Consolidation with a positive outlook

Dear shareholders

In an increasingly difficult economic environment, the company with its floor coverings and industry specialties businesses succeeded in recording sales of CHF 792.0 million in the first half-year 2001. In currency adjusted terms and without the previous year's divestments, this corresponds with a 1.2% increase compared with a strong first half-year 2000. At CHF 56.4 million, the operating result was 11.4% lower than in the first half of 2000 on a comparable basis. The effective decline was CHF 7.6 million. In addition to the retracting global economic trend, currency exchange rates had a negative impact on the results, especially the clearly weaker EURO in comparison with the first half-year 2000. We have vigorously continued with the implementation of our strategy aimed at a further profit improvement. Additional cost-saving measures have been taken as an answer to the cyclical downturn. They will have a positive impact in the second half-year.

Income development

In the context of focusing the activities Extruded Profiles, Decorative Films and Coated Textiles were sold last year. Overall, the sales in the continued core business were satisfactory in all business fields – under the prevailing economic conditions. Sales development with Linoleum and Adhesives is particularly encouraging.

The decrease of the operative result is due to currency exchange rate effects, which alone account for a decline by CHF 2.5 million, and the operative business where essentially three factors are relevant. First, the Linoleum core business did not succeed in compensating higher production costs by rationalization. This was the result of lacking sales' volumes in the depressed German market for floor coverings. Second, Belting suffered a sales decline in the USA as a result of the economic downswing. In addition, the new production plant in Hanover for the manufacture of 4.5 meter wide beltings could not yet fully reach the planned efficiency and quality. And third, the margins of the Adhesives business continued to be under pressure because of higher raw material prices in the previous year. As opposed, Vinyls and Carpets could just about maintain their sales and improve their margins slightly.

Group profit is also influenced by a clearly weaker financial result as compared with the previous year. Whereas capital gains were made with securities in the fist half of 2000, this year's stock market development resulted in non-realized valuation losses. In addition, the financial result includes interest costs associated with the share buy-back program. Group profit declined by CHF 11.0 million or 24.9 % compared with the first six months of 2000. Some CHF 2 million are due to unfavorable currency exchange rates.

Summary of income statement[1]

	First six months		% changes on 2000	
	2001 m CHF	2000 m CHF	effective	currency adjusted
Net sales	792.0	916.6	–13.6	–10.4
thereof continued operations	792.0	809.8	–2.2	1.2
Operating profit before depreciation and amortization (EBITDA)	102.8	119.0	–13.6	–10.2
thereof continued operations	102.8	114.4	–10.1	–6.6
Operating profit (EBIT)	56.4	64.0	–11.9	–7.9
thereof continued operations	56.4	66.5	–15.2	–11.4
Consolidated profit	33.1	44.1	–24.9	–20.4

[1] unaudited

Financial position

The net financial debt rose by CHF 155.1 million compared with the year-end 2000, CHF 114.7 million of which are the result of the share buy-back program. The remaining increase results from seasonal variation in current assets which remained nearly unchanged from the end of June 2000 on a comparable basis.
In the fist half-year, CHF 27.1 million were invested in fixed assets (CHF 33.5 million in the first half-year 2000). As a result investments are clearly below the depreciation of CHF 46.4 million in the period under consideration. This highlights the efforts made for a better asset utilization.
The strategic provisions of CHF 17.9 million (after tax) were not used in the first half of 2001. Of the remaining provisions CHF 3.2 million were utilized for purposes originally specified. The company's liquidity continues to be good, accompanied by a solid shareholders' equity base. The equity capital share in the balance sum total is still 46.1% following the share buy-back to date (compared with 53.3% at the end of the previous year).

Successful share buy-back program

With the shareholder-friendly buy-back of own shares, Forbo optimizes its capital structure and maintains sufficient financial flexibility for further expanding business activities in accordance with the Group strategy. The program intends the buy-back of own shares up to a total volume of CHF 200 million maximum. To date the company has bought 103 374 of its own shares via traded put options and further 33 000 shares via a second trading line. As a result Forbo owns meanwhile 136 374 shares with respect to the share buy-back program or 9.0% of the share capital with a total value of CHF 133.8 million. The decision to eliminate these shares will be taken at the 2002 Annual General Meeting. The reduction of the number of shares will have a positive effect on earnings per share.

Summary of balance sheet

	30.6.2001[1] m CHF	31.12.2000 m CHF	30.6.2000[1] [2] m CHF
Assets	**1 526.8**	**1 526.6**	**1 722.6**
Long-term assets	**764.9**	**778.9**	**821.9**
Current assets	**761.9**	**747.7**	**900.7**
Inventories	291.8	260.7	321.5
Receivables and others	341.2	303.9	383.1
Marketable securities and cash	128.9	183.1	196.1
Shareholders' equity and liabilities	**1 526.8**	**1 526.6**	**1 722.6**
Shareholders' equity	**703.8**	**813.9**	**785.4**
Liabilities	**823.0**	**712.7**	**937.2**
Financial debts	440.7	339.8	430.3
Other	346.3	333.7	390.6
Provisions	36.0	39.2	116.3

[1] unaudited
[2] before divestments

Business development by product groups*

The share of the extra-European business in Group sales could be increased to 21.4%.
Linoleum recorded a sales increase of 3.1% in the period under consideration, supported by the successful launch of the Marmoleum® Global 1 collection. This product group could further strengthen its market position in Switzerland, the Benelux countries, and France. As opposed, sales in Germany decreased by 6.4%. In spite of the economic downturn in America, Linoleum managed to further raise sales by 15.4%.
In the **Vinyls** business sales are nearly unchanged from the previous year (+0.7%), with slightly higher margins. Sales development was positive in France. Sales losses recorded in Great Britain, the Benelux countries and Scandinavia could be compensated by the expansion of business activity in the export markets of Eastern Europe, Russia, and America.
Carpets continued their favorable development in France and in the Benelux countries, whereas decreasing sales were recorded in Germany and Switzerland. The Scandinavian **Parquet Flooring** activities continued their sales growth.

Net sales Flooring

	First six months		% changes on 2000	
	2001 m CHF	2000 m CHF	effective	currency adjusted
Total	**501.6**	**514.3**	**–2.5**	**1.7**
Linoleum	202.5	205.1	–1.3	3.1
Vinyls	171.9	177.7	–3.3	0.7
Carpets	107.4	110.7	–3.0	–0.1
Parquet Flooring	19.8	20.8	–4.8	5.8

The global **Belting** business is suffering from the basic economic conditions. The important US business recorded a sales decrease by 2.9 % and considerably increasing cost pressure. In Asia, there are also signs of a slow-down in business activity.
In the **Adhesives** business sales both in the floor/wall and the industrial applications had an equally positive development. Forbo could strengthen its position especially in the Benelux countries and in Switzerland. Raw material prices are still reason for concern, only with gradual signs of price easing.

Net sales Industry Specialties

	First six months		% changes on 2000	
	2001 m CHF	2000 m CHF	effective	currency adjusted
Total (continued operations)	**290.4**	**295.5**	**–1.7**	**0.9**
Belting	181.7	188.2	–3.5	–1.1
Adhesives	108.7	107.3	1.3	4.4
Divested activities	–	106.8	–100.0	–100.0

Employees

As per June 30, 2001 Forbo employed 5 833 people compared with 5 832 at the end of 2000. There was a slight increase in Europe and Asia compared with a reduction in the USA.

Measures initiated

In the context of the Group's strategy implementation, numerous projects are underway for intensified market coverage, product innovation, and the more efficient use of resources. In spite of pressure on profitability these projects will be continued as planned, while additional measures have been initiated in response to the current adverse business climate.
In the Floor Coverings Division efforts are underway for improving logistics, streamlining the European organization for Vinyls, and rationalizing the administration. Additional commercial product collections will be introduced in the core businesses Linoleum and Vinyls still before the end of the year.

* All percentages are currency adjusted.

The Belting business will have to make additional adjustments to the number of personnel in the USA and in Asia. Furthermore, some more branches will be closed in order to optimize the infrastructure. In the context of site specialization the shift of production between Hanover and Wallbach (Switzerland) has been realized. Substantial quality improvements and higher operating efficiency of the new production plant in Hanover are expected for the second half of 2001. All in all, Forbo is making considerable efforts for further cost reductions, notably overheads. The steps initiated in this area will result in the reduction of up to 80 jobs, mainly in the USA and in Asia.

Growth through acquisitions

The announced takeover of the Spanish adhesives manufacturer Carzuh is planned to become effective on September 1, 2001. Carzuh has sales of CHF 25.0 million. With Carzuh Forbo intends to open up the Spanish market for industrial adhesives in segments where Forbo already has a strong position in other countries.
On July 1, 2001 Forbo acquired the shoe adhesives business from Sika Tivoli. The additional sales of about CHF 2 million resulting from this acquisition will strengthen Forbo's leadership in this market niche.
Forbo is looking for further growth through acquisition in line with the Group strategy.

Outlook

As a manufacturer of floor coverings and industry specialties, Forbo operates in to a short-term-oriented business that cannot rely on large orders on hand. This does make prognoses difficult, but changes of the market sentiment will have immediate positive effects on business performance. Targeted market focus and intensive marketing activities in addition to the initiated short-term measures make us expect a stronger second half-year.

Forbo Holding AG

Karl Janjöri
Chairman of the Board of Directors

Werner Kummer
Chief Executive Officer

Eglisau/Zurich, July 26, 2001

Stock exchange information

Issued and outstanding shares	30.6.2001	1 352 526
Market prices	High	CHF 839
	Low	CHF 703
	30.6.2001	CHF 763
Stock market capitalization	30.6.2001	m CHF 1 032

Dates

Media conference: November 6, 2001
Financial analysts presentation: November 6, 2001
Annual results media conference: March 26, 2002
Financial analysts presentation: March 26, 2002
Annual general meeting: April 23, 2002

Interim statement according to the Listing Rules of the Swiss Exchange, Appendix II, Rule No. 12