Half-Year Report 2009

Market position holds up well

Early triggered structural adjustments
generate positive impact

Higher operating profit anticipated for second half-year

flooring. bonding. movement.

Forbo Holds its Ground as Tough Economic Conditions Continue

The Forbo Group, a leading manufacturer of flooring systems, adhesives as well as power transmission and conveyor belt solutions, is standing up well to the challenging economic conditions currently being faced. With net sales down by 7.8 % to CHF 886.1 million, the operating profit (EBIT) margin for the first half of 2009 was 5.3 %. Despite the ongoing global economic crisis, Forbo was able to achieve an operating profit (EBIT) of CHF 46.7 million and a consolidated profit of CHF 28.5 million.

Dear shareholders,

Despite the extremely difficult global economic conditions, Forbo held its ground well in the first half of 2009. As expected, the decline in sales which had begun in the last three months of 2008 continued in the first half of 2009. Sales growth was nonetheless recorded in key market segments and in various countries, further strengthening the company's market shares in all three divisions. This is attributable, inter alia, to the investments of the last few years in innovative product lines and in the development of growth markets. The early and consistent implementation of restructuring measures from the third quarter of 2008 onwards had a correspondingly positive impact on the Group's results.

Sales trend continues to reflect world economic conditions

In the first half of 2009, Forbo generated net sales of CHF 886.1 million, 7.8 % lower than in the same period of the previous year. Whereas currency effects had a negative impact on sales of 3.8 %, the acquisitions done in 2008 made a positive contribution of 9.7 %. The three divisions showed mixed trends. While Flooring Systems generated a growth of 3.2 %, inter alia, due to the acquisition of Bonar Floors, the two other divisions recorded a decrease in sales of 16.9 % (Bonding Systems) and 17.3 % (Movement Systems) respectively.

Positive margin level thanks to structural adjustments and cost-cutting measures

The operating profit (EBIT) margin amounted to 5.3 % in the first half-year of 2009, which represents a decrease of 3.1 percentage points compared with the prior-year period (first half-year 2008: 8.4 %). The measures adopted starting in the third quarter of 2008 with a view to securing earnings, optimizing structures and processes, and consistently reducing costs have cushioned the margin contraction.

Early implemented measures generate positive impact on results

Thanks to the early implementation of measures in response to the economic crisis, the Group was able to prevent a more significant impact on its results. At CHF 46.7 million, its operating profit (EBIT) was 42.1 % lower than the previous year's level. Compared to the prior-year period, Group profit was reduced by 47.1 % to CHF 28.5 million.

Sound financing

At the end of June 2009, equity stood at CHF 644.1 million, corresponding to an equity ratio of 34.0 %. At June 30, 2009, Forbo held cash and cash equivalents as well as marketable securities worth CHF 314.1 million. Net debt came to CHF 354.0 million.

Refinancing secured

In recent weeks and months, Forbo secured early refinancing as well as extensions of existing credit lines, and on July 6, 2009 successfully launched a bond of CHF 150 million with a maturity of 4 years. Together with its current credit facilities and private placements, this has considerably increased Forbo's financial flexibility and secured the Group's financing for the years to come.

Performance of the three divisions

Forbo Flooring Systems reported net sales of CHF 451.9 million in the first semester of 2009, corresponding to a growth of 3.2 % versus the same period of the previous year. The acquisition of Bonar Floors made a positive contribution of 21.3 %, while the impact of currency effects was negative at 6.2 %. After adjustment for acquisitions and in local currencies, this corresponds to a decline in sales of 11.9 % compared with the prior-year period. In markets such as North America and France, the sales trend was positive and relatively stable; in other countries, however, the trend was negative as for example in Eastern Europe and Spain. Due to the strategic focus on the commercial market, the various benefits resulting from economic stimulus packages and the rapid and successful integration of Bonar Floors, the decrease in operating profit (EBIT) to CHF 43.5 million, or 19.7 % compared to the prior-year period, was kept within limits. The EBIT margin came to a gratifying 9.6 %. Activities in the second half of the year are set to focus on completing the integration of Bonar Floors and on the joint and intensified marketing of the division's expanded product portfolio.

Forbo Bonding Systems reported net sales of CHF 281.5 million in the first half-year of 2009, corresponding to a decrease of 16.9 % versus the prior-year period. The drop in sales came to 14.3 % in local currencies. Sales of synthetic polymers and industrial adhesives in North America remain unsatisfactory. During the last few months, the impact of the economic crisis has also spread to the division's other countries, especially in key customer segments such as consumer durables (automobiles, motor homes, textiles, and furniture). Except in Eastern Europe, the building and construction adhesives business activity continues to hold its ground. Operating profit (EBIT) for the division as a whole came to CHF 14.3 million, which represents a decrease of 36.7 % versus the prior-year period, but a significant improvement on the second half of 2008. This is primarily attributable to the measures adopted to improve efficiency. These, in conjunction with enhanced key account activities in segments with a higher added value and an easing in raw material prices, led to an increase of the EBIT margin to 5.1 %. Bonding Systems will continue to focus on strengthening profitable market segments in the second half of the year.

Forbo Movement Systems generated net sales of CHF 152.7 million in the first half of 2009, corresponding to a decline of 17.3 % versus the prior-year period (17.1 % in local currencies). While the weakening of sales in North America dates back to the second half-year of 2008, the downturn in Europe began to make itself felt in early 2009. Sales in the European engineering industries, a key customer segment, have been particularly hard hit. The exporting engineering and automotive industries in Japan, a key market for Movement Systems, are also experiencing a serious downturn. Worldwide, a large number of logistics projects have been either halted or postponed. This trend among Forbo customers is reflected in the significant drop in sales in some of Movement Systems' key markets. The slump in sales could only be partially offset by the new distribution channels and markets developed over the last few years. Movement Systems therefore reported a negative operating profit (EBIT) of CHF – 2.8 million for the first half-year of 2009 (CHF + 11.5 million in the prior-year period). This means that in the second half of the year the division will accelerate the restructuring measures already in progress and adjust current structures to the changed conditions.

Outlook for 2009

Provided that the economic conditions do not deteriorate any further, Forbo expects net sales in the second half to be on par with the first six months and forecasts a slightly higher operating profit due to the implemented restructuring measures, albeit with considerably higher financing costs.

Dr. Albert Gnägi
Chairman of the Board of Directors

This E. Schneider
Delegate of the Board of Directors and CEO

Forbo Holding AG
Baar, August 18, 2009

Consolidated Balance Sheet and Consolidated Income Statement

Condensed consolidated balance sheet

Unaudited, CHF m

	30.06.2009	31.12.2008
Non-current assets	**936.0**	**928.7**
Property, plant and equipment and intangible assets	898.3	898.0
Employee benefit assets, deferred income tax assets, investments in associates and other non-current assets	37.7	30.7
Current assets	**957.4**	**909.1**
Inventories	293.5	298.3
Trade and other receivables, prepaid expenses and deferred charges	349.8	321.6
Marketable securities	78.2	73.6
Cash and cash equivalents	235.9	215.6
Total assets	**1,893.4**	**1,837.8**
Shareholders' equity	**644.1**	**584.4**
Non-current liabilities	**667.3**	**676.6**
Non-current financial debt	486.9	512.4
Employee benefit obligations, non-current provisions and deferred income tax liabilities	180.4	164.2
Current liabilities	**582.0**	**576.8**
Trade payables	136.5	144.5
Current financial debt	181.2	181.3
Current provisions and accrued expenses, current tax and other current liabilities	264.3	251.0
Total liabilities	**1,249.3**	**1,253.4**
Total shareholders' equity and liabilities	**1,893.4**	**1,837.8**

Condensed consolidated income statement

Unaudited, CHF m

	First half 2009	First half 2008
Net sales	**886.1**	**961.2**
Cost of goods sold	– 598.3	– 650.2
Gross profit	**287.8**	**311.0**
Operating expenses	– 241.1	– 230.3
Operating profit	**46.7**	**80.7**
Financial result	– 8.7	– 4.9
Group profit before taxes	**38.0**	**75.8**
Income taxes	– 9.5	– 21.9
Group profit	**28.5**	**53.9**
Basic earnings per share in CHF	12.62	22.04
Diluted earnings per share in CHF	12.62	21.98

Shareholders' Equity

Statement of comprehensive income

Unaudited, CHF m	First half 2009	First half 2008
Group profit	**28.5**	**53.9**
Other comprehensive income:		
Currency translation differences	40.5	– 52.3
Fair value adjustments on available for sale financial assets	4.9	– 13.1
Actuarial loss on defined benefit plans, net	– 12.1	– 12.3
Fair value adjustments on cash flow hedges	– 0.5	– 0.3
Fair value adjustments on net investment hedges	– 2.4	9.0
Other comprehensive income	**30.4**	**– 69.0**
Total comprehensive income	**58.9**	**– 15.1**

Consolidated statement of changes in equity

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Revalua-tion reserves	Available for sale financial assets	Cash flow hedge reserves	Net investment hedge reserves	Currency translation differences	Total
At January 1, 2009	**10.9**	**– 2.0**	**696.9**	**143.3**	**0.0**	**– 7.0**	**0.4**	**– 258.1**	**584.4**
Group profit			28.5						28.5
Other comprehensive income			– 12.1		4.9	– 0.5	– 2.4	40.5	30.4
Share-based compensation		0.0	0.3						0.3
Treasury shares		0.0	0.5						0.5
At June 30, 2009	**10.9**	**– 2.0**	**714.1**	**143.3**	**4.9**	**– 7.5**	**– 2.0**	**– 217.6**	**644.1**

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Revalua-tion reserves	Available for sale financial assets	Cash flow hedge reserves	Net investment hedge reserves	Currency translation differences	Total
At January 1, 2008	**38.0**	**– 4.0**	**821.3**	**0.0**	**0.0**	**– 5.9**	**– 7.7**	**– 128.6**	**713.1**
Group profit			53.9						53.9
Other comprehensive income			– 12.3		– 13.1	– 0.3	9.0	– 52.3	– 69.0
Share-based compensation		0.1	– 0.1						0.0
Treasury shares		– 0.2	– 6.5						– 6.7
At June 30, 2008	**38.0**	**– 4.1**	**856.3**	**0.0**	**– 13.1**	**– 6.2**	**1.3**	**– 180.9**	**691.3**

Cash Flow Statement

Condensed consolidated cash flow statement

Unaudited, CHF m	First half 2009	First half 2008
Cash flow from operating activities	**59.9**	**– 10.7**
Cash flow from investing activities	**– 4.1**	**– 177.8**
Cash flow from financing activities	**– 41.7**	**165.7**
Increase / (decrease) in cash and cash equivalents	14.1	– 22.8
Exchange difference on cash and cash equivalents	6.2	– 4.1
Cash and cash equivalents at January 1	215.6	177.5
Cash and cash equivalents at June 30	**235.9**	**150.6**

Notes to the Condensed Consolidated Half-Year Financial Statements (unaudited)

01 General information

This condensed consolidated interim financial statement covers the six-month period from January 1, 2009 to June 30, 2009 (hereinafter 'reporting period') and was drawn up in accordance with the International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. The consolidated half-year financial statements do not include all information reported in the consolidated full-year financial statements and should therefore be read in conjunction with the consolidated financial statements as per December 31, 2008.

The consolidated half-year financial statements have not been audited by the statutory auditor. They were approved for publication by the Board of Directors on August 12, 2009.

02 Group accounting policies

The accounting policies applied in the consolidated half-year financial statements are in line with the accounting policies set out in the Annual Report 2008 with the following exceptions:

The following new and revised standards and interpretations, which have an impact on these half-year financial statements, came into force as of January 1, 2009:

- IAS 1 (revised) 'Presentation of Financial Statements'. The Forbo Group presents changes in shareholders’ equity not arising from ownership separately in the statement of comprehensive income.
- IFRS 8 'Operating Segments'. IFRS 8 replaces IAS 14 'Segment Reporting'. Internal reporting to the Executive Board and the Board of Directors is based on the three divisions and Corporate and on the same accounting and valuation principles as those used for the consolidated financial statements. The application of IFRS 8 does not entail any material adjustments in this reporting, except that additional disclosures will be required for the full year and the fact that Corporate is now defined as an independent segment for the first time.

The following new and revised standards and interpretations came into force as of January 1, 2009, but currently do not have any material effect on the Forbo Group:

- IAS 23 (revised) 'Borrowing Costs'
- Amendments to IFRS 2 'Share-based Payment'
- Amendments to IAS 32 'Financial Instruments: Presentation'
- IFRIC 13 'Customer Loyalty Programs'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
- IAS 39 (amended) / IFRIC 9 'Embedded Derivatives'
- Amendments to IFRS 7 'Financial Instruments: Disclosures'

The following new and revised standards and interpretations have been adopted but will not come into force until a later date and have not been applied early to these financial statements. The impact of these changes on the financial statements has not yet been systematically analyzed.

- IFRS 3 (revised) 'Business Combinations' and related amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates', and IAS 31 'Interests in Joint Ventures'. Effective as of July 1, 2009.
- IFRIC 17 'Distributions of Non-cash Assets to Owners'. Effective as of July 1, 2009.
- IFRIC 18 'Transfers of Assets from Customers'. Effective as of July 1, 2009.
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'. Effective as of July 1, 2009.
- IFRS 5 (revised) 'Non-current Assets Held for Sale'. Effective as of July 1, 2009.

The preparation of the consolidated half-year financial statements requires management to make estimates and assumptions that can affect reported revenues, expenses, assets, liabilities and contingent liabilities at the date of the financial statements. If the estimates and assumptions made to the best of their knowledge by management at the date of the financial statements differ from the actual facts, the original estimates and assumptions will be adjusted in the reporting period in which the facts have changed.

The consolidated half-year financial statements do not contain any new estimates and assumptions by management compared with the consolidated financial statements as at December 31, 2008. Earnings and expenses which are not incurred on a straight-line basis during the business year are only deferred if such deferral was justified at year-end. Income tax expenditure is estimated on the basis of average actual tax rates during the current business year.

03 Changes in scope of consolidation

There were no significant changes in the scope of consolidation in the reporting period.

04 Segment information

Forbo is a global producer of Flooring Systems, Bonding Systems and Movement Systems. The divisions have their own management structure and are run separately because the products that they manufacture, distribute and sell differ in terms of production, distribution and marketing.

Flooring Systems develops, produces and sells linoleum, vinyl floor coverings, entrance matting systems and carpet tiles as well as the various accessory products required for the installing, processing, cleaning, and care of flooring systems. Bonding Systems develops, manufactures and distributes adhesives for industrial applications and the building and construction industry as well as synthetic polymers. Movement Systems develops, produces and sells high quality process and conveyor belts made of synthetics as well as power transmission belts. Corporate includes the costs of Group headquarters and certain items of income and expenses which are not directly attributable to a specific division.

The divisions Flooring Systems, Movement Systems, Bonding Systems and Corporate each constitute a separate reportable segment. Reportable segments are identified based on internal management reporting to the Chief Executive Officer of the Forbo Group and thus on the financial information used to review the operational performance of the segments with a view to resource allocation decision-making.

The following table provides the reportable segment information for the current reporting period:

	Flooring Systems	Bonding Systems	Movement Systems	Corporate	Elimination	Total
Total net sales	452.1	291.4	152.7	0.0	– 10.1	886.1
Intersegment sales	– 0.2	– 9.9	0.0	0.0	10.1	0.0
Sales to third parties	**451.9**	**281.5**	**152.7**	**0.0**	**0.0**	**886.1**
EBIT	**43.5**	**14.3**	**– 2.8**	**– 8.3**	**0.0**	**46.7**
Operating assets	**807.8**	**407.5**	**275.0**	**50.4**	**0.0**	**1,540.7**
Number of employees	**2,828**	**1,327**	**1,891**	**41**	**0**	**6,087**

The following table provides the reportable segment information for the prior-year period:

	Flooring Systems	Bonding Systems	Movement Systems	Corporate	Elimination	Total
Total net sales	438.0	352.1	184.6	0.0	– 13.5	961.2
Intersegment sales	– 0.2	– 13.3	0.0	0.0	13.5	0.0
Sales to third parties	**437.8**	**338.8**	**184.6**	**0.0**	**0.0**	**961.2**
EBIT	**54.2**	**22.6**	**11.5**	**– 7.6**	**0.0**	**80.7**
Operating assets	**779.1**	**403.6**	**290.1**	**43.4**	**0.0**	**1,516.2**
Number of employees	**2,483**	**1,438**	**2,097**	**41**	**0**	**6,059**

The internal management reporting and the control system are based on the same accounting principles as those applied to external reporting.

The Chief Executive Officer assesses the performance of the segments based on their operating profit (EBIT). The net financial result is not allocated to the reportable segments, as the management of the financial result is primarily done centrally by Group Treasury.

Sales between the divisions are effected at market prices. The divisions apply the same accounting principles as the Group. The figures on sales to third parties reported to the Chief Executive Officer are identical to the sales reported in the income statement.

The reconciliation of the segment results to the income statement and balance sheet is as follows:

	First half 2009	First half 2008
Total segment profit (EBIT)	**46.7**	**80.7**
Financial result	– 8.7	– 4.9
Group profit before taxes	**38.0**	**75.8**

	30.06.2009	31.12.2008
Total operating assets	**1,540.7**	**1,516.2**
Non-operating assets	352.7	321.6
Total assets	**1,893.4**	**1,837.8**

05 Balance sheet

Compared to the previous year-end, the balance sheet total rose by CHF 55.6 million to CHF 1,893.4 million as per June 30, 2009. CHF 49 million of this is attributable to the change in exchange rates compared to December 31, 2008. The currency adjusted increase in the balance sheet total came to around CHF 7 million. The decline of approximately CHF 25 million in the non-current assets figure was more than offset by rises in cash and cash equivalents as well as marketable securities (by around CHF 18 million) and other current assets (by around CHF 14 million). 'Marketable securities' includes registered shares in Rieter Holding AG, valued at the closing price on June 30, 2009. Due to Forbo's participation in Rieter and the fact that This E. Schneider became a member of the Board of Directors of Rieter Holding AG in May 2009, in accordance with IFRS Rieter must now be treated as a related party. At CHF 13.5 million, investments in plant, property and equipment were markedly lower than the depreciations of CHF 29.9 million. Most of the investments were channeled into replacements and projects aimed at achieving further efficiency gains.

Shareholders' equity increased to CHF 644.1 million, which represents an increase of CHF 59.7 million compared with December 31, 2008. This raise in equity is primarily made up of the Group profit for the first half-year of 2009 (CHF + 28.5 million), the actuarial losses recognized in equity in connection with defined benefit pension plans (CHF – 12.1 million) and profits arising from the translation of the subsidiaries' half-year financial statements into the Group accounting currency (CHF + 40.5 million). In addition, changes in fair value of the shares of Rieter Holding AG, classified as financial assets 'available for sale' (CHF + 4.9 million) were recognized directly in equity. As per June 30, 2009, the equity ratio stood at 34.0 %. Net debt at June 30, 2009 came to CHF 354.0 million, representing a reduction of CHF 50.5 million versus the year-end 2008. This positive development can be attributed to the strong operating cash flow in the first half of 2009. Gearing (net debt / equity) stood at 55.0 % as per the end of June 2009.

06 Income statement

The financial result in the reporting period was CHF 8.7 million. This includes, inter alia, CHF 2.8 million in earnings from the allocation and the sale of shareholder options of Rieter Holding AG. Income tax came to CHF 9.5 million, corresponding to a tax rate of 25 %. Profits from structural measures to optimize taxes were offset by market-related profit shifting in high-tax countries in the reporting period. Group profit fell by 47.1 % versus the prior-year period, reaching CHF 28.5 million for the first half of 2009. The basic earnings per share for the reporting period came to CHF 12.62. As all outstanding options are 'out of the money', there was no dilution effect in the reporting period.

07 Free cash flow

Free cash flow for the reporting period amounts to CHF 55.8 million.

In comparison to the prior-year period, operating cash flow rose by CHF 70.6 million. There was a significant reduction in net working capital, primarily due to a decrease in accounts receivable and a reduction in inventories. The improvement in accounts receivable was due not only to lower sales, but also to the recently initiated reduction program; the seasonal rise in inventories was more than offset by the implementation of special measures. Cash flow from investing activities was up by CHF 173.7 million compared to the prior-year figure, which had included a cash outflow relating to marketable securities purchases totaling around CHF 165 million. There were also selective cutbacks in investment spending during the reporting period due to the current economic conditions.

08 Main exchange rates applied

The following exchange rates have been applied for the most important currencies concerned:

		Income statement Average rate, 6 months		Balance sheet Rate on balance-sheet date	
CHF		2009	2008	30.06.2009	31.12.2008
Euro countries	EUR 1	1.51	1.61	1.53	1.50
United Kingdom	GBP 1	1.69	2.07	1.80	1.57
USA	USD 1	1.13	1.05	1.09	1.07
Japan	JPY 100	1.18	1.00	1.14	1.19

09 Events after the balance sheet date

At the Annual General Meeting of April 24, 2009, the shareholders of Forbo Holding Ltd approved the proposal by the Board of Directors to lower the par value of all registered shares from CHF 4.00 to CHF 0.10 by means of a repayment. This par value repayment will reduce the capital of Forbo Holding Ltd from CHF 10.9 million to CHF 0.3 million. The share capital entered in the Commercial Register after this transaction consists of 2,713,152 registered shares with a par value of CHF 0.10 each. The par value repayment of CHF 3.90 per share was effected on July 20, 2009.

On July 6, 2009, Forbo Holding Ltd placed a bond of CHF 150 million with a maturity of 4 years. The bond has a coupon of 4 1/8 % and was launched under the lead management of Credit Suisse. It has been traded on the SIX Swiss Exchange since July 20, 2009. The proceeds of this bond will be used for the early refinancing of existing credit facilities as well as for general financing purposes.

Dates

Media and financial analysts' conference: March 15, 2010
Annual General Meeting: April 23, 2010

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