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HALF-YEAR REPORT 2017

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Solid sales growth in local currencies – Operating and Group profit before one-off costs higher than prior year – Provision for ongoing antitrust proceedings at Flooring Systems in France impacts result – Guidance before one-off costs for 2017 confirmed – Sale of treasury shares for tax law-related reasons

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 606.3 million in the first half of 2017 (prior-year period: CHF 590.9 million). In local currency terms, this equates to a growth of 4.1% (+2.6% in the corporate currency). Operating profit (EBIT) before one-off costs rose by 5.6% to CHF 67.9 million (prior-year period: CHF 64.3 million). The EBIT margin before one-off costs improved to 11.2% (prior-year period: 10.9%). Forbo increased Group profit from continuing operations before one-off costs by 4.3% to CHF 53.9 million (prior-year period: CHF 51.7 million). A provision for one-off costs for the antitrust proceedings at Flooring Systems in France has impacted the operational result.

Baar, July 28, 2017

The Forbo Group can again look back on an operationally strong and solid first half in 2017 overall. Both divisions and all three regions factored into this success. Flooring Systems launched a number of innovative floor covering collections along with the newly developed product range of homogeneous vinyl floor coverings. Movement Systems convinced major customers in a number of customer segments with its application-specific products and services.

Conversion of local results into the corporate currency resulted in a negative currency effect compared with the first half of 2016 with respect to both sales and earnings. The main culprit in this trend was the weakness of the pound sterling. Given their geographic weighting, this currency effect affected Flooring Systems more than Movement Systems.

A provision for one-off costs arising from the antitrust proceedings at Flooring Systems in France in the amount of CHF 85.0 million, announced on July 20, 2017, has impacted the operational result.

Good organic sales growth in local currencies

In the first half of 2017, Forbo generated higher net sales of CHF 606.3 million (prior-year period: CHF 590.9 million), reflecting an increase of 4.1% in local currencies (+2.6% in the corporate currency). Both divisions contributed to this growth and succeeded in continuing the local-currency growth rates achieved the previous year. Flooring Systems reported sales growth in local currencies of 3.6% (+1.7% in the corporate currency), while Movement Systems was up 5.3% (+4.6% in the corporate currency).

Overall, sales in local currencies in Europe showed the strongest growth, which came to +5.3%, while the Asia/Pacific and Africa region reported growth of +2.4%, and the North, Central and South America region recorded sales growth of +1.7%.

Innovative product developments and capacity expansion strengthen profitability

In the first half again, both divisions invested in growth-oriented projects, enhancing their attractive portfolios with product innovations, expanding their sales and service structures, and growing capacity along with the corresponding headcount. The Group once more succeeded in raising profitability, thanks to investments that were again higher, especially compared with the first half of 2016. Streamlining of various operational processes as well as productivity increases along the entire value chain were the two factors instrumental in this uptrend.

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Operating profit before depreciation and amortization (EBITDA) before one-off costs came to CHF 86.3 million (prior-year period: CHF 82.8 million), corresponding to an increase of 4.2%. The EBITDA margin before one-off costs improved to 14.2% (prior-year period: 14.0%). Operating profit (EBIT) before one-off costs increased by 5.6% from CHF 64.3 million to CHF 67.9 million. The EBIT margin before one-off costs improved to 11.2% (prior-year period: 10.9%).

It has emerged that as a result of antitrust proceedings in France initiated in 2013 against Flooring Systems and some competitors, Flooring Systems has to expect one-off costs. Forbo has therefore made a provision for one-off costs in the amount of CHF 85.0 million in this year's half-year financial statement. After factoring in these one-off costs, operating profit (EBIT) came to CHF –17.1 million.

Increase in Group profit before one-off costs

Group profit from continuing operations before one-off costs amounted to CHF 53.9 million (prior-year period: CHF 51.7 million). This equates to an increase of 4.3%. Following the partial release of provisions from the sale of the industrial adhesives activity in 2012 owing to the expiry of warranty periods, Group profit before one-off costs came to CHF 56.1 million (prior-year period: CHF 51.7 million). After factoring in the provision for one-off costs, Group profit from continuing operations came to CHF –31.1 million and Group profit to CHF –28.9 million.

Earnings per share from continuing operations (undiluted) before one-off costs rose by 4.0% to CHF 31.49 (prior-year period: CHF 30.28).

Equity ratio remains high

Shareholders' equity declined by CHF 56.7 million to CHF 564.7 million owing to the one-off costs. The equity ratio remained high at 56.3% (year-end 2016: 62.8%) despite the one-off costs.

Liquidity solid

Net cash came to CHF 163.2 million as at June 30, 2017. This marked a decrease of CHF 46.0 million compared with the beginning of the

year, which was due mainly to the payment of the dividend and to investments in the expansion of capacity. In addition, Forbo held treasury shares worth CHF 137.4 million, based on the share price at the end of June 2017. In the near future, for tax law-related reasons, Forbo plans to sell about 60,000 treasury shares towards the end of the six-year holding period.

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 415.9 million in the first half of 2017 (prior-year period: CHF 408.9 million), which is equivalent to a solid sales increase of 3.6% in local currencies (+1.7% in the corporate currency). Almost all markets in Europe reported moderate to above-average growth, especially the core markets in France and the Netherlands. North America reported slightly higher growth, while Asia/Pacific posted a marginal decrease in sales following various major projects that were completed the previous year. After a number of difficult years during the down cycle, the building and construction adhesives activity posted a strong recovery and reported very satisfactory sales growth overall. The newly completed production facility for high-quality homogeneous vinyl floor coverings came on stream at the end of 2016, and the corresponding collections – along with other product innovations – were launched at the start of 2017.

Despite negative currency effects and higher raw-material prices, operating profit (EBIT) before one-off costs rose by 4.0% to CHF 52.3 million (prior-year period: CHF 50.3 million). The EBIT margin before one-off costs increased to 12.6% (prior-year period: 12.3%). After factoring in the one-off costs, operating profit (EBIT) came to CHF –32.7 million. The focus in the coming months will remain on systematic implementation of the strategy: Flooring Systems will concentrate on further developing its attractive product portfolio for customers in the relevant target segments and on custom-tailoring the portfolio to a range of applications along with supporting marketing activities. The division will be counteracting the negative impact of currency effects and raw-material price trends with a consistent cost management.

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The **Forbo Movement Systems** division reported net sales of CHF 190.4 million in the first half of 2017 (prior-year period: CHF 182.0 million), which is equivalent to a gratifying sales increase of 5.3% in local currencies (+4.6% in the corporate currency). All regions factored into this increase. Most European markets in particular showed above-average growth, owing to major projects in key customer segments. Contributing to this growth was also the take-over of an existing customer in northern Italy in mid-2016. North America reported slightly higher growth, but demand remained sluggish. Demand in Asia/Pacific, especially in our core markets, picked up speed again after an appreciable slowdown in the second half of 2016.

Operating profit (EBIT) increased strongly by 10.1% to CHF 22.8 million (prior-year period: CHF 20.7 million), driven by higher sales and operational improvements. The EBIT margin came to 12.0% (prior-year period: 11.4%). In the second half of the year, Movement Systems will further pursue its strategic initiatives in all units on three fronts: driving sales of Prolink plastic modular belts and Extremultus power transmission belts in addition to the main product group Transilon conveyor belts; expanding the product offering; and growing the division's sales and service structures in specific areas.

Outlook for 2017

Forbo's forecast for the full year 2017 has not changed. The overall environment remains challenging because the currency exchange situation and the trends on individual markets are still volatile.

As announced in the spring, barring any change in the foreign exchange situation and assuming a similar business environment, Forbo continues to anticipate a slight increase in net sales and Group profit from continuing operations for the full year 2017 before one-off costs. However, Group profit will be reduced by the respective amount of the provision made therefore.

You can find further information in the electronic version of the 2017 Half-Year Report published this morning 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 5,500 people and has an international network of 24 production facilities and distribution companies, 6 assembly centers as well as 45 pure sales organizations in a total of 36 countries across the globe. The company generated net sales of CHF 1,185.5 million in the 2016 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 2017 CHF m	First half 2016 CHF m	Change	
			Corporate currency	Local currencies
Net sales	606.3	590.9	+2.6%	+4.1%
Flooring Systems	415.9	408.9	+1.7%	+3.6%
Movement Systems	190.4	182.0	+4.6%	+5.3%
Operating profit before depreciation and amortization (EBITDA)	86.3	82.8	+4.2%	
Operating profit before depreciation and amortization (EBITDA), adjusted ¹⁾	1.3	82.8		
EBITDA margin	14.2%	14.0%		
Operating profit (EBIT)	67.9	64.3	+5.6%	
Operating profit (EBIT), adjusted ¹⁾	-17.1	64.3		
EBIT margin	11.2%	10.9%		
Group profit from continuing operations	53.9	51.7	+4.3%	
Group profit from continuing operations, adjusted ¹⁾	-31.1	51.7		
	First half 2017	First half 2016		
Earnings per share from continuing operations (undiluted)	CHF 31.49	CHF 30.28	+4.0%	
Earnings per share from continuing operations (undiluted), adjusted ¹⁾	CHF -18.19	CHF 30.28		
	30.6.2017	31.12.2016		
Equity ratio, adjusted¹⁾	56.3%	62.8%		

¹⁾ After factoring in the provision for the one-off costs resulting from the antitrust proceedings against Flooring Systems in France.