

Forbo Flooring A/S

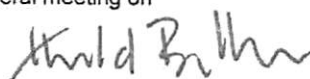
Produktionsvej 14
2600 Glostrup

CVR no. 51 47 54 10

Annual report 2017

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

31 May 2018



Harald Henrik Burgstaller
chairman

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Forbo Flooring A/S
Annual report 2017
CVR no. 51 47 54 10

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 2017.

The annual report has been 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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, 31 May 2018
Executive Board:

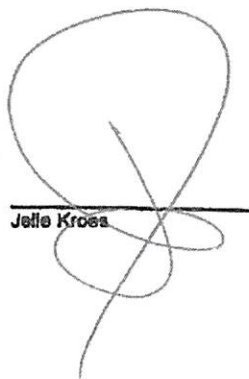


Jens-Christian Holm Iversen

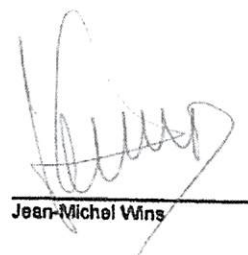
Board of Directors:



Harald Henrik Burgstaller
Chairman



Jelle Kroes



Jean-Michel Wins



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 2017 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 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.

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.



Independent auditor's report

- 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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Kenn W. Hansen
State Authorised
Public Accountant
MNE no. 30154

Forbo Flooring A/S
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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
Jean-Michel Wins

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 31 May 2018.

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, which are produced at Forbo Group's own factories.

Development in activities and financial position

The Company's income statement for 2017 shows a profit of DKK 1,894 thousand (2016: DKK 2,705 thousand). The balance sheet at 31 December 2017 shows assets of DKK 17,194 thousand (2016: DKK 14,938 thousand) and an equity of DKK 3,776 thousand (2016: DKK 4,579 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	2017	2016
Gross profit		12.543.109	12.494.908
Staff costs	2	-9.920.603	-8.889.672
Depreciation, amortisation and impairment		-41.859	-2.268
Operating profit		2.580.647	3.602.968
Financial income		14.729	25.052
Financial expenses		-3.678	-8.107
Profit before tax		2.591.698	3.619.913
Tax on profit for the year	3	-697.276	-914.503
Profit for the year		1.894.422	2.705.410
Proposed profit appropriation			
Proposed dividends for the year		3.000.000	2.700.000
Retained earnings		-1.105.578	5.410
		1.894.422	2.705.410

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment			
Leasehold improvements under constructions		138.411	97.414
Leasehold improvements		<u>113.177</u>	<u>57.226</u>
		<u>251.588</u>	<u>154.640</u>
Investments			
Deposits		<u>290.718</u>	<u>287.835</u>
		<u>290.718</u>	<u>287.835</u>
Total fixed assets		<u>542.306</u>	<u>442.475</u>
Current assets			
Inventories			
Inventories		<u>12.295</u>	<u>11.410</u>
		<u>12.295</u>	<u>11.410</u>
Receivables			
Trade receivables		4.730.856	5.922.541
Receivables from group entities		0	132.494
Deferred tax asset		2.771	6.057
Prepayments		<u>223.454</u>	<u>323.490</u>
		<u>4.957.081</u>	<u>6.384.582</u>
Cash at bank and in hand		<u>11.682.014</u>	<u>8.099.183</u>
Total current assets		<u>16.651.390</u>	<u>14.495.175</u>
TOTAL ASSETS		<u><u>17.193.696</u></u>	<u><u>14.937.650</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Contributed capital		500.000	500.000
Proposed dividends for the financial year		3.000.000	2.700.000
Retained earnings		272.547	1.378.609
Total equity		<u>3.772.547</u>	<u>4.578.609</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		4.557.667	3.002.509
Payables to group entities		3.642.851	2.673.975
Corporation tax		1.552.515	907.192
Other payables		3.668.116	3.775.365
		<u>13.421.149</u>	<u>10.359.041</u>
Total liabilities other than provisions		<u>13.421.149</u>	<u>10.359.041</u>
TOTAL EQUITY AND LIABILITIES		<u>17.193.696</u>	<u>14.937.650</u>
Contractual obligations, contingencies, etc.	4		
Related party disclosures	5		

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Forbo Flooring A/S for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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

Gross Profit

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

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.

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. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish entities.

The Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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
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Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

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

Current tax payable and receivable 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. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

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

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

2 Staff costs

DKK	2017	2016
Wages and salaries	9.037.703	8.117.191
Pensions	800.967	713.787
Other social security costs	81.933	58.694
	<u>9.920.603</u>	<u>8.889.672</u>
Average number of full-time employees	<u>14</u>	<u>14</u>

3 Tax on profit for the year

DKK	2017	2016
Current tax for the year	693.990	907.192
Deferred tax for the year	3.286	7.311
	<u>697.276</u>	<u>914.503</u>

Financial statements 1 January – 31 December

Notes

4 Contractual obligations, contingencies, etc.

Operating lease obligations

Remaining operating lease obligations and rent commitment at the balance sheet date falling due within five years amounts to DKK 2,746 thousand (2016: DKK 1,993 thousand).

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for the joint registration for VAT. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability.

5 Related party disclosures

Forbo Flooring A/S' related parties comprise the group entities as well as their Board of Directors and Executive Board.

Control

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

The consolidated financial statements of Forbo Group can be obtained by contacting the Company or at the following website:

<https://www.forbo.com/corporate/en-gl/investors/investors/p3wwu3>