

## MEDIA RELEASE 2018 BUSINESS YEAR

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### **Strong organic sales growth – Significant increase in operating profit – Double-digit increase in Group profit – Balance sheet remains robust – Raise of dividend by more than 10 percent**

Forbo maintained its strong organic growth in 2018 amid challenging market conditions. It 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 slightly positive currency effects. Group operating profit (EBIT) increased by 7.3% to CHF 175.3 million (previous year before one-off costs: CHF 163.3 million). Group profit from continuing operations rose by 14.9% to CHF 137.6 million (previous year before one-off costs: CHF 119.8 million).

Baar, March 5, 2019

**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.**

#### **Successful implementation of the strategy**

Forbo has systematically implemented its strategy, and both divisions have expanded their presence in targeted growth markets and distribution structures. This has enabled the Group to gain market share in key segments despite a challenging environment.

#### **Investments in future growth**

In the Movement Systems division, the various operational areas of Forbo’s 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.

#### **Strong growth in sales**

Both divisions contributed with a good growth to a considerable rise in sales, which came to 6.5% in the corporate currency. At Flooring Systems, the innovative collections launched in 2018 along with the strengthened activities in the private sector generated a sales increase of 6.6%. Movement Systems generated a sales plus of 6.2% on the strength of specifically developed product applications that offer added value for customers in fast-growing customer segments.

Overall, sales in local currencies in the Asia/Pacific and Africa region showed the strongest growth, which came to +9.1%, while sales in the Americas region grew by +6.8%, and the Europe region reported a sales gain of +3.6% amid very mixed market conditions.

#### **Considerable increase in operating profit**

Efficiency gains in a number of operational areas, additional sales, and some price adjustments enabled Forbo 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.

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

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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 growth in Group profit

Owing to the solid operating income and 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%.

#### Performance of the divisions

The **Flooring Systems** division generated net sales of CHF 913.2 million in 2018 (previous year: CHF 856.6 million). This comes to a strong and solid increase of 6.6% in the corporate currency (+5.0% in local currencies). The division accounted for 68.8% of Group sales. All three regions contributed to this growth, though with different growth rates. Operating profit (EBIT) rose by 8.8% to CHF 136.5 million (previous year before one-off costs: CHF 125.5 million) despite the negative impact of higher raw-material prices. The EBIT margin increased by 0.2 percentage points to 14.9% (previous year before one-off costs: 14.7%).

The **Movement Systems** division generated net sales of CHF 413.8 million in the year under review (previous year: CHF 389.8 million), which reflects strong year-on-year growth of 6.2% in the corporate currency (+5.1% in local currencies). The division accounted for 31.2% of Group sales. All three regions as well as most markets and all customer segments contributed to varying degrees to this gratifying rise in sales. Various factors, however, weighed on operating profit (EBIT), which came to CHF 49.4 million, roughly the previous year's level (previous year: CHF 49.3 million). A strong rise in raw-material prices and higher logistic costs were partly responsible, while the major capacity expansion in China and, to some extent, in Germany too increased depreciations and led to a build-up of

personnel, which weighed disproportionately on the income statement in the initial start-up phase. The EBIT margin declined accordingly to 11.9% (previous year: 12.6%).

#### Balance sheet remains robust

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 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

Forbo continues to steadily expand its global presence with focused activities in growth markets. This, along with its established market positions plus its healthy and solid financial situation, enables the Group to implement its strategy without swerving from its goal: Forbo is continuing to drive expansion in growth markets, strengthening the focus of its distribution structures, targeting increases in capacity, constantly promoting innovation – including digitization – and potentially taking advantage of external growth opportunities where appropriate. However, as in the past, Forbo will make acquisitions only if it can thereby 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.

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#### ***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 has decided to terminate the current 2017 – 2020 share buyback program prematurely and to propose to the Ordinary General Meeting to cancel the 150,000 treasury shares repurchased between November 16, 2017, and March 5, 2019, at a fixed price (63,105 shares) and via a second trading line (86,895 shares). Together, these account for 8.33% of the share capital of Forbo Holding Ltd currently entered on the Commercial Register. It further proposes reducing the capital and amending the Articles of Association accordingly.

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***

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

Forbo will continue to consequently implement its strategy and is confident that, with its top-quality products and services, its wide-ranging technical know-how, and its strong brand, it will gain market share and post good results again in 2019.

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

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You can find further information in the 2018 Annual Report published this morning on the Internet:

[www.forbo.com – investors](http://www.forbo.com – investors)

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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 5,700 people and has an international network of 26 production facilities and distribution companies, 6 assembly centers, as well as 46 pure sales organizations in a total of 36 countries across the globe. 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 of the Forbo Group

	2018 CHF m	2017 <sup>1)</sup> CHF m	Corporate currency	Change Local currencies
<b>Net sales</b>	<b>1,327.0</b>	<b>1,246.4</b>	<b>+6.5%</b>	<b>+5.0%</b>
Flooring Systems	913.2	856.6	+6.6%	+5.0%
Movement Systems	413.8	389.8	+6.2%	+5.1%
<b>Operating profit (EBIT)</b>	<b>175.3</b>	<b>163.3</b>	<b>+7.3%</b>	
<b>EBIT margin</b>	<b>13.2%</b>	<b>13.1%</b>		
<b>Group profit from continuing operations</b>	<b>137.6</b>	<b>119.8</b>	<b>+14.9%</b>	
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	2018 CHF	2017 <sup>1)</sup> CHF		
<b>Earnings per share from continuing operations (undiluted)</b>	<b>82.38</b>	<b>69.34</b>	<b>+18.8%</b>	
<b>Equity ratio</b>	<b>60.4%</b>	<b>61.9%</b>		

<sup>1)</sup> Without factoring in the one-off costs resulting from the antitrust proceedings at Flooring Systems in France