

## MEDIA RELEASE

### HALF-YEAR REPORT 2016

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<b>Sales:</b>	<b>+6.5%</b>
<b>Operating profit:</b>	<b>+11.1%</b>
<b>Group profit:</b>	<b>+12.9%</b>
<b>Outlook for 2016 business year:</b>	<b>confirmed</b>

The Forbo Group – a leading manufacturer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions – increased its net sales by 6.5% to CHF 590.9 million in the first half of 2016 (prior-year period: CHF 554.8 million). Operating profit (EBIT) rose by 11.1% to CHF 64.3 million (prior-year period: CHF 57.9 million). The EBIT margin improved to 10.9% (prior-year period: 10.4%). Group profit from continuing operations rose by 12.9% to CHF 51.7 million (prior-year period: CHF 45.8 million).

Baar, August 16, 2016

**The Forbo Group can look back on a successful first half of 2016 on the whole. Both divisions – but in particular the positive development of Flooring Systems – contributed to this success. The ongoing expansion of the product portfolio coupled with targeted optimization measures along the value chain is paying off. Driven by the steady expansion of its distribution and sales structure, Movement Systems again increased sales, which have risen continuously in recent years, and improved earnings.**

**When the results in local currency were translated into the corporate currency, the currency exchange situation produced a slightly positive currency effect compared with the first half of 2015.**

#### **Healthy organic sales growth**

In the first half of 2016, Forbo generated higher net sales of CHF 590.9 million (prior-year period: CHF 554.8 million), reflecting an increase of 6.5% (+4.5% in local currencies). Both divisions contributed to this encouraging growth. Flooring Systems reported growth in the corporate currency of 6.5% (+4.8% in local currencies), while Movement Systems recorded an increase of 6.5% (+3.8% in local currencies). All regions contributed to this increase.

Overall, sales in local currencies in North, Central and South America showed the strongest growth, which came to +7.8%, while the Asia/Pacific and Africa region reported comparable growth of +7.4%, and Europe recorded sales growth of +2.8% amid very mixed market conditions.

#### **Profitability continues to grow**

In the period under review, both divisions again expanded capacity, broadened their attractive product portfolios by adding new innovations, invested further in the development of high-end products, and continued to strengthen its distribution and service structures. Despite a sizeable increase in investment in recent years, Forbo succeeded in further increasing profitability. The contributory factors were optimization measures along the value chain and additional productivity gains in both divisions.

Operating profit before depreciation and amortization (EBITDA) came to CHF 82.8 million (prior-year period: CHF 73.6 million), corresponding to a significant increase of 12.5%. The EBITDA margin improved to 14.0% (prior-year period: 13.3%). Operating profit (EBIT) was lifted by 11.1% from CHF 57.9 million to CHF 64.3 million. The EBIT margin improved to 10.9% (prior-year period: 10.4%).

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#### Double-digit growth in Group profit

Group profit from continuing operations amounted to CHF 51.7 million (prior-year period: CHF 45.8 million). This equates to a significant increase of 12.9%.

The higher Group profit plus buybacks of Forbo's own shares in the second half of 2015 resulted in earnings accretion. Earnings per share from continuing operations (undiluted) therefore increased by 24.9% to CHF 30.28 (prior-year period: CHF 24.24).

#### Equity ratio remains high

Equity decreased slightly by CHF 16.3 million to CHF 542.9 million compared with the start of the year despite the gratifying profit reported. This was due in particular to the payment of the dividend, negative currency exchange effects (by the cutoff date), and higher pension liabilities owing to the interest rate environment. The equity ratio remains very high at 58.8% (year-end 2015: 61.3%).

#### Liquidity solid

Net cash came to CHF 92.3 million as at June 30, 2016. In addition, Forbo held treasury shares worth CHF 324.5 million, based on the share price at end of June 2016. Owing to the cancelation of shares repurchased as part of the share buyback program, this amount has been reduced by CHF 219.8 million in July 2016. The strong balance sheet coupled with the high level of net cash enables Forbo to take advantage of external growth opportunities whenever they can generate value for its shareholders.

#### Performance of the divisions

The **Forbo Flooring Systems** division reported sales of CHF 408.9 million in the first half of 2016 (prior-year period: CHF 383.9 million), which is equivalent to a gratifying sales increase of 6.5% (+4.8% in local currencies). All regions contributed to this growth. The positive sales trend was driven especially by the firming of core markets in France and the USA and by the incipient recovery in the Netherlands. After a number of difficult years during the down cycle, the building and construction adhesives activity recovered and slightly increased sales compared with the comparable period the previous year. The construction of a production plant for high-

end homogeneous vinyl floor coverings is progressing according to plan, so that Flooring Systems will be able to add an attractive product group to its product portfolio in 2017.

Operating profit (EBIT) rose by 15.9% to CHF 50.3 million (prior-year period: CHF 43.4 million) on the back of higher sales and optimization measures along the value chain and as a result of positive currency effects. The EBIT margin was increased significantly to 12.3% (prior-year period: 11.3%). In the coming months Flooring Systems will continue to focus on the systematic implementation of its strategy on a number of aspects by developing its attractive product portfolio specifically for customers in all the relevant target segments, adapting the portfolio to meet the needs of various application areas, and selectively expanding distribution structures in growth markets.

The **Forbo Movement Systems** division reported sales of CHF 182.0 million in the first half of 2016 (prior-year period: CHF 170.9 million), which is equivalent to a gratifying sales increase of 6.5% (+3.8% in local currencies). While all regions contributed to these gains, most European markets performed better than average. Sales growth in the USA weakened slightly, while demand in China, the division's largest market in Asia/Pacific, slowed down somewhat compared with previous years.

Operating profit (EBIT) rose marginally by 1.5% to CHF 20.7 million (prior-year period: CHF 20.4 million). The EBIT margin came to 11.4% (prior-year period: 11.9%). In the second half, Movement Systems will continue to systematically execute the strategic initiatives in all business areas by adapting its product range specifically to the needs of its customer segments and targeting expansion of its distribution and service organizations.

#### Outlook for 2016

Forbo's forecast for the full year 2016 has not changed. Despite the encouraging performance in the first half, the overall environment remains challenging because the currency exchange situation and the trends on individual markets are still volatile.

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As announced in springtime, barring any change in the foreign exchange situation, Forbo anticipates a slight increase in sales and Group profit from continuing operations for the full year 2016.

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You can find further information in the electronic version of the 2016 Half-Year Report published this morning on the Internet:  
[www.forbo.com](http://www.forbo.com) – Investors

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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 5,300 people and has an international network of 24 production facilities and distribution companies as well as 42 pure sales organizations in a total of 35 countries across the globe. The company generated net sales of CHF 1,139.1 million in the 2015 business year. Forbo 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 Forbo Group

	First half 2016 CHF m	First half 2015 CHF m	Change	
			Corporate currency	Local currencies
<b>Net sales</b>	<b>590.9</b>	<b>554.8</b>	<b>+6.5%</b>	<b>+4.5%</b>
Flooring Systems	408.9	383.9	+6.5%	+4.8%
Movement Systems	182.0	170.9	+6.5%	+3.8%
<b>Operating profit (EBIT)</b>	<b>64.3</b>	<b>57.9</b>	<b>+11.1%</b>	
<b>EBIT margin</b>	<b>10.9%</b>	<b>10.4%</b>		
<b>Group profit from continuing operations</b>	<b>51.7</b>	<b>45.8</b>	<b>+12.9%</b>	

	First half 2016	First half 2015
<b>Earnings per share from continuing operations (undiluted)</b>	<b>CHF 30.28</b>	<b>CHF 24.24</b>
	<b>30.6.2016</b>	<b>31.12.2015</b>
<b>Equity ratio</b>	<b>58.8%</b>	<b>61.3%</b>