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HALF-YEAR REPORT 2018

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Significant sales growth – Above-average increase in operating profit – Strong increase in Group profit – Outlook for full year 2018 confirmed

The 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 668.8 million in the first half of 2018 (prior-year period: CHF 606.3 million), which equates to strong growth of 10.3% (+5.8% in local currencies). Operating profit (EBIT) rose by CHF 10.9% to CHF 75.3 million (prior-year period before one-off costs: CHF 67.9 million). The EBIT margin improved to 11.3% (prior-year period before one-off costs: 11.2%). Group profit from continuing operations rose by 8.9% to CHF 58.7 million (prior-year period before one-off costs: CHF 53.9 million) despite a higher tax rate.

Baar, July 27, 2018

Forbo posted a very successful first half of 2018, with strong growth in both sales and profit. Both divisions and all three regions contributed to this success. The growth drivers at Flooring Systems were the attractive, recently launched flooring collections along with consistent marketing activities in the private sector commercial segment and in growth markets. Movement Systems impressed major customers in a number of strategic customer segments with its high-quality, application-specific products and services.

Conversion of local results into the corporate currency resulted in a positive currency effect for both sales and profit compared with the first half of 2017. The gains were driven mainly by the performance of the euro and the pound sterling. Seen over the whole year, this effect will be more neutral. The currency situation has more of an impact on Flooring Systems than on Movement Systems due to the geographic weighting of their respective business activities.

The provision for the one-off costs arising from the antitrust proceedings at Flooring Systems in France, done in the first half-year 2017, has been neutralized in this report in the prior-year period figures to ensure better comparability ('prior-year period before one-off costs').

Significant sales growth

In the first half of 2018, Forbo generated higher net sales of CHF 668.8 million (prior-year period: CHF 606.3 million), reflecting an increase of 10.3% (+5.8% in local currencies). Both divisions and all the regions contributed to varying degrees to this gratifying growth. Flooring Systems posted sales growth of 11.3% (+5.9% in local currencies). This was due, on the one hand, to its activities and initiatives in developing its sales structures for customers in the private sector commercial segment and, on the other hand, to above-average performance in certain growth markets. Movement Systems reported a sales increase of 8.2% (+5.5% in local currencies). This result was also driven by the very gratifying gains made in some growth markets and the above-average growth across the board in most European markets.

Overall, net sales in local currencies in the Asia/Pacific and Africa region showed the strongest growth and came to +8,6%, while sales in the North, Central and South America region increased by +7,1%, and Europe recorded sales growth of +4,7%.

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Double-digit increase in operating profit

Despite a steep rise in raw material prices, operating profit showed an above-average increase because the higher costs were offset by the successful launch of innovative products, enhanced service quality, as well as efficiency gains.

Operating profit before depreciation and amortization (EBITDA) came to CHF 95.1 million (prior-year period before one-off costs: CHF 86.3 million), corresponding to an increase of 10.2%. The EBITDA margin remained unchanged at 14.2% (prior-year period before one-off costs: 14.2%). Operating profit (EBIT) grew by 10.9% from CHF 67.9 million before one-off costs in the previous year to CHF 75.3 million. The EBIT margin improved to 11.3% (prior-year period before one-off costs: 11.2%).

Strong increase in Group profit

Despite a higher tax rate, Forbo increased Group profit from continuing operations by 8.9% to CHF 58.7 million (prior-year period before one-off costs: CHF 53.9 million).

Earnings per share from continuing operations (undiluted) rose by 9.5% to CHF 34.49 (prior-year period before one-off costs: CHF 31.49).

Equity ratio remains high

Shareholders' equity at the end of June 2018 stood at CHF 648.1 million (year-end 2017: CHF 661.2 million). The equity ratio was 61.2% (year-end 2017: 61.9%), approximately at the prior-year level.

Solid liquidity and treasury shares

Net cash came to CHF 125.5 million at June 30, 2018 (year-end 2017: CHF 195.0 million). In addition, Forbo held treasury shares worth CHF 174.2 million, based on the share price at the end of June 2018 (year-end 2017: CHF 143.8 million). Of this, CHF 119.6 million (valued at the share price at the end of June 2018) is earmarked for capital reduction latest at the Ordinary General Meeting in 2020.

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 462.7 million in the first half of 2018 (prior year period: CHF 415.9 million), which is equivalent to a strong sales increase of

11.3% (+5.9% in local currencies). All the regions contributed to this increase. The growth in local currencies was driven mainly by Asia/Pacific, the Americas also posted double-digit growth, while sales in Europe were on the whole encouraging even in a divergent market environment. Sales performance in the first half, however, was very mixed. The countries with better-than-average growth were Central, Southern and Eastern Europe, the USA, and some countries in Asia/Pacific such as China and Australia. This extremely positive picture was countered by modest – and in some cases negative – growth in the Netherlands, Scandinavia, and the UK. The building and construction adhesives activity posted pleasant sales growth on the whole, though it was driven mainly by Russia.

Operating profit (EBIT) rose by CHF 11.7% to CHF 58.4 million (prior-year period before one-off costs: CHF 52.3 million). This gain was the result of higher sales owing to volume and price increases, although it was diminished by raw material prices that rose yet again. The EBIT margin remained unchanged at 12.6% (prior-year period before one-off costs: 12.6%). Flooring Systems will continue to focus in the coming months on exploiting the potential of its attractive product portfolio – in which it has invested heavily in recent years – with focused market activities and an optimum level of service quality. The division will also continue to compensate the previous year's above-average rise in raw material prices by obtaining higher prices for its products. Efficiency increases plus additional procurement measures will help to successfully meet the challenges from raw material price developments.

The **Forbo Movement Systems** division reported net sales of CHF 206.1 million in the first half of 2018 (prior-year period: CHF 190.4 million), which is equivalent to a gratifying sales increase of 8.2% (+5.5% in local currencies). All the regions made a positive contribution to this uptrend. Growth in local currencies was driven mainly by Europe, while Asia/Pacific and the Americas, too, posted solid growth. Most markets in Europe performed well, especially Germany and Southern Europe. At the beginning of May 2018, the division acquired a small distributor in Norway. This company will

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strengthen Movement Systems' position in the local food industry customer segment, offer additional potential as a new direct entry in this market, and reinforce its service structure in Scandinavia. Traditional markets in Asia/Pacific such as Japan and China performed very well, while smaller growth markets such as India, Indonesia, and Thailand developed better-than-average. Demand in North America remained stable, which led to further solid growth.

Operating profit (EBIT) rose by 5.7% to CHF 24.1 million (prior-year period: CHF 22.8 million), despite higher raw material prices. The EBIT margin declined to 11.7% (prior-year period: 12.0%). In the second half, Movement Systems will continue to work on optimizing various global areas of operation in order to further improve customer satisfaction with delivery times and increase both its productivity and its efficiency. The division will continue to expand its product offering with innovative ideas that are tailored specifically to the needs of its varied customer segments.

Outlook for 2018

Forbo's forecast for the full year 2018 has not changed. The overall environment remains challenging because the currency exchange situation, raw material price trends, and developments on individual markets are still volatile owing to political and macroeconomic conditions.

As announced in the spring, barring any change in the foreign exchange situation and assuming a similar business environment as in the previous year, Forbo continues to anticipate for the full year 2018 a slight increase in net sales and Group profit from continuing operations before one-off costs and special tax effects (2017 business year: CHF 127.6 million).

You can find further information in the attached 2018 Half-Year Report (PDF) that has been published early this morning also on 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 25 production facilities and distribution companies, 6 assembly centers, as well as 44 pure sales organizations in a total of 36 countries across the globe. The company generated net sales of CHF 1,246.4 million in the 2017 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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Financial overview Forbo Group

	First half 2018 CHF m	First half 2017 CHF m	Change	
			Corporate currency	Local currencies
Net sales	668.8	606.3	+10.3%	+5.8%
Flooring Systems	462.7	415.9	+11.3%	+5.9%
Movement Systems	206.1	190.4	+8.2%	+5.5%
Operating profit before depreciation and amortization (EBITDA)	95.1	86.3	+10.2%	
Operating profit before depreciation and amortization (EBITDA), adjusted ¹⁾	95.1	1.3		
EBITDA margin	14.2%	14.2%		
Operating profit (EBIT)	75.3	67.9	+10.9%	
Operating profit (EBIT), adjusted ¹⁾	75.3	-17.1		
EBIT margin	11.3%	11.2%		
Group profit from continuing operations	58.7	53.9	+8.9%	
Group profit from continuing operations, adjusted ¹⁾	58.7	-31.1		
	First half 2018	First half 2017		
Earnings per share from continuing operations (undiluted)	CHF 34.49	CHF 31.49	+9.5%	
Earnings per share from continuing operations (undiluted), adjusted ¹⁾	CHF 34.49	CHF -18.19		
	30.6.2018	31.12.2017		
Equity ratio	61.2%	61.9%		

¹⁾ Previous year factoring in the provision done in the first half-year 2017 for the one-off costs resulting from the antitrust proceedings at Flooring Systems in France.