



This E. Schneider
Executive Chairman

Stephan Bauer
CEO

'We have maintained our strong organic sales growth by launching innovative collections in all product groups amid very mixed market conditions in Flooring Systems and by achieving considerable success among global key accounts in the private sector. At Movement Systems, we performed well, offering a wide range of customized solutions based on our strong application competence and technical know-how in thriving but highly competitive customer segments such as logistics and food processing.

We increased operating profit despite higher raw-material costs and the ongoing high level of investments.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

In 2018 – the 90th year of Forbo's history – the Group maintained its strong organic sales growth in a challenging and mixed market environment and again increased operating profit despite a steep rise in raw-material prices and a high level of investment in the company's further growth.

In the Movement Systems division, the various operational areas of our largest and most modern production site in Pinghu/China, got off to a successful start and have been up and running since autumn 2018. The qualification and certification of a wide range of product types on the large and complex coating machine should be completed in the coming months, followed by the production of large batches. This will free up additional capacity mainly for the Asia/Pacific area in order to cope with the planned growth.

We have systematically implemented our strategy, and both divisions have expanded their presence in targeted growth markets and distribution structures. This has enabled us to gain market share in key segments despite a challenging environment. At Flooring Systems, we have launched new collections but also strengthened our activities in the private sector; at Movement Systems, we have developed customized product applications with added value for clients in fast-growing segments. Efficiency gains in a number of operational areas plus some price adjustments enabled us to largely offset the steep rise in raw-material prices, higher depreciations, and increased personnel costs.

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.

The one-off costs arising the previous year from the antitrust proceedings at Flooring Systems in France have been neutralized in this section of the report in the figures from the previous year to ensure better comparability ('previous year before one-off costs').

Continued strong organic sales growth

Both divisions report gratifying sales trends once again

In the year under review, Forbo generated net sales of CHF 1,327.0 million (previous year: CHF 1,246.4 million), representing a gain of 6.5%; this is reflected in a sales increase of 5.0% in local currencies, driven by positive currency effects. Both divisions contributed to this solid and continued strong growth in all regions.

Net sales of Flooring Systems rose by 6.6% to CHF 913.2 million (previous year: CHF 856.6 million). In local currencies, this comes to a sales increase of 5.0%. Innovative new collections in all product groups, major contributions from the development and expansion in growth markets, along with substantial success in global key account activities in the private sector again delivered solid and broad-based growth.

Movement Systems reported net sales of CHF 413.8 million (previous year: CHF 389.8 million), another encouraging increase of 6.2%, or 5.1% in local currencies. The factors driving this continued growth increase were once again strong contributions from growth markets along with application-specific product innovations for our competitive and thriving segments such as logistics and food processing.

Profitability remains strong

Increase in operating profit despite stronger headwind

Efficiency gains in a number of operational areas, additional sales, and some price adjustments enabled us to largely offset steeply rising raw-material prices, higher logistics costs, higher depreciations arising from an increased level of investment, and a rise in personnel costs.

Operating profit before depreciation and amortization (EBITDA) was up by CHF 15.8 million, or 7.9%, to CHF 216.8 million (previous year before one-off costs: CHF 201.0 million). Group operating profit (EBIT) rose by CHF 12.0 million, or 7.3%, to CHF 175.3 million (previous year before one-off costs: CHF 163.3 million). The EBITDA margin grew from 16.1% to 16.3% and the EBIT margin from 13.1% to 13.2%.

Double-digit increase in Group profit

Solid profit trend

After tax-related one-off effects in the previous year and based on the Group's solid operating income as well as a slight increase in financial income, Group profit from continuing operations rose by 14.9%, or CHF 17.8 million, to CHF 137.6 million (previous year before one-off costs: CHF 119.8 million). The tax rate in the year under review was 21.7%.

Balance sheet remains robust

High net liquidity

Net liquidity at year-end stood at CHF 127.4 million (previous year: CHF 195.0 million) despite the share buyback and the continuing high level of investment. In addition, as at December 31, 2018, Forbo held 198,282 of its own shares valued at year-end at CHF 273.8 million (previous year: CHF 143.8 million). Of this amount, the 150,000 shares repurchased to date (8.33% of the share capital) from the current 2017 – 2020 share buyback program are earmarked for a capital reduction.

The equity ratio still remains at a high level of 60.4% (previous year: 61.9%) despite the share buyback.

Undiluted earnings per share from continuing operations rose by 18.8% to CHF 82.38 (previous year before one-off costs: CHF 69.34); the increase was due to the Group's higher operating results coupled with the share buyback effected in the course of 2018.

Broad-based and healthy foundation for sustainable growth opportunities

We continue to steadily expand our global presence with focused activities in growth markets. This, along with our established market positions plus our healthy and solid financial situation, enables us to implement our strategy without swerving from our goal: we are driving expansion in growth markets, strengthening the focus of our distribution structures, targeting increases in capacity, constantly promoting innovation – including digitization – and potentially taking advantage of external growth opportunities. However, as in the past, we will make acquisitions only if we can thereby create 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.

Increase in the dividend

In view of the solid balance sheet and higher earnings per share, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2018 business year should be increased by about 10 percent versus the previous year to CHF 21 per share (previous year: CHF 19 per share).

Share buyback program

The Board of Directors will propose to the Ordinary General Meeting that the 150,000 treasury shares repurchased to date as part of the 2017 – 2020 share buyback program be canceled with a corresponding reduction in capital. It is further proposed that the Articles of Association be amended accordingly and the program terminated.

At the same time, the Board of Directors proposes that it be authorized, over a period of three years, to repurchase further treasury shares up to a maximum of 10 percent of the share capital via a second trading line on the SIX Swiss Exchange or by another means in order to reduce capital.

Outlook for 2019

Cautiously optimistic

We expect that the 2019 business year will be even more challenging. The complexity of our activities will continue to increase, and this demands carefully thought-out and yet flexible mechanisms for adjustment. Owing to our global presence, we stand to face increasingly volatile operating conditions on the economic and political fronts in many countries. We anticipate a generally tougher environment and we expect growth to slow down.

We are equipped with a strong brand, top-quality products and services, and technical know-how. This makes us confident that we can gain market share again in 2019 and post a good result despite the anticipated challenges.

Against this background – and provided that the currency situation remains unchanged and the economic environment remains similar – we anticipate a slightly lower increase in sales and Group profit from continuing operations for 2019.

Thank you

Thanks to employees, business partners, and shareholders

Thanks to the strong commitment and professionalism of our people, and their flexibility, Forbo enjoyed a successful year in 2018 despite the many challenges. Many thanks for this.

We also wish to thank our customers, business partners, and suppliers for the close 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 2019



This E. Schneider
Executive Chairman



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CEO

Financial calendar

Ordinary General Meeting	April 5, 2019
Publication of 2019 Half-Year Report	July 26, 2019
Publication of 2019 Annual Report	March 3, 2020