3 million (previous year: CHF 45.3 million). This increase of 8.8% was achieved despite the additional expansion of capacity in China. The EBIT margin edged up to 12.6% (previous year: 12.3%).

Balance sheet remains robust

Net liquidity at year-end stood at CHF 195.0 million (previous year: CHF 209.2 million) despite high capital spending 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.

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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

Forbo's strong global presence – which it has further bolstered with the new Movement Systems plant in Pinghu, China – as well as its solid balance sheet, and its systematic implementation of its strategy enable Forbo to forge ahead with expansion in growth markets and, where appropriate, to capitalize on external growth opportunities. However, Forbo will not make acquisitions unless it can create added value for its 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

For the 2018 business year Forbo expects market conditions to be similar to 2017. Forbo still faces significant challenges, especially as it is present in a range of different global markets. Economic and – especially – political circumstances can change quickly. Forbo will continue to pursue its tried-and-tested strategy, convince its customers with its strong brand plus its high-quality products and services, and further expand its global presence.

Against this background and provided the currency situation remains unchanged and the economic environment remains similar, for 2018 Forbo anticipates 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).

You can find further information in the 2017 Annual Report published this morning on the Internet:

www.forbo.com – Investors

Forbo is a leading producer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. The company employs more than 5,500 people and has an international network of 25 production and distribution companies, 6 assembly operations and 44 pure sales organizations in a total of 36 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

Forbo Holding Ltd is listed on SIX Swiss Exchange (security number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

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Financial overview Forbo Group

	2017 CHF m	2017 ¹⁾ CHF m	2016 CHF m	Corporate currency	Change Local currencies
Net sales	1,246.4	1,246.4	1,185.5	+5.1%	+4.3%
Flooring Systems	856.6	856.6	818.0	+4.7%	+3.7%
Movement Systems	389.8	389.8	367.5	+6.1%	+5.8%
Operating profit (EBIT)	79.9	163.3	157.2	+3.9%	
EBIT margin	6.4%	13.1%	13.3%		
Group profit from continuing operations	36.5	127.6	127.6	unchanged	
Group profit	38.7	129.8	127.6	+1.7%	
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	2017 CHF	2017 ¹⁾ CHF	2016 CHF		
Earnings per share from continuing operations (undiluted)	21.10	73.85	74.66	-1.1%	
Equity ratio	61.9%	–	62.8%		

1) Without factoring in the one-off costs resulting from the antitrust proceedings against Flooring Systems in France and before special tax effects of CHF 7.8 million mainly from the sale of treasury shares