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HALF-YEAR REPORT 2014

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Strong organic sales growth – profitability further strengthened – double-digit growth in Group profit again – outlook for 2014 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 603.0 million in the first half of 2014 (prior-year period: CHF 592.5 million). In local currencies, this represents strong organic growth of 5.0%. Forbo again reported a double-digit increase in operating profit (EBIT), which rose by 12.2% to CHF 65.3 million (prior-year period, restated: CHF 58.2 million). The EBIT margin also improved significantly to 10.8% (prior-year period, restated: 9.8%). Group profit from continuing operations amounted to CHF 53.6 million (prior-year period, restated: CHF 47.8 million), which is equivalent to a significant increase of 12.1%.

Baar, August 19, 2014

Forbo reports good results again in the first half of 2014, even though market conditions were mixed. Both divisions generated strong organic sales growth in local currencies, on the back of their strong positions in the relevant markets, the successful and sustained expansion of their operations in growth markets, and their attractive and innovative product portfolio. In particular, the focus on developing market segments not dependent on public spending at Flooring Systems and the development of new product offerings at Movement Systems were successful.

The higher sales, combined with further productivity gains along the entire value chain, produced a significant increase in margins and a disproportionately large rise in earnings.

Due to the adjustment made at the end of 2013 to the valuation of land and buildings at amortized cost, the relevant items have been restated in the prior-year period.

Strong organic sales growth in local currencies

In the first six months of 2014, Forbo maintained the good pace of sales growth achieved in the second half of 2013. In the first half of 2014, Forbo generated significantly higher net sales of CHF 603.0 million (prior-year period: CHF 592.5 million), reflecting an increase of 5.0% in local currencies (+1.8% in the corporate currency). Negative currency effects, particularly owing to the Japanese yen and the US dollar, caused a reduction of about CHF 20 million in net sales reported in the corporate currency. Flooring Systems grew its sales in local currencies by 4.2% (+1.6% in the corporate currency).

Movement Systems reported a significant increase in sales of 7.0% in local currencies (+2.1% in the corporate currency).

In both divisions, the investments in growth markets made in recent years have had a positive impact on the sales trend.

Profitability further strengthened

Despite the ongoing expansion of the activities in growth markets along with considerable expenditures for the development of high-value products and global market launches, Forbo succeeded in significantly increasing profitability in both divisions.

The contributing factors were higher sales and further productivity gains all along the value chain.

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Operating profit before depreciation and amortization (EBITDA) came to CHF 83.2 million (prior-year period, restated: CHF 76.6 million), corresponding to an increase of 8.6%. The EBITDA margin improved to 13.8% (prior-year period, restated: 12.9%). Operating profit (EBIT) came to CHF 65.3 million, compared with CHF 58.2 million in the same period in 2013 (restated), corresponding to a significant increase of 12.2%. The EBIT margin improved to 10.8% (prior-year period, restated: 9.8%).

Double-digit growth in Group profit again

Group profit from continuing operations amounted to CHF 53.6 million (prior-year period, restated: CHF 47.8 million), which is equivalent to a significant increase of 12.1%.

Share buybacks resulted in earnings accretion. Earnings per share from continuing operations (undiluted) therefore rose disproportionately by 13.7% to CHF 26.36 (prior-year period, restated: CHF 23.19).

Further increase in equity ratio

Shareholders' equity, already at a high level, was further strengthened despite the share repurchases. Equity rose by CHF 11.4 million to CHF 798.2 million compared with the beginning of the year. The equity ratio rose to 70.4%.

High level of net cash

Net cash came to CHF 255.3 million as at June 30, 2014. In addition, Forbo held treasury shares worth CHF 215.5 million, based on the share price at the end of June 2014. The strong balance sheet coupled with the high level of net cash enables Forbo not only to engage in the approved share buyback program but also to take advantage of external growth opportunities if they can generate value for the shareholders.

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 437.2 million in the first half of 2014 (prior-year period: CHF 430.2 million), which is equivalent to a sales increase of 4.2% in local currencies (+1.6% in the corporate currency). The division maintained the positive sales trend of the second half of 2013 into the first six months of 2014. In particular, alongside expansion in the growth markets, the launch of

new collections targeted to specific customer segments not related to the public sector such as shop fitting, offices, hotels, and restaurants have given sales a positive impetus. Compared with the prior-year period, demand in Europe and North America has stabilized and even increased slightly. The ongoing weakness of the construction industry in the Netherlands and the related muted demand for building and construction adhesives continue to be a challenge for the building and construction adhesives activity.

Based on the strong sales performance and various productivity improvements, operating profit (EBIT) rose significantly by 12.1% to CHF 52.7 million (prior-year period, restated: CHF 47.0 million). The EBIT margin rose to 12.1% (prior-year period, restated: 10.9%). The focus in the coming months will be on the continued expansion of its activities in the growth markets, intensified marketing efforts in new market segments not dependent on public spending, and the successful marketing of the new collections the division has just launched.

The **Forbo Movement Systems** division reported net sales of CHF 165.8 million in the first half of 2014 (prior-year period: CHF 162.3 million), which is equivalent to a significant sales increase of 7.0% in local currencies (+2.1% in the corporate currency). All regions contributed to this gratifying growth. Demand received positive stimuli from the double-digit growth rates in the growth markets, especially Asia/Pacific. Europe and North America also made gratifying progress.

Operating profit (EBIT) rose by CHF 4.9% to CHF 17.0 million (prior-year period, restated: CHF 16.2 million). The EBIT margin increased to 10.3% (prior-year period, restated: 10.0%). In the second half of the year, the division will continue to focus on expanding its activities in growth markets, targeted extensions of its product offering, and the development of new, innovative applications. At the same time, its task will be to shape global processes in the value chain even more efficient.

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Outlook for 2014 confirmed

Forbo's estimates for the current year have not changed since March. Owing to the strong growth rates in the second half of 2013, achieving its target for the full year 2014 will still be challenging despite the good start in the first half of 2014.

Barring any significant change in the current economic conditions, especially with regard to exchange rates and raw material prices, Forbo expects a slight increase in net sales and once again somewhat higher Group profit from continuing operations for the full 2014 business year compared with the previous year.

You can find further information in the 2014 Half-Year Report published this morning on the Internet:
www.forbo.com – Investor Relations – Financial Publications

Forbo is a leading producer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. The company employs some 5,100 people and has an international network of 24 production and distribution companies, 6 assembly operations and 40 sales organizations in a total of 36 countries. Net sales in the 2013 business year came to CHF 1,199.7 million. 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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Key Group financial figures

	1st half-year 2014 CHF million	1st half-year 2013 CHF million	Change	
		restated	Corporate currency	Local currencies
Net sales	603.0	592.5	+1.8%	+5.0%
Flooring Systems	437.2	430.2	+1.6%	+4.2%
Movement Systems	165.8	162.3	+2.1%	+7.0%
Operating profit (EBIT)	65.3	58.2	+12.2%	
EBIT margin	10.8%	9.8%		
Group profit from continuing operations	53.6	47.8	+12.1%	

	1st half-year 2014	1st half-year 2013 restated	
Earnings per share from continuing operations (undiluted)	CHF 26.36	CHF 23.19	+13.7%
	30.6.2014	31.12.2013	
Equity ratio	70.4%	69.8%	