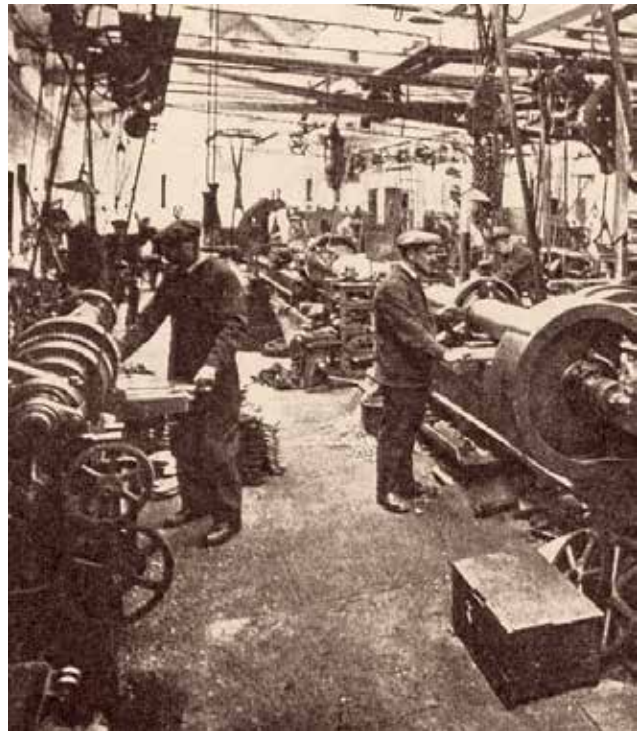
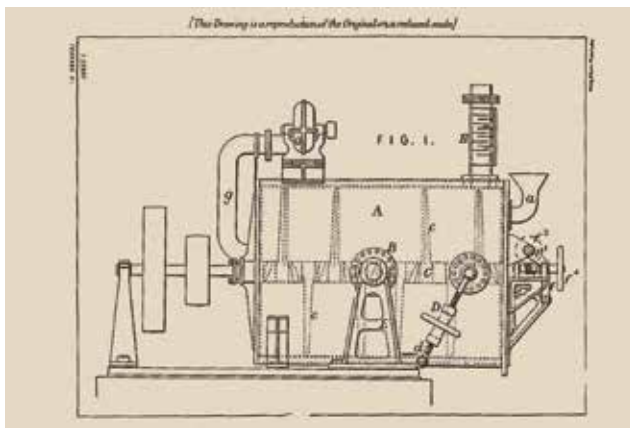




FORBO STANDS FOR 90
YEARS OF INNOVATION
AND DIVERSIFICATION.
IN OUR 91ST YEAR WE STILL
FEEL A 100 PERCENT
COMMITMENT TO VALUES
SUCH AS RELIABILITY,
QUALITY, INNOVATION
AND CUSTOMER SATIS-
FACTION.

In 1928, three leading linoleum manufacturers from Germany, Sweden and Switzerland founded the 'Continentale Linoleum Union', which later developed to become the Forbo Group. A lot of things have changed since then – technologically and socially. And things are going to continue changing. We have always kept our eye on the future in order to be equipped for any new challenges.



1928

The world was recovering from the First World War. During the 1920s, industrial production still largely involved manual work on heavy mechanical machines with massive flywheels. The energy required was generated locally in coal-fired furnaces. Nonetheless, with its focus on linoleum, Forbo was already at that time a very environmentally-friendly company. Back then, the 'Continental Linoleum Union' had three production sites in Europe.





2018

With its wide product portfolio and its globally oriented, specialized and modern production locations, Forbo can today respond even more diversely to the needs of the customer. All of its locations use highly automated production processes that fulfill strict requirements in terms of quality, work safety, energy efficiency, innovation and sustainability. In view of Industry 4.0 as well as advancing digitalization, we are certain that change will remain our constant companion.

2018 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 5,700 people and has an international network of 26 production and distribution companies, 6 assembly operations and 46 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

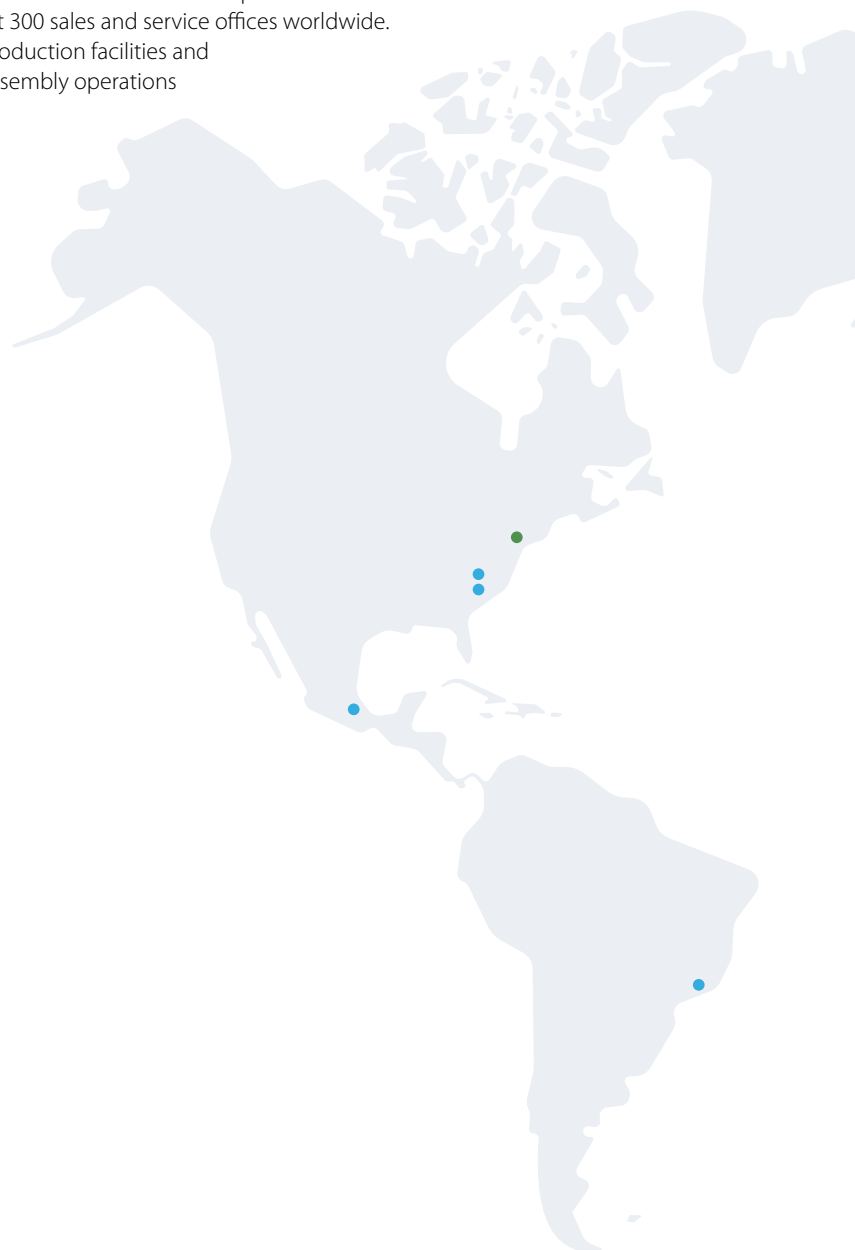
16 production facilities in 7 countries and distribution companies in 26 countries. Sales offices in Europe, North, Central, and South America as well as Asia/Pacific.

- Floor coverings
- Building and construction adhesives

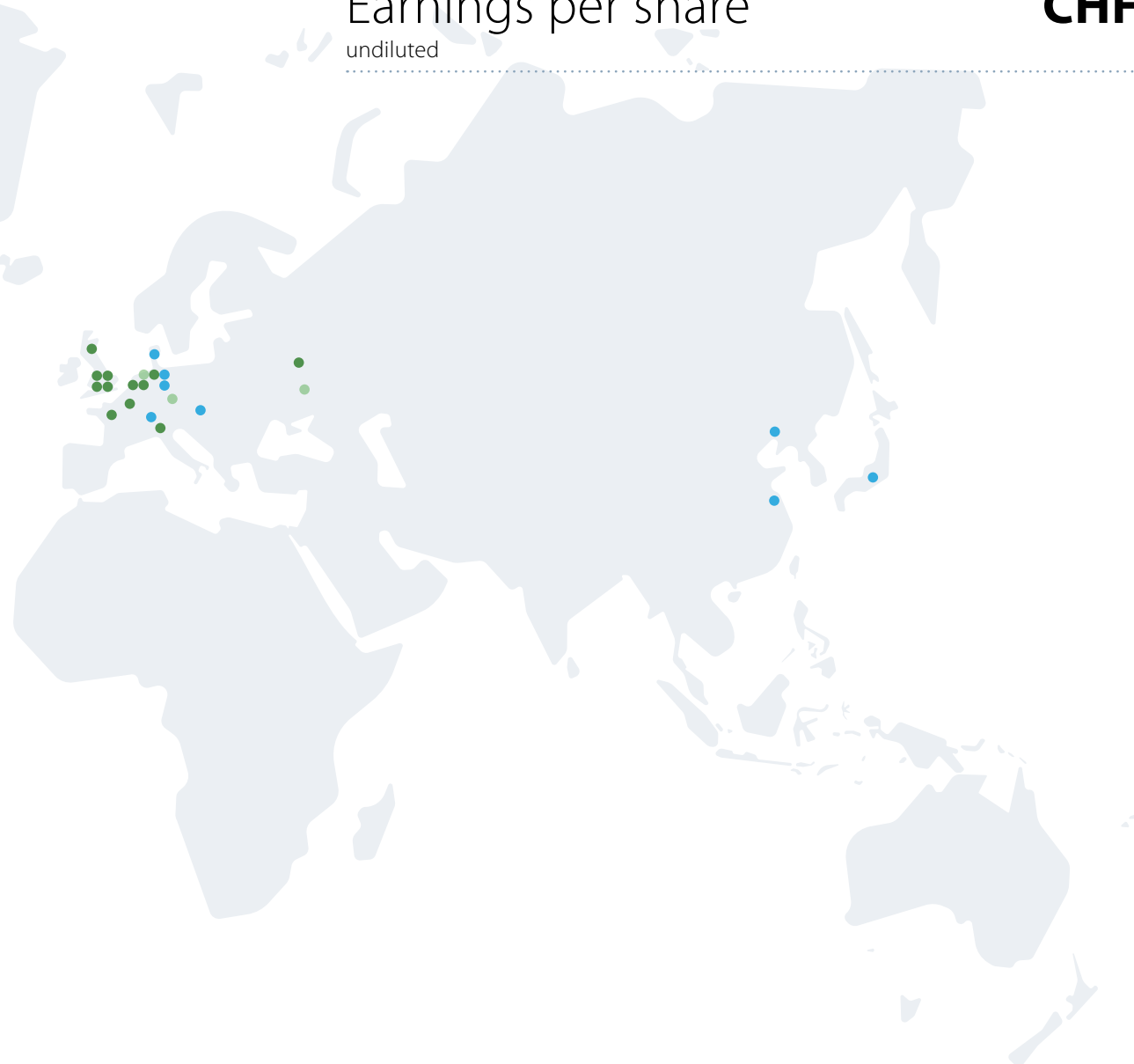
Movement Systems

10 production sites and 6 assembly operations in 9 countries and distribution companies in 30 countries. About 300 sales and service offices worldwide.

- Production facilities and assembly operations

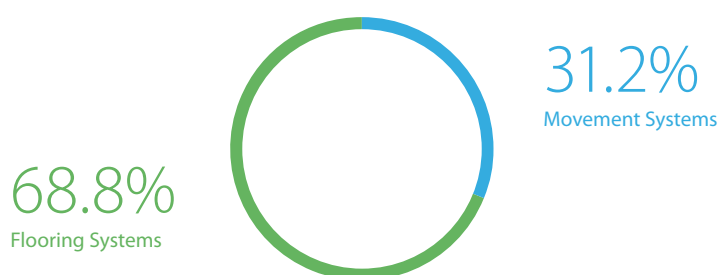


| | |
|--|----------------------------|
| Net sales | CHF 1,327.0 million |
| EBIT | CHF 175.3 million |
| EBIT margin | 13.2% |
| Group profit from continuing operations | CHF 137.6 million |
| Earnings per share undiluted | CHF 82.38 |



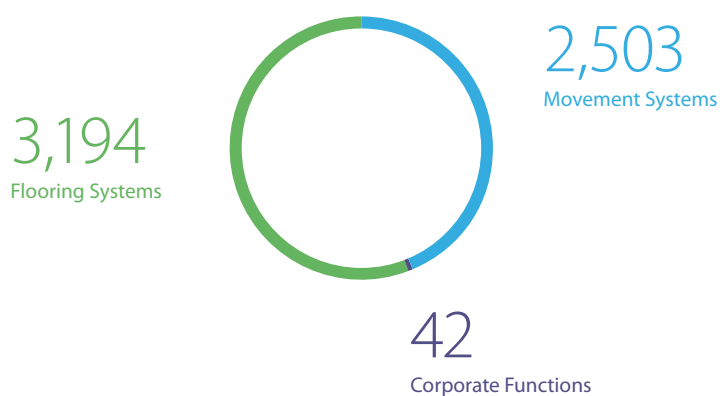
Net sales by division

| | CHF m 2018 | Change on previous year | | | In % of total |
|------------------|----------------|-------------------------|--------------------------|--|---------------|
| | | in % | in local currencies in % | | |
| Flooring Systems | 913.2 | 6.6 | 5.0 | | 68.8 |
| Movement Systems | 413.8 | 6.2 | 5.1 | | 31.2 |
| Total | 1,327.0 | 6.5 | 5.0 | | 100.0 |



Employees by division

| | Number 2018 | Change on previous year in % | | In % of total |
|---------------------|--------------|------------------------------|--|---------------|
| | | | | |
| Flooring Systems | 3,194 | 1.2 | | 55.7 |
| Movement Systems | 2,503 | 6.1 | | 43.6 |
| Corporate Functions | 42 | 0.0 | | 0.7 |
| Total | 5,739 | 3.2 | | 100.0 |



Financial overview Forbo Group

| | 2018 | 2017 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|
| | CHF m | CHF m | EUR m ¹⁾ | EUR m ¹⁾ |
| Income statement | | | | |
| Net sales | 1,327.0 | 1,246.4 | 1,148.7 | 1,121.2 |
| Flooring Systems | 913.2 | 856.6 | 790.5 | 770.5 |
| Movement Systems | 413.8 | 389.8 | 358.2 | 350.6 |
| EBITDA | 216.8 | 117.6 | 187.7 | 105.8 |
| EBITDA before one-off costs ⁶⁾ | 216.8 | 201.0 | 187.7 | 180.8 |
| EBIT | 175.3 | 79.9 | 151.7 | 71.9 |
| EBIT before one-off costs ⁶⁾ | 175.3 | 163.3 | 151.7 | 146.9 |
| Group profit from continuing operations | 137.6 | 36.5 | 119.1 | 32.8 |
| Group profit from continuing operations before one-off costs ⁶⁾ | 137.6 | 119.8 | 119.1 | 107.8 |
| Group profit | 137.6 | 38.7 | 119.1 | 34.8 |
| Group profit before one-off costs ⁶⁾ | 137.6 | 122.0 | 119.1 | 109.7 |
| Balance sheet | | | | |
| Total assets | 980.0 | 1,067.5 | 848.3 | 960.2 |
| Operating assets | 812.4 | 832.8 | 703.3 | 749.1 |
| Shareholders' equity | 591.6 | 661.2 | 512.1 | 594.8 |
| Net cash | 127.4 | 195.0 | 110.3 | 175.4 |
| Cash flow statement | | | | |
| Cash flow from operating activities | 171.2 | 78.8 | 148.2 | 70.9 |
| Cash flow from investing activities | -39.1 | -56.5 | -33.8 | -50.8 |
| Free cash flow | 132.1 | 22.3 | 114.4 | 20.1 |
| Key ratios | % | % | | |
| ROS (EBITDA/net sales) | 16.3 | 9.4 | | |
| Equity ratio (shareholders' equity/total assets) | 60.4 | 61.9 | | |
| Gearing (net debt/shareholders' equity) | -21.5 | -29.5 | | |
| Employees (as at December 31) | Number | Number | | |
| Total employees | 5,739 | 5,559 | | |
| Ratios per share | CHF | CHF | EUR ¹⁾ | EUR ¹⁾ |
| Earnings per share (undiluted) ²⁾ , from continuing operations | 82.38 | 21.10 | 71.31 | 18.98 |
| Earnings per share (undiluted) ²⁾ , from continuing operations before one-off costs ⁶⁾ | 82.38 | 69.34 | 71.31 | 62.37 |
| Equity (undiluted) | 354.18 | 382.60 | 306.59 | 344.16 |
| Dividend | 21.00 ³⁾ | 19.00 ⁴⁾ | 18.18 ³⁾ | 17.10 ⁴⁾ |
| Stock market capitalization (as at December 31) | CHF m | CHF m | EUR m ¹⁾ | EUR m ¹⁾ |
| Stock market capitalization ⁵⁾ | 2,485.8 | 2,709.0 | 2,151.8 | 2,436.8 |

1) Euro values translated at the average annual exchange rate of CHF 1.1552/1 EUR (2018) and CHF 1.1117/1 EUR (2017).

2) See note 11 'Earnings per share' on page 116 of the financial report.

3) The Board of Directors proposes to the Ordinary General Meeting of April 5, 2019, the distribution of a dividend in the amount of CHF 21 per registered share.

4) Approval of a dividend of CHF 19 per registered share at the Ordinary General Meeting of April 6, 2018.

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

6) Not factoring in the one-off costs from the antitrust proceedings at Flooring Systems in France in 2017.

STRONG BASIS FOR A SOLID PERFORMANCE

Forbo generated strong sales growth once again in the year under review. Both divisions contributed to the result in equal measure amid challenging and mixed conditions. The market forces in certain countries and customer segments differed greatly in some cases. The Group again increased operating profit despite the steep rise in raw-material prices, higher logistics costs, and increased outlays for investments designed to promote further growth.

Both divisions added innovative products for specific customer segments to their product portfolio; they expanded distribution and service structures in growth markets; and they streamlined operational processes by upgrading production and fabrication facilities to the state of the art in technology.

Given Forbo's global presence, its established market positions, the above-average investments in recent years, and its healthy and solid financial situation, the Group is well equipped to build on this sustainable success despite emerging new challenges and a general slowdown in the world economy.

Net sales by geographic area

[illegible]

Continued strong organic sales growth

In the year under review, Forbo reported 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 owing to slightly positive currency effects. Despite the challenging market conditions, both divisions contributed to this solid and continued strong growth in all regions and gained market share in key market segments.

The Flooring Systems division generated net sales of CHF 913.2 million in 2018 (previous year: CHF 856.6 million). This comes to a substantial increase of 6.6% in the corporate currency (+ 5.0% in local currencies). All three regions contributed to this satisfactory growth despite mixed market conditions, though with different inputs.

The Movement Systems division generated net sales of CHF 413.8 million in 2018 (previous year: CHF 389.8 million). The result equated to a strong sales increase of 6.2% (5.1% in local currencies). All three regions as well as most markets and customer segments contributed to varying degrees to this ongoing sales success.

EBITDA by division

| | 2018 CHF m | Change on previous year in % | -25 | 0 | 25 | 50 | 75 | 100 | 125 | 150 | 175 |
|------------------|---------------|---------------------------------|-----|---|----|----|----|-----|-----|-----|-----|
| Flooring Systems | 166.0 | 8.4 | | | | | | | | | |
| Movement Systems | 60.6 | 3.2 | | | | | | | | | |
| Corporate | -9.8 | -9.3 | | | | | | | | | |

Solid earnings trend

Forbo once again lifted its operating profit. Higher sales coupled with efficiency gains in various operational areas plus individual price adjustments on our part largely offset the continued steep rise in raw-material prices, increased logistics costs, higher depreciations owing to the large investments made in expanding capacity in recent years and, accordingly, higher personnel costs.

The Group reported higher operating profit before depreciation and amortization (EBITDA), which rose by 7.9% to CHF 216.8 million (previous year before one-off costs: CHF 201.0 million). EBITDA at Flooring Systems increased by 8.4% to CHF 166.0 million (previous year before one-off costs: CHF 153.1 million) owing to higher sales and operational efficiency gains, despite much higher raw-material prices. At Movement Systems, EBITDA rose in similar circumstances by 3.2% to CHF 60.6 million (previous year: CHF 58.7 million), despite the substantial build-up of capacity in China.

The EBITDA margin for the Group rose from 16.1% to 16.3%. At Flooring Systems, the EBITDA margin increased from 17.9% the previous year (before one-off costs) to 18.2% in the year under review, while at Movement Systems the EBITDA margin decreased by 0.5 percentage points to 14.6% (previous year: 15.1%).

Group operating profit (EBIT) increased by 7.4% to CHF 175.3 million (previous year before one-off costs: CHF 163.3 million). The Group EBIT margin improved from 13.1% the previous year to 13.2% in the year under review.

Owing to the solid operating income in the year under review, Group profit from continuing operations rose by 14.9% to CHF 137.6 million (previous year before one-off costs: CHF 119.8 million).

Taxes and financial income

The tax rate in the year under review was 21.7% (previous year: 54.4%), in line again with the long-term average. The tax rate in the previous year was influenced by one-off costs in connection with the antitrust proceedings at Flooring Systems in France plus the sale of treasury shares.

Financial expenses came to CHF 0.6 million in 2018 (previous year: CHF 0.8 million) and consisted in both years mainly of foreign exchange losses. Offsetting this was financial income of CHF 0.9 million (unchanged from the previous year), consisting of interest income. On balance, the financial result came to CHF 0.3 million (previous year: CHF 0.1 million).

Free cash flow

| | 2018 CHF m | 2017 CHF m | -100 | -50 | 0 | 50 | 100 | 150 | 200 |
|-------------------------------------|---------------|---------------|------|-----|---|----|-----|-----|-----|
| Cash flow from operating activities | 171.2 | 78.8 | | | | | | | |
| Cash flow from investing activities | -39.1 | -56.5 | | | | | | | |
| Free cash flow | 132.1 | 22.3 | | | | | | | |

Solid cash flow performance

Cash flow from operating activities decreased the previous year especially owing to the one-off costs incurred in connection with the antitrust proceedings at Flooring Systems in France. However, in the reporting year, the cash flow performance was back at its usual solid level. In 2018, the Group generated cash flow from operating activities of CHF 171.2 million (previous year: CHF 78.8 million), equivalent to an increase of CHF 92.4 million. In the wake of exceptionally high capital spending for capacity expansion the previous year, cash flow from investing activities decreased by CHF 17.4 million and came to CHF -39.1 million (previous year: CHF -56.5 million). Free cash flow thus amounted to CHF 132.1 million (previous year: CHF 22.3 million).

Balance sheet remains robust

Total assets at December 31, 2018, came to CHF 980.0 million (previous year: CHF 1,067.5 million), a decline of CHF 87.5 million. The decrease was due to the share buybacks and to currency fluctuations in relation to the exchange rate on the balance-sheet date. Net liquidity remains at a comfortable level despite the share buyback program and the high level of capital spending. It decreased year-on-year by CHF 67.6 million to CHF 127.4 million (previous year: CHF 195.0 million). Shareholders' equity declined by CHF 69.6 million, coming to CHF 591.6 million at end-December 2018 (previous year: CHF 661.2 million). The equity ratio still remains at a high level of 60.4% (previous year: 61.9%).

Investments 2014 – 2018

| | Flooring Systems CHF m | Movement Systems CHF m | Corporate CHF m | Total CHF m | | 10 | 20 | 30 | 40 | 50 | 60 |
|------|------------------------------|------------------------------|--------------------|----------------|--|----|----|----|----|----|----|
| 2018 | 25 | 13 | 0 | 39 | | | | | | | |
| 2017 | 22 | 36 | 0 | 58 | | | | | | | |
| 2016 | 20 | 17 | 3 | 40 | | | | | | | |
| 2015 | 31 | 9 | 0 | 40 | | | | | | | |
| 2014 | 30 | 9 | 1 | 40 | | | | | | | |

Efficiency-enhancing and sustainable investments

In addition to increasing efficiency and steadily streamlining processes, our focus is primarily on factors that are geared to promoting future growth. Capital expenditure in the year under review returned to the high comparable level of earlier years, following a steep rise the previous year, which was mainly due to the construction of the new Movement Systems plant in Pinghu/China. In the reporting year, Forbo concentrated its 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 2018 came to CHF 38.7 million, which was CHF 19.1 million lower than the previous year (CHF 57.8 million).

In the reporting year, Flooring Systems invested CHF 25.4 million (previous year: CHF 22.3 million), an increase of 13.9%. This sum includes the installation of a new digital printing facility with UV ink technology for luxury vinyl tiles plus expanded cutting capacity at the same production facility in the Netherlands. In the UK, Forbo installed a new needle punch machine for the production of carpet tiles and replaced a large press for the manufacture of Flotex that recycles scrap material into granulates in order to produce new backings for modular floor coverings. There were improvements at other manufacturing sites as well, including oven presses with reduced energy consumption, the modernization of heating plants, exhaust air systems and filter installations, plus additional silos and tanks for more efficient processing of raw-materials.

At Movement Systems, investment in property, plant, and equipment came to CHF 13.2 million, a decrease of CHF 22.3 million versus the previous year (CHF 35.5 million). After two years of exceptionally high investments to complete the new plant in China, besides various new tools for the fabrication, there was a bigger invest-

ment made in the USA, where a new high-performance mixing plant for production pastes was installed, while for the fabrication center in Slovakia a state-of-the-art waterjet cutting machine for perforated belt types has been developed and built.

Employees by geographic area

| | % | Change on previous year in % | 2018 | 200 | 400 | 600 | 800 | 1,000 | 1,200 | 1,400 |
|--------------------------------|-------------|---------------------------------|--------------|-----|-----|-----|-----|-------|-------|-------|
| Benelux | 21.7 | 2.6 | 1,245 | | | | | | | |
| Germany | 12.6 | 6.9 | 724 | | | | | | | |
| Great Britain/Ireland | 10.5 | -0.7 | 600 | | | | | | | |
| France | 7.3 | -3.0 | 418 | | | | | | | |
| Scandinavia | 3.2 | 15.1 | 183 | | | | | | | |
| Switzerland | 3.1 | 2.9 | 180 | | | | | | | |
| Other countries Europe | 12.4 | 3.8 | 712 | | | | | | | |
| Europe | 70.8 | 2.9 | 4,062 | | | | | | | |
| Asia/Pacific and Africa | 15.1 | 3.1 | 867 | | | | | | | |
| USA | 10.8 | 5.5 | 617 | | | | | | | |
| Other countries Americas | 3.3 | 3.2 | 193 | | | | | | | |
| Americas | 14.1 | 4.9 | 810 | | | | | | | |
| Total | 100 | 3.2 | 5,739 | | | | | | | |

Selective expansion of headcount

At year-end 2018, the Forbo Group employed 5,739 people. This marks an increase of 180 employees compared with the end of 2017. The increase was mainly due to capacity expansion and specific team enlargements in operational areas. The minor individual percentage changes in employee levels by and large reflect market developments in the corresponding countries and regions and mirror the situation on the balance-sheet date at the end of the year.

The high increase in Germany was due to the capacity expansion at Movement Systems for an additional shift required for production of Transilon conveyor belts. The large increase in Scandinavia can be explained on the one hand by the acquisition by Movement Systems of a distribution partner in Norway and, on the other hand, by the filling of vacancies at Flooring Systems in Sweden. The above-average increase in the USA is due to the enlargement of the fabrication team at Movement Systems for special projects in the field of logistics for large key accounts.