

MEDIA RELEASE HALF-YEAR REPORT 2019

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Currency-adjusted sales stable – EBIT margin improved again – Further increase in operating and Group profit

Forbo Group – a leading manufacturer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions – reported net sales of CHF 649.4 million in the first half of 2019 (prior-year period: CHF 668.8 million). This equates to a slight decline of 0.6% in local currencies (-2.9% in the corporate currency). Operating profit (EBIT) came to CHF 77.3 million, 2.7% higher than the previous year's level (prior-year period: CHF 75.3 million). The EBIT margin improved to 11.9% (prior-year period: 11.3%). Group profit amounted to CHF 61.2 million, 4.3% higher than the previous year's level (prior-year period: CHF 58.7 million).

Baar, July 26, 2019

Compared with a strong prior-year period, Forbo reported stable currency-adjusted sales in the first half of 2019 amid a globally heterogeneous and weaker economy. At the same time, earnings were further increased. The so far positive growth path at Flooring Systems was held back by various factors. In contrast, Movement Systems continued to post sales growth and improved its operating performance.

The strengthening of the Swiss franc meant that the translation of local results into the corporate currency produced a negative currency effect compared with the first half of 2018. The main factors causing this effect were the weakening of the euro and the pound sterling. The currency effect had more of an impact on Flooring Systems than on Movement Systems owing to the geographic distribution of their businesses.

The application of the new IFRS 16 accounting standard in 2019 had a positive impact of about CHF 8 million on EBITDA in the first half of 2019. IFRS 16 did not have any other material effect on earnings.

Stable currency-adjusted sales

In the first half of 2019, Forbo generated net sales of CHF 649.4 million (prior-year period: CHF 668.8 million), reflecting a slight decline of 0.6% in local currencies (-2.9% in the corporate currency).

Flooring Systems reported a sales decline of 2.3% in local currencies (-5.3% in the corporate currency). Both internal and external factors impacted the sales result. On the one hand, sales growth was hampered by various operational challenges; on the other hand, a slowdown in the construction industry curbed business in a number of countries.

Movement Systems reported a sales increase of 3.2% in local currencies (+2.4% in the corporate currency), due mainly to firm demand in the logistics segment in North America and China. In addition, some of the smaller growth markets on which efforts have been focused in recent years continued to perform positively.

Increased operating profit with higher margins

In the first half of 2019, Forbo once again succeeded in improving its margins and raising its operating profit thanks to high-quality products. This is all the more remarkable as the business climate has deteriorated in recent months.

Operating profit before depreciation and amortization (EBITDA) came to CHF 106.1 million (prior-year period: CHF 95.1 million), corresponding to an increase of 11.6%. The EBITDA margin improved to 16.3% (prior-year period: 14.2%). Operating profit (EBIT) rose by CHF 2.7% to CHF 77.3 million (prior-year period: CHF 75.3 million). The EBIT margin increased to 11.9% (prior-year period: 11.3%).

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Group profit increased again

Group profit rose by 4.3% to CHF 61.2 million (prior-year period: CHF 58.7 million), driven by the higher operating profit and positive financial income.

Double-digit growth in earnings per share

Earnings per share (undiluted) was up by 10.7% to CHF 38.19 (prior-year period: CHF 34.49).

Strong equity ratio

Equity at the end of June 2019 stood at CHF 610.0 million (year-end 2018: CHF 591.6 million). The equity ratio was a solid 58.3% (year-end 2018: 60.4%).

Liquidity and treasury shares at a high level

Net cash came to CHF 96.0 million at June 30, 2019 (year-end 2018: CHF 127.4 million). This reduction was mainly due to the distribution of the dividend; and was positively impacted by the increase in operating cash flow. In addition, Forbo held treasury shares valued at CHF 81.0 million, based on the share price at the end of June 2019 (year-end 2018: CHF 273.8 million). The reason for this decrease was the cancellation of 150,000 treasury shares in June 2019 from the share buyback program completed in March 2019.

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 438.3 million in the first half of 2019 (prior-year period: CHF 462.7 million), which is equivalent to a sales decrease of 2.3% in local currencies (-5.3% in the corporate currency). The situation described before affected all regions. The markets in Europe faced a variety of challenges. Eastern Europe stood out for its positive performance. The construction industry in the USA slowed down after the strong showing in the previous year; major projects and school building renovations were either scaled back or postponed. In the Asia/Pacific region, Flooring Systems felt a restrained demand in China; Australia, Japan, and South Korea merit special mention on their positive development.

The building and construction adhesives activity posted encouraging sales growth on the whole.

Operating profit (EBIT) decreased by CHF 3.1% to CHF 56.6 million (prior-year period: CHF 58.4 million). This decline was due to the sales downtrend and to higher costs for logistics and personnel. The division raised its EBIT margin to 12.9% (prior-year period: 12.6%) on the back of high-quality products with corresponding price acceptance. In the second half, the focus will be on stronger efforts on the sales front as well as successfully dealing with the challenges in the areas of production and logistics.

The **Forbo Movement Systems** division reported net sales of CHF 211.1 million in the first half of 2019 (prior-year period: CHF 206.1 million), which is equivalent to a sales increase of 3.2% in local currencies (+2.4% in the corporate currency). Asia/Pacific and Americas delivered above-average contributions to this positive trend. Following a strong prior-year period, growth in Europe was down slightly; this was mainly due to the slump in demand in Italy and to the postponement of major orders by OEMs and plant manufacturers in Germany. In Americas, the USA and Mexico deserve special mention for their good business performance. In Asia/Pacific, core markets such as Japan and China performed very well, India continues to hold its own in an economic environment that remains volatile, and other growth markets such as Turkey, South Korea, Indonesia, and Thailand made gratifying contributions to growth.

Operating profit (EBIT) rose by 10.8% to CHF 26.7 million (prior-year period: CHF 24.1 million), despite slightly higher raw material prices, rising logistics and wage costs; and also as a result of the nonrecurring buildup costs of our additional plant in China. The EBIT margin improved to 12.7% (prior-year period: 11.7%). In the second half, Movement Systems will continue to work on global operational fine-tuning in order to further improve the quality of its delivery service.

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Outlook for 2019

The outlook for the performance of the whole year 2019 remains challenging. In the second half, Forbo anticipates a further economic slowdown in a number of countries. Forbo will counteract the weaker demand by taking targeted measures in sales/distribution and making further efficiency improvements.

For 2019, Forbo still expects a further slight increase in Group profit, assuming no change in the currency situation and a largely unchanged economic environment.

You can find further information in the attached 2019 half-year report (PDF) that has been published early this morning in electronic format also 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 5,700 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. The company generated net sales of CHF 1,327.0 million in the 2018 business year. 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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