

2019 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 5,600 people and has an international network of 26 production and distribution companies, 6 assembly operations and 48 pure sales organizations in a total of 38 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

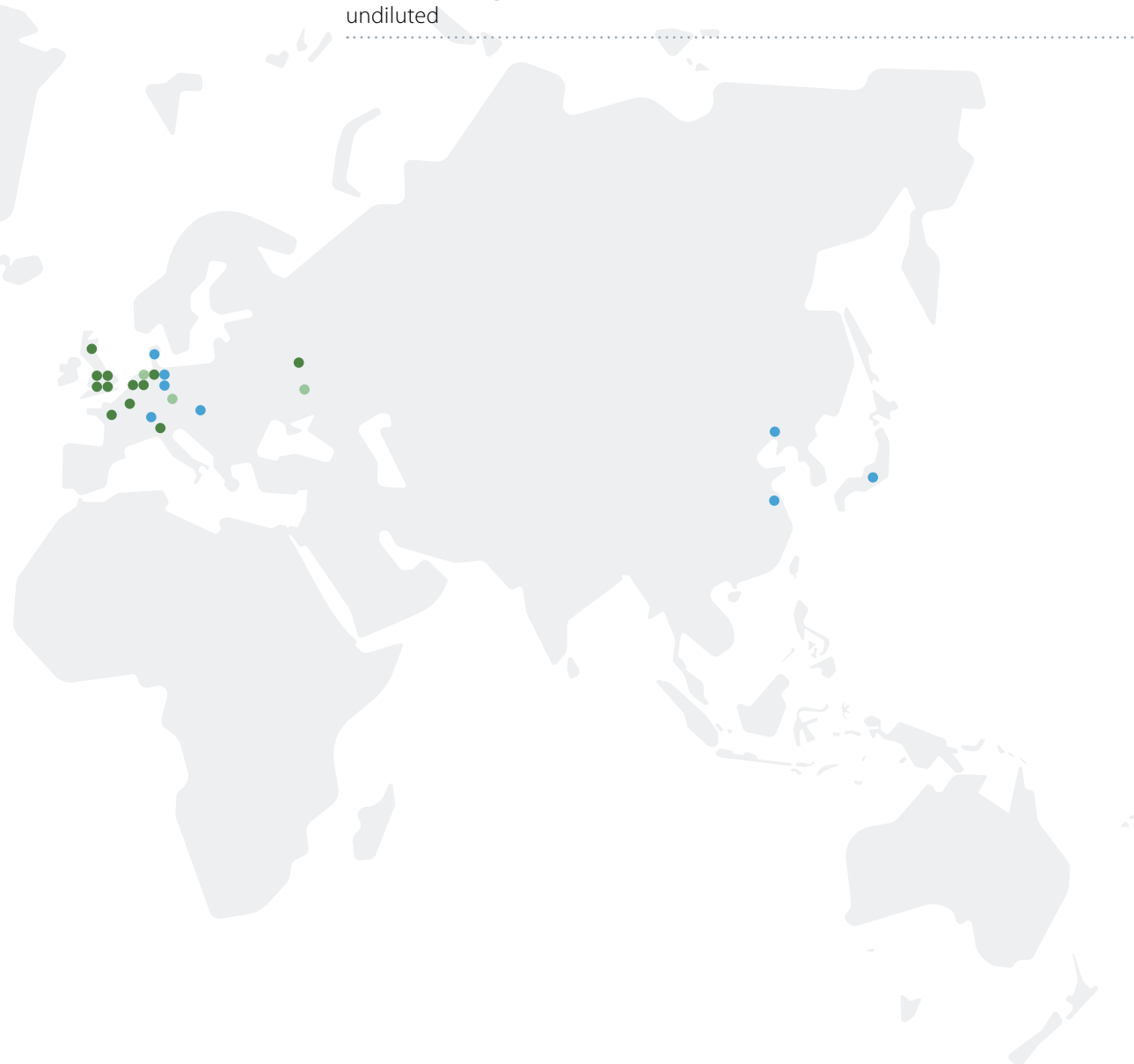
Movement Systems

10 production sites and 6 assembly operations in 9 countries and distribution companies in 32 countries. Over 300 sales and service offices worldwide.

- Production facilities and assembly operations

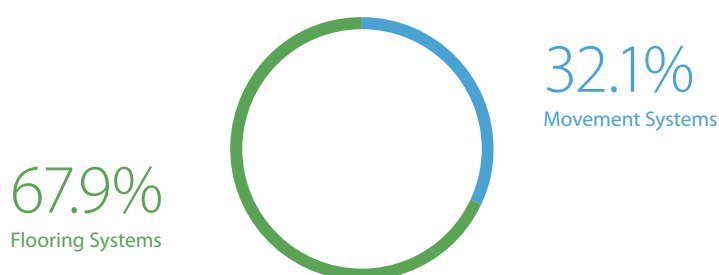


Net sales	CHF 1,282.2 million
EBIT	CHF 176.3 million
EBIT margin	13.7%
Group profit	CHF 138.3 million
Earnings per share undiluted	CHF 86.33



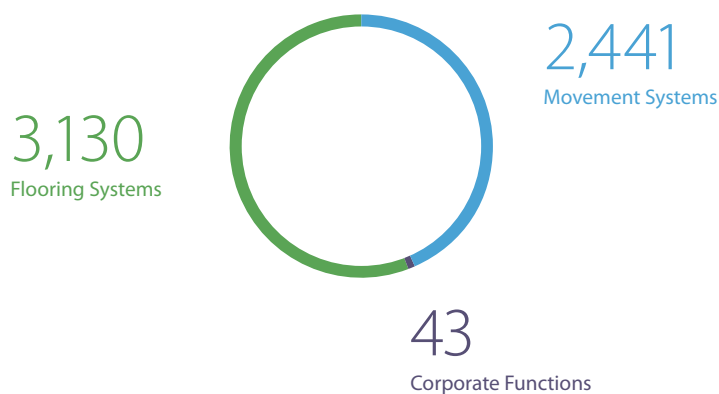
Net sales by division

	CHF m 2019	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	870.5	-4.7	-1.5	67.9
Movement Systems	411.7	-0.5	0.6	32.1
Total	1,282.2	-3.4	-0.8	100.0



Employees by division

	Number 2019	Change on previous year in %		In % of total
Flooring Systems	3,130	-2.0		55.8
Movement Systems	2,441	-2.5		43.5
Corporate Functions	43	2.4		0.7
Total	5,614	-2.2		100.0



Financial overview Forbo Group

	2019	2018	2019	2018
Income statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Net sales	1,282.2	1,327.0	1,152.4	1,148.7
Flooring Systems	870.5	913.2	782.4	790.5
Movement Systems	411.7	413.8	370.0	358.2
Operating profit before depreciation and amortization (EBITDA)	233.7	216.8	210.0	187.7
Operating profit (EBIT)	176.3	175.3	158.5	151.7
Group profit	138.3	137.6	124.3	119.1
Balance sheet	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Total assets	1,097.4	980.0	986.3	848.3
Operating assets	834.1	812.4	749.7	703.3
Shareholders' equity	676.6	591.6	608.1	512.1
Net cash ²⁾	217.5	127.4	195.5	110.3
Cash flow statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Cash flow from operating activities	185.1	171.2	166.4	148.2
Cash flow from investing activities	-34.5	-39.1	-31.0	-33.8
Free cash flow	150.6	132.1	135.4	114.4
Key ratios	%	%		
ROS (EBITDA/net sales)	18.2	16.3		
Equity ratio (shareholders' equity/total assets)	61.7	60.4		
Gearing (net debt/shareholders' equity)	-32.1	-21.5		
Employees (as at December 31)	Number	Number		
Total employees	5,614	5,739		
Ratios per share	CHF	CHF	EUR ¹⁾	EUR ¹⁾
Earnings per share (undiluted) ³⁾	86.33	82.38	77.59	71.31
Equity (undiluted)	422.36	354.18	379.62	306.59
Dividend	23.00 ⁴⁾	21.00 ⁵⁾	20.67 ⁴⁾	18.18 ⁵⁾
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Stock market capitalization ⁶⁾	2,719.2	2,485.8	2,444.0	2,151.8

1) Euro values translated at the average annual exchange rate of CHF 1.1126/1 EUR (2019) and CHF 1.1552/1 EUR (2018).

2) Liquidity plus financial assets less financial liabilities, excluding leasing liabilities.

3) See note 11 'Earnings per share' on page 114 of the financial report.

4) The Board of Directors proposes to the Ordinary General Meeting of April 3, 2020, the distribution of a dividend in the amount of CHF 23.00 per registered share.

5) Approval of a dividend of CHF 21.00 per registered share at the Ordinary General Meeting of April 5, 2019.

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

CHALLENGING ECONOMIC DEVELOPMENT

Forbo posted slightly lower sales in 2019 than the previous year amid global economic conditions that were increasingly challenging. Reluctance to invest was felt to varying degrees across the board in all our customer segments, and this put a damper on sales growth in our core markets. On the other hand, and despite negative currency effects, operating profit rose on the basis of investments to enhance efficiency as well as lower raw material prices.

Both divisions expanded their product portfolio with innovative offerings for specific customer segments; they selectively broadened distribution and service structures that were reinforced with IT systems providing optimum support; and they invested in operational modernizations.

The current market climate is making challenging demands on us in many areas. It is all the more important to convince in the highly competitive market with our high-quality products and customer-specific services that rest on strong know-how and a solid financial foundation.

Net sales by geographic area

	Change on previous year			2019 CHF m											
	%	in %	in local currencies in %		25	50	75	100	125	150	175	200	225	250	275
France	12.3	-4.5	-0.8	158.2											
Germany	12.1	-6.9	-3.4	155.4											
Benelux	10.2	-2.8	1.0	130.5											
Scandinavia	7.7	-4.9	0.9	98.6											
Great Britain/Ireland	7.0	-2.9	0.0	90.0											
Switzerland	2.2	-2.8	-2.8	27.6											
Other countries Europe	12.5	-3.3	0.2	160.6											
Europe	64.0	-4.3	-0.6	820.9											
USA	17.3	-0.9	-2.3	221.2											
Other countries Americas	4.0	0.2	1.3	52.1											
Americas	21.3	-0.7	-1.6	273.3											
Asia/Pacific and Africa	14.7	-3.2	-0.7	188.0											
Total	100.0	-3.4	-0.8	1,282.2											

Weakening demand hampered sales growth

In the year under review, Forbo generated net sales of CHF 1,282.2 million (previous year: CHF 1,327.0 million), a slight decrease of 0.8% in local currencies; this equated to a decline in sales of 3.4% in the corporate currency owing to negative currency effects. Both divisions felt a fall-off in demand in their core markets, which was due to a general reluctance to invest and the postponement of major projects. On the upside, many of our growth markets that are in the midst of expansion made a positive contribution to sales.

The Flooring Systems division generated net sales of CHF 870.5 million in the 2019 business year (previous year: CHF 913.2 million), which reflects a decrease of 1.5% in local currencies (–4.7% in the corporate currency). All three regions reported a decline in sales to varying degrees, mainly in the Americas and Asia/Pacific.

The Movement Systems division generated net sales of CHF 411.7 million in the year under review (previous year: CHF 413.8 million), which reflects marginal year-on-year growth of 0.6% in local currencies (–0.5% in the corporate currency). This increase in sales was driven by the Asia/Pacific and Americas regions, while Europe was down slightly.

EBITDA by division

	2019 CHF m	Change on previous year in %									
			–25	0	25	50	75	100	125	150	175
Flooring Systems	172.6	4.0									
Movement Systems	69.3	14.4									
Corporate	–8.2	–16.3									

Operating profit and margins improved despite headwinds

Operating profit was also dragged down by negative currency effects. The Group partly offset the fewer sales and the impact of the currency fluctuations by obtaining lower raw material prices, making operational processes more efficient through investments in technology, and by acting with foresight in line with business development.

The application of the new IFRS 16 accounting standard in 2019 had a positive impact of about CHF 17 million on operating profit before depreciation and amortization (EBITDA). The effect on operating profit (EBIT), however, was marginally positive.

The Group increased operating profit before depreciation and amortization (EBITDA) by 7.8% to CHF 233.7 million (previous year: CHF 216.8 million). EBITDA at Flooring Systems rose by 4.0% to CHF 172.6 million (previous year: CHF 166.0 million). EBITDA at Movement Systems increased by 14.4% to CHF 69.3 million (previous year: CHF 60.6 million).

Despite a number of different challenges, the Group widened its margins further thanks to its high-quality products with unique selling propositions. The Group EBITDA margin rose from 16.3% to 18.2%. At Flooring Systems, the EBITDA margin increased from 18.2% the previous year to 19.8% in the year under review, while at Movement Systems the EBITDA margin rose by 2.2 percentage points to 16.8% (previous year: 14.6%).

The Group's operating profit (EBIT) increased by 0.6% to CHF 176.3 million (previous year: CHF 175.3 million). The Group EBIT margin improved from 13.2% the previous year to 13.7% in the year under review.

The higher operating profit (EBIT) and a slightly lower tax rate resulted, despite lower financial earnings mainly owing to IFRS 16, in a Group profit of CHF 138.3 million (previous year: CHF 137.6 million), representing an increase of 0.5% or CHF 0.7 million.

Taxes and financial income

The tax rate in the year under review was 21.1% (previous year: 21.7%), in line with the long-term average.

Financial expense in 2019 came to CHF 1.8 million (previous year: CHF 0.6 million), including interest expense of CHF 1.0 million for leasing in accordance with IFRS 16. Factoring out this effect, financial expenditure was on a par with the previous year owing to minor foreign exchange losses. Offsetting this was financial income, comparable with the previous year, of CHF 0.8 million (previous year: CHF 0.9 million), which consisted of interest income. On balance, the financial result came to CHF –1.0 million (previous year: CHF 0.3 million).

Free cash flow

	2019 CHF m	2018 CHF m	-50	0	50	100	150	200
Cash flow from operating activities	185.1	171.2						
Cash flow from investing activities	-34.5	-39.1						
Free cash flow	150.6	132.1						

Solid cash flow performance

In 2019, the Group generated cash flow from operating activities of CHF 185.1 million (previous year: CHF 171.2 million), which reflects an increase of CHF 13.9 million. Cash flow from investing activities increased by CHF 4.6 million and came to CHF -34.5 million (previous year: CHF -39.1 million). Free cash flow thus totaled CHF 150.6 million (previous year: CHF 132.1 million). This increase was due mainly to the effect of IFRS 16.

Balance sheet remains robust

Total assets at December 31, 2019, rose to CHF 1,097.4 million (previous year: CHF 980.0 million); the year-on-year increase of CHF 117.4 million was due mainly to the positive cash flow. Net cash rose by CHF 90.1 million and now stands at a good level of CHF 217.5 million (previous year: CHF 127.4 million). Equity rose in line with Group profit, less dividend payments and currency losses, and came to CHF 676.6 million at the end of December 2019 (previous year: CHF 591.6 million) – this represents an increase of CHF 85.0 million. The equity ratio still remains at a high 61.7% (previous year: 60.4%).

Investments 2015 – 2019

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m	10	20	30	40	50	60
2019	23	13	0	36						
2018	25	13	0	39						
2017	22	36	0	58						
2016	20	17	3	40						
2015	31	9	0	40						

Efficiency-enhancing and sustainable investments

Forbo's investments are wide-ranging, combining the demands of sustainability with efficiency gains in operational processes. In the reporting year, Forbo concentrated its resources in both divisions on key activities and strategic projects in the areas of product portfolio, technology, market expansion, and targeted capacity expansion. Total Group investments in property, plant, and equipment and intangible assets in 2019 came to CHF 36.0 million, which was CHF 2.7 million, or 7.0%, lower than the previous year (previous year: CHF 38.7 million).

Flooring Systems invested CHF 22.8 million in the reporting period (previous year: CHF 25.4 million). The investments included various cutting machine facilities for the manufacture of modular vinyl and textile flooring, expansion of the cross-dock warehouse for modular flooring in the Netherlands, new capacity for building and construction adhesives in Russia, refurbishment of the process control center for linoleum production, edge-cutting machines for vinyl flooring, tanks and silos for more efficient processing of incoming raw materials, new laboratory test stations, and upgraded and expanded digital printing technologies along with digital sales-support platforms.

Investments in property, plant, and equipment at Movement Systems were unchanged year-on-year at CHF 13.2 million. In the year under review, a plant that manufactures the substrate material for producing the belts of the Extremultus flat belt product line was refurbished completely and retrofitted with various accessories. For the Prolink plastic modular belt product line,

various injection molding machines were outfitted with special devices that make it possible to develop and produce the new series being planned. The reel warehouse at the production plant in Germany was modernized so as to streamline the flow of goods. New service points and fabrication sites were established in various markets to strengthen regional customer care.

Employees by geographic area

	%	Change on previous year in %	2019	200	400	600	800	1,000	1,200	1,400
Benelux	21.9	-1.3	1,229							
Germany	12.6	-2.1	709							
Great Britain/Ireland	9.9	-7.2	557							
France	7.4	-0.5	416							
Scandinavia	3.2	-2.2	179							
Switzerland	3.2	-1.7	177							
Other countries Europe	12.8	0.7	717							
Europe	71.0	-1.9	3,984							
Asia/Pacific and Africa	14.7	-4.3	830							
USA	10.9	-1.0	611							
Other countries Americas	3.4	-2.1	189							
Americas	14.3	-1.2	800							
Total	100	-2.2	5,614							

Prudent personnel management

The Forbo Group employed 5,614 people at year-end 2019. This is a total of 125 fewer people than at the end of the previous year. The minor individual percentage changes in employee levels by and large reflect market developments in the different countries and regions and mirror the situation on the balance-sheet date at the end of the year. In view of the anticipated global downturn in demand, we are practicing prudent personnel management in new hiring to take account of business trends.

The somewhat larger decrease in the UK reflects the ongoing difficult conditions in the local market plus uncertainties in connection with Brexit, along with the downturn in the construction industry, which has made itself felt particularly at Flooring Systems. The higher-than-average decrease in Asia/Pacific reflects the situation at the Pinghu plant in China. Following an intensive build-up phase, staff were selectively employed on fixed-term contracts during the start of operations, and headcount has therefore now stabilized at a lower level.