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HALF-YEAR REPORT 2015

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Swiss franc severely impacts sales and earnings in corporate currency – Sales in local currencies slightly higher – Currency-adjusted operating profit above previous year – Group profit for 2015 in Swiss francs expected to be slightly lower than previous year

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 554.8 million in the first half of 2015 (prior-year period: CHF 603.0 million). In local currencies, this is equivalent to organic growth of 0.7%, however, translated into Swiss francs it represents a decline of 8.0%. Negative currency effects had a significant impact on both sales and earnings. Operating profit (EBIT) decreased by 11.3% to CHF 57.9 million (prior-year period: CHF 65.3 million). Adjusted for currency effects, however, it rose by 3.7%. The EBIT margin came to 10.4% (prior-year period: 10.8%). Group profit from continuing operations amounted to CHF 45.8 million (prior-year period: CHF 53.6 million), which is equivalent to a decline of 14.6%. After adjustment for currency effects, it reached the previous year's level despite lower financial income.

Baar, August 18, 2015

As expected, because of the strong Swiss franc, the first half of 2015 overall proved to be very challenging for Forbo. In addition, the two divisions have shown very differing developments. Whereas Movement Systems chalked up a record first half in local currency terms, Flooring Systems faced tough market conditions in certain markets and could not quite reach the previous year's performance in local currencies.

In the wake of the Swiss National Bank discontinuing its minimum euro exchange rate in January 2015, both sales and earnings in the corporate currency were severely impacted by currency effects. The Swiss franc firmed significantly against most of the currencies important for Forbo such as the euro, the pound sterling and the Japanese yen, clearly leaving its mark when local currency results were translated into the corporate currency. Sales were down by about CHF 50 million and operating profit (EBIT) was about CHF 10 million lower as a result of the strong Swiss franc.

Forbo continued to expand also in the period under review the attractive product portfolios of both divisions with new, globally launched offerings, invested further in the development of high-quality products and continued to strengthen its distribution channels, especially in growth markets. Owing to the ongoing situation on the foreign exchange markets, Forbo initiated a series of additional cost optimization measures in order to offset the currency effects as far as possible by an even better operating performance.

Sales in local currencies slightly higher

In the first half of 2015, Forbo generated net sales of CHF 554.8 million (prior-year period: CHF 603.0 million), representing an increase of 0.7% in local currencies. Owing to the severely negative currency effects, this comes to minus 8.0% in the corporate currency. The sales of Flooring Systems declined by 2.1% in local currency terms (-12.2% in the corporate currency). Movement Systems reported a significant increase in sales of 8.1% in local currencies (+3.1% in the corporate currency).

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Movement Systems increased sales strongly in both local currencies and Swiss francs thanks to its broader presence in growth markets and the lower exposure to exchange rate fluctuations owing to the geographic weighting of its activities.

Earnings affected by the negative currency effects

Forbo has continued to invest in recent months in capacity expansion, the optimization of business processes and growth projects. Despite these expenditures, which were higher than the previous year, Forbo succeeded on balance in raising profitability further in local currencies. The contributory factors were the ongoing optimization of cost structures adjusted to current market conditions together with further specific productivity gains all along the value chain.

Operating profit before depreciation and amortization (EBITDA) came to CHF 73.6 million (prior-year period: CHF 83.2 million), corresponding to a decline of 11.5%. The EBITDA margin stood at 13.3% (prior-year period: 13.8%). Operating profit (EBIT) came to CHF 57.9 million, compared with CHF 65.3 million in the comparable period of 2014, which equates to a decrease of 11.3%. The EBIT margin amounted to 10.4% (prior-year period: 10.8%). After adjustment for currency effects, however, operating profit (EBIT) rose by 3.7%.

Group profit at prior-year level after currency-effect adjustment

Group profit from continuing operations amounted to CHF 45.8 million (prior-year period: CHF 53.6 million), which reflects a decrease of 14.6%. After adjustment for currency effects, however, it reached the previous year's level despite lower financial income. Earnings per share from continuing operations (undiluted) came to CHF 24.24 (prior-year period: CHF 26.36).

Equity ratio remains high

Compared with the beginning of the year, shareholders' equity decreased by CHF 50.5 million to CHF 688.3 million, as a result of the payment of the dividend and negative currency

translation effects. The equity ratio remained at a high level and stood at 67.9% (year-end 2014: 67.4%).

Liquidity at a high level

Net cash came to CHF 176.6 million as at June 30, 2015. In addition, Forbo held treasury shares worth CHF 281.5 million, based on the share price at the end of June 2015. The strong balance sheet coupled with the high level of cash enables Forbo not only to engage in the approved share buyback program but also to take advantage of external growth opportunities provided they can generate value for Forbo's shareholders.

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 383.9 million in the first half of 2015 (prior-year period: CHF 437.2 million), which is equivalent to a decrease of 2.1% in local currencies (-12.2% in the corporate currency). The division could not maintain the positive sales trend it has reported since mid-2013, owing to weaker demand in core markets such as France, the Netherlands, Great Britain and the USA. No real recovery is yet in sight in various markets of key importance to Forbo. Compared with the prior-year period, the building and construction adhesives activity managed to maintain its sales level amid unchanged challenging market conditions.

Operating profit (EBIT) decreased by 17.6% to CHF 43.4 million (prior-year period: CHF 52.7 million) owing to the decline in sales and the strongly negative currency effects. The EBIT margin amounted to 11.3% (prior-year period: 12.1%). In order to better offset the decrease in sales and the currency effects, the division initiated a series of optimization projects and measures to adapt cost structures to current market conditions. The focus in the coming months will be on further implementing the initiatives for profitable growth by intensive marketing of the extensive new collections and new launches introduced during 2014 as well as this year. At the same time Flooring Systems will concentrate on the steady expansion of its distribution structures in growth markets.

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The **Forbo Movement Systems** division reported net sales of CHF 170.9 million in the first half of 2015 (prior-year period: CHF 165.8 million), which is equivalent to a significant increase of 8.1% in local currencies (+3.1% in the corporate currency). All regions contributed to drive the substantial growth and the related gains in market share. Although the business environment in Europe is still mixed, most companies performed better than in the comparable period the previous year. Demand in America remained buoyant owing to successful projects with major accounts in various customer segments, while Asia/Pacific stayed on the growth path, even though the first signs of a market slowdown were seen in China.

The systematic implementation of the strategy with demanding targets in all parts of the business had a very positive effect on operating profit (EBIT), which rose sharply by 20.0% to CHF 20.4 million (prior-year period: CHF 17.0 million). The EBIT margin was increased to 11.9% (prior year period: 10.3%). In the second half of the year, Movement Systems will continue to systematically implement the strategic initiatives by extending its product portfolio in specific areas and strengthening its distribution structures, especially in Asia/Pacific and the Americas, with additional points of sale.

Outlook for 2015

Given the current currency situation and market volatility, it is very difficult to make a forecast for the full year at this point.

For the year 2015 as a whole, Forbo expects sales in local currencies to come in approximately at the previous year's level. However, sales and earnings in the corporate currency will be eroded substantially once the local results are translated into the strong Swiss franc.

Forbo will continue to further optimize its cost structures and offset the negative currency effects as far as possible with innovative and high-quality products.

Barring any further deterioration in the current economic conditions, in particular the currency situation, Forbo expects Group profit from continuing operations in 2015 to be slightly lower than the previous year in Swiss francs.

You can find further information in the electronic version of the 2015 Half-Year Report published this morning electronically on the Internet:

www.forbo.com – Investors

Forbo is a leading manufacturer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. The company employs more than 5,200 employees and has an international network of 24 production facilities and distribution companies as well as 42 pure sales organizations in 36 countries across the globe. The company generated net sales of CHF 1,226.8 million in the 2014 business year and is headquartered in Baar in the canton of Zug, Switzerland.

The Group company Forbo Holding Ltd is listed on the SIX Swiss Exchange (securities number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

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Financial overview of the Forbo Group

	First half 2015 CHF m	First half 2014 CHF m	Change	
			Corporate currency	Local currencies
Net sales	554.8	603.0	-8.0%	+0.7%
Flooring Systems	383.9	437.2	-12.2%	-2.1%
Movement Systems	170.9	165.8	+3.1%	+8.1%
Operating profit (EBIT)	57.9	65.3	-11.3%	+3.7%
EBIT margin	10.4%	10.8%		
Group profit from continuing operations	45.8	53.6	-14.6%	

	First half 2015	First half 2014
Earnings per share from continuing operations (undiluted)	CHF 24.24	CHF 26.36
	30.6.2015	31.12.2014
Equity ratio	67.9%	67.4%