

## MEDIA RELEASE 2019 BUSINESS YEAR

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### **Currency-adjusted sales slightly lower – Operating profit and margins nonetheless improved – Group profit slightly higher year-on-year – Earnings per share increased again – Balance sheet remains robust – Dividend increased by about 10 percent**

Amid globally challenging economic circumstances, Forbo generated net sales of CHF 1,282.2 million in 2019 (previous year: CHF 1,327.0 million). In local currencies, this comes to a slight decrease of 0.8% and in the corporate currency to a decline of 3.4% owing to negative currency effects. Group operating profit (EBIT) increased by 0.6% to CHF 176.3 million (previous year: CHF 175.3 million). Group profit rose by 0.5% to CHF 138.3 million (previous year: CHF 137.6 million).

Baar, March 3, 2020

**Forbo posted slightly lower sales, adjusted for currency effects, amid a more challenging global economic environment. Nevertheless, it lifted earnings slightly, despite the negative currency effects, owing to the investments made in recent years to improve efficiency and thanks to lower purchase prices for raw materials.**

#### **A challenging business year in 2019**

Generally speaking, Forbo felt a greater reluctance to invest in the reporting year. Substantial projects were either postponed indefinitely or reduced in scale. On the whole, both divisions faced very mixed conditions in their different markets and customer segments. Forbo expanded its product portfolios with a large number of new products and invested in projects to drive growth at both Flooring Systems and Movement Systems. Forbo succeeded in slightly increasing Group profit through ongoing investments in new technologies and measures to enhance efficiency, through improved purchasing terms, as well as by acting with foresight in line with business performance.

The impact of the stronger Swiss franc versus the previous year led to a decrease of CHF 34 million in sales and of CHF 6 million in operating profit (EBIT) when local results were converted into the corporate currency. This was due mainly to the weaker euro. The currency effect had more of an impact on Flooring Systems than on Movement Systems owing to the geographic distribution of their businesses.

#### **Sales growth curbed**

Both divisions felt a fall-off in demand in their core markets; on the other hand, many of Forbo's growth markets that are in the midst of expansion delivered a positive contribution to sales. Flooring Systems reported a decline of 1.5% in sales in local currencies, with the three regions contributing to this outcome to varying degrees. Movement Systems reported a slight increase in sales of 0.6%; this was primarily a result of projects with specialized products in the food and industrial production segments. Overall, sales in local currencies declined by 0.8%.

#### **Slight improvement in profit and margins**

Forbo slightly increased operating profit owing to better purchasing terms and other measures to improve efficiency despite sales that were marginally lower on the whole. Margins improved once again on the back of Forbo's high-quality and innovative products with their unique selling propositions.

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.

Operating profit before depreciation and amortization (EBITDA) was up by CHF 16.9 million, or 7.8%, to CHF 233.7 million (previous year: CHF 216.8 million). Group operating profit (EBIT) rose by CHF 1.0 million, or 0.6%,

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to CHF 176.3 million (previous year: CHF 175.3 million). The EBITDA margin improved from 16.3% to 18.2% and the EBIT margin from 13.2% to 13.7%.

#### **Group profit slightly higher year-on-year**

The higher operating profit (EBIT) and a slightly lower tax rate of 21.1% (previous year: 21.7%) 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.

#### **Performance of the divisions**

The **Flooring Systems** division posted net sales of CHF 870.5 million (previous year: CHF 913.2 million), which reflects a decrease of 1.5% in local currencies (-4.7% in the corporate currency). The division's share of Group sales was 67.9%. Economic conditions have become increasingly volatile. This impacted sales growth in most of the markets and customer segments in all three regions, with the Americas and Asia/Pacific being impacted the most. Operating profit (EBIT) declined only slightly by 0.5% to CHF 135.8 million (previous year: CHF 136.5 million) on the back of improved raw material prices and despite negative currency effects. The EBIT margin rose by 0.7 percentage points to 15.6% (previous year: 14.9%).

The **Movement Systems** division generated net sales of CHF 411.7 million (previous year: CHF 413.8 million), which reflects year-on-year growth of 0.6% in local currencies (-0.5% in the corporate currency). The division's share of Group sales was 32.1%. The marginal increase in sales in local currencies was driven by the Asia/Pacific and Americas regions, while Europe was down slightly. Operating profit (EBIT) rose by 0.8% to CHF 49.8 million (previous year: CHF 49.4 million), with lower raw material prices a positive factor and currency effects weighing in on the negative side. The EBIT margin rose by 0.2 percentage points to 12.1% (previous year: 11.9%).

#### **Balance sheet remains robust**

Net cash at year-end 2019 came to CHF 217.5 million (previous year: CHF 127.4 million); this was due to another strong operating cash flow on a par with the previous year. In addition, as at December 31, 2019, Forbo held 48,685 of its own shares valued at CHF 80.2 million at year-end share price. Another share buyback program for 2019 - 2022 was approved by the Ordinary General Meeting in April 2019 but has not yet been launched.

The equity ratio increased to 61.7% (previous year: 60.4%).

Undiluted earnings per share rose by 4.8% to CHF 86.33 (previous year: CHF 82.38) since fewer shares were in circulation in the year under review owing to the share buyback program the previous year.

#### **Strategy confirmed in challenging times**

Forbo's global presence, its leading market positions, its broad, innovative and sustainable product portfolio plus its healthy financial situation will enable the Group to continue implementing its strategy. Forbo will focus on development in growth markets, targeted strengthening of its distribution organizations, selective capacity expansion in product lines with better-than-average growth, promoting of innovations coupled with digitization advances and capitalizing on external growth opportunities. However, 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.

##### ***Increase in the dividend***

In view of the solid cash flow, the strong equity ratio, and the increase in earnings per share, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2019 business year should be increased by about 10 percent versus the previous year to CHF 23 per share (previous year: CHF 21 per share).

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**Outlook for 2020**

It is very difficult at present to make a forecast for global economic trends in 2020. The political and economic conditions can, as is well known, change very rapidly. Currencies and trends on the raw material markets are also very volatile.

Forbo anticipates a difficult economic situation for the year and forecasts a slight decrease in sales in local currencies and a somewhat higher one in Group profit versus the previous year.

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You can find further information in the version of the 2019 Annual Report published this morning on the Internet:  
[www.forbo.com](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 5,600 people and has an international network of 25 production facilities and distribution companies, 6 assembly centers, as well as 48 pure sales organizations in a total of 38 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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Contact person:  
This E. Schneider  
Executive Chairman  
Phone +41 58 787 25 49  
[www.forbo.com](http://www.forbo.com)

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## Financial overview of the Forbo Group

	2019 CHF m	2018 CHF m	corporate currency	Change local currencies
<b>Net sales</b>	<b>1,282.2</b>	<b>1,327.0</b>	<b>-3.4%</b>	<b>-0.8%</b>
Flooring Systems	870.5	913.2	-4.7%	-1.5%
Movement Systems	411.7	413.8	-0.5%	+0.6%
<b>Operating profit (EBIT)</b>	<b>176.3</b>	<b>175.3</b>	<b>+0.6%</b>	
<b>EBIT margin</b>	<b>13.7%</b>	<b>13.2%</b>		
<b>Group profit</b>	<b>138.3</b>	<b>137.6</b>	<b>+0.5%</b>	
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	2019 CHF	2018 CHF		
<b>Earnings per share (undiluted)</b>	<b>86.33</b>	<b>82.38</b>	<b>+4.8%</b>	
<b>Equity ratio</b>	<b>61.7%</b>	<b>60.4%</b>		