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HALF-YEAR REPORT 2015

SWISS FRANC SEVERELY IMPACTS SALES
AND EARNINGS IN CORPORATE CURRENCY

SALES IN LOCAL CURRENCIES SLIGHTLY HIGHER

CURRENCY-ADJUSTED OPERATING PROFIT
ABOVE PREVIOUS YEAR

GROUP PROFIT FOR 2015 IN SWISS FRANCS EXPECTED
TO BE SLIGHTLY LOWER THAN PREVIOUS YEAR

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 554.8 million in the first half of 2015 (prior-year period: CHF 603.0 million). In local currencies, this is equivalent to organic growth of 0.7%, however, translated into Swiss francs it represents a decline of 8.0%. Negative currency effects had a significant impact on both sales and earnings. Operating profit (EBIT) decreased by 11.3% to CHF 57.9 million (prior-year period: CHF 65.3 million). Adjusted for currency effects, however, it rose by 3.7%. The EBIT margin came to 10.4% (prior-year period: 10.8%). Group profit from continuing operations amounted to CHF 45.8 million (prior-year period: CHF 53.6 million), which is equivalent to a decline of 14.6%. After adjustment for currency effects, it reached the previous year's level despite lower financial income.

Dear shareholders,

As expected, because of the strong Swiss franc, the first half of 2015 overall proved to be very challenging for Forbo. In addition, the two divisions have shown very differing developments. Whereas Movement Systems chalked up a record first half in local currency terms, Flooring Systems faced tough market conditions in certain markets and could not quite reach the previous year's performance in local currencies.

In the wake of the Swiss National Bank discontinuing its minimum euro exchange rate in January 2015, both sales and earnings in the corporate currency were severely impacted by currency effects. The Swiss franc firmed significantly against most of the currencies important for us such as the euro, the pound sterling and the Japanese yen, clearly leaving its mark when local currency results were translated into the corporate currency. Sales were down by about CHF 50 million and operating profit (EBIT) was about CHF 10 million lower as a result of the strong Swiss franc.

We continued to expand also in the period under review the attractive product portfolios of both divisions with new, globally launched offerings, invested further in the development of high-quality products and continued to strengthen our distribution channels, especially in growth markets. Owing to the ongoing situation on the foreign exchange markets, we initiated a series of additional cost optimization measures in order to offset the currency effects as far as possible by an even better operating performance.

Sales in local currencies slightly higher

In the first half of 2015, Forbo generated net sales of CHF 554.8 million (prior-year period: CHF 603.0 million), representing an increase of 0.7% in local currencies. Owing to the severely negative currency effects, this comes to minus 8.0% in the corporate currency. The sales of Flooring Systems declined by 2.1% in local currency terms (– 12.2% in the corporate currency). Movement Systems reported a significant increase in sales of 8.1% in local currencies (+ 3.1% in the corporate currency).

Movement Systems increased sales strongly in both local currencies and Swiss francs thanks to its broader presence in growth markets and the lower exposure to exchange rate fluctuations owing to the geographic weighting of its activities.

Earnings affected by the negative currency effects

Forbo has continued to invest in recent months in capacity expansion, the optimization of business processes and growth projects. Despite these expenditures, which were higher than the previous year, we succeeded on balance in raising profitability further in local currencies. The contributory factors were the ongoing optimization of cost structures adjusted to current market conditions together with further specific productivity gains all along the value chain.

Operating profit before depreciation and amortization (EBITDA) came to CHF 73.6 million (prior-year period: CHF 83.2 million), corresponding to a decline of 11.5%. The EBITDA margin stood at 13.3% (prior-year period: 13.8%). Operating profit (EBIT) came to CHF 57.9 million, compared with CHF 65.3 million in the comparable period of 2014, which equates to a decrease of 11.3%. The EBIT margin amounted to 10.4% (prior-year period: 10.8%). After adjustment for currency effects, however, operating profit (EBIT) rose by 3.7%.

Group profit at prior-year level after currency-effect adjustment

Group profit from continuing operations amounted to CHF 45.8 million (prior-year period: CHF 53.6 million), which reflects a decrease of 14.6%. After adjustment for currency effects, however, it reached the previous year's level despite lower financial income.

Earnings per share from continuing operations (undiluted) came to CHF 24.24 (prior-year period: CHF 26.36).

Equity ratio remains high

Compared with the beginning of the year, shareholders' equity decreased by CHF 50.5 million to CHF 688.3 million, as a result of the payment of the dividend and negative currency translation effects. The equity ratio remained at a high level and stood at 67.9% (year-end 2014: 67.4%).

Liquidity at a high level

Net cash came to CHF 176.6 million as at June 30, 2015. In addition, Forbo held treasury shares worth CHF 281.5 million, based on the share price at the end of June 2015. The strong balance sheet coupled with the high level of cash enables Forbo not only to engage in the approved share buyback program but also to take advantage of external growth opportunities provided they can generate value for our shareholders.

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 383.9 million in the first half of 2015 (prior-year period: CHF 437.2 million), which is equivalent to a decrease of 2.1% in local currencies (– 12.2% in the corporate currency). The division could not maintain the positive sales trend it has reported since mid-2013, owing to weaker demand in core markets such as France, the Netherlands, Great Britain and the USA. No real recovery is yet in sight in various markets of key importance to Forbo. Compared with the prior-year period, the building and construction adhesives activity managed to maintain its sales level amid unchanged challenging market conditions.

Operating profit (EBIT) decreased by 17.6% to CHF 43.4 million (prior-year period: CHF 52.7 million) owing to the decline in sales and the strongly negative currency effects. The EBIT margin amounted to 11.3% (prior-year period: 12.1%). In order to better offset the decrease in sales and the currency effects, the division initiated a series of optimization projects and measures to adapt cost structures to current market conditions. The focus in the coming months will be on further implementing the initiatives for profitable growth by intensive marketing of the extensive new collections and new launches introduced during 2014 as well as this year. At the same time we will concentrate on the steady expansion of our distribution structures in growth markets.

The **Forbo Movement Systems** division reported net sales of CHF 170.9 million in the first half of 2015 (prior-year period: CHF 165.8 million), which is equivalent to a significant increase of 8.1% in local currencies (+ 3.1% in the corporate currency). All regions contributed to drive the substantial growth and the related gains in market share. Although the business environment in Europe is still mixed, most companies performed better than in the comparable period the previous year. Demand in America remained buoyant owing to successful projects with major accounts in various customer segments, while Asia/Pacific stayed on the growth path, even though the first signs of a market slowdown were seen in China.

The systematic implementation of the strategy with demanding targets in all parts of the business had a very positive effect on operating profit (EBIT), which rose sharply by 20.0% to CHF 20.4 million (prior-year period: CHF 17.0 million). The EBIT margin was increased to 11.9% (prior year period: 10.3%). In the second half of the year, we will continue to systematically implement the strategic initiatives by extending our product portfolio in specific areas and strengthening our distribution structures, especially in Asia/Pacific and the Americas, with additional points of sale.

Outlook for 2015

Given the current currency situation and market volatility, it is very difficult to make a forecast for the full year at this point.

For the year 2015 as a whole, we expect sales in local currencies to come in approximately at the previous year's level. However, sales and earnings in the corporate currency will be eroded substantially once the local results are translated into the strong Swiss franc. We will continue to further optimize our cost structures and offset the negative currency effects as far as possible with innovative and high-quality products.

Barring any further deterioration in the current economic conditions, in particular the currency situation, we expect Group profit from continuing operations in 2015 to be slightly lower than the previous year in Swiss francs.



This E. Schneider
Executive Chairman



Stephan Bauer
CEO

Forbo Holding Ltd

Baar, August 18, 2015

Consolidated balance sheet and income statement

Condensed consolidated balance sheet		
Unaudited, CHF m	30.6.2015	31.12.2014
Assets		
Non-current assets	386.7	418.5
Property, plant and equipment and intangible assets	345.8	381.0
Deferred tax assets, investments in associates, and other non-current assets	40.9	37.5
Current assets	627.5	677.1
Inventories	226.1	230.6
Trade and other receivables, deferred income and prepaid charges	223.3	191.9
Other current financial instruments	36.2	49.5
Cash and cash equivalents	141.9	205.1
Total assets	1,014.2	1,095.6
Shareholders' equity and liabilities		
Shareholders' equity	688.3	738.8
Non-current liabilities	111.8	112.6
Non-current financial debt	1.2	1.4
Employee benefit obligations, non-current provisions and deferred tax liabilities	110.6	111.2
Current liabilities	214.1	244.2
Trade payables	57.2	86.5
Current financial debt	0.3	0.6
Current provisions, accrued expenses, current tax and other liabilities	156.6	157.1
Total liabilities	325.9	356.8
Total shareholders' equity and liabilities	1,014.2	1,095.6
Condensed consolidated income statement		
Unaudited, CHF m	First half 2015	First half 2014
<i>Continuing operations</i>		
Net sales	554.8	603.0
Cost of goods sold	-338.2	-372.8
Gross profit	216.6	230.2
Operating expenses	-158.7	-164.9
Operating profit	57.9	65.3
Financial result	-0.6	2.1
Group profit before taxes	57.3	67.4
Income taxes	-11.5	-13.8
Group profit from continuing operations	45.8	53.6
Group profit from discontinued operations after taxes	0.0	0.2
Group profit	45.8	53.8
<i>Earnings per share total</i>		
Basic earnings per share in CHF	24.24	26.47
Diluted earnings per share in CHF	24.23	26.44
<i>Earnings per share from continuing operations</i>		
Basic earnings per share in CHF	24.24	26.36
Diluted earnings per share in CHF	24.23	26.33
<i>Earnings per share from discontinued operations</i>		
Basic earnings per share in CHF	-	0.11
Diluted earnings per share in CHF	-	0.11

The accompanying notes are an integral part of the Half-Year Report.

Consolidated comprehensive income statement and shareholders' equity

Consolidated comprehensive income statement		
Unaudited, CHF m	First half 2015	First half 2014
Group profit	45.8	53.8
Items that will not be reclassified to the income statement		
Remeasurements of employee benefit obligations, net of taxes	-3.4	-4.6
Items that may be subsequently reclassified to the income statement		
Translation differences	-67.4	3.4
Other comprehensive income, net of tax	-70.8	-1.2
Consolidated comprehensive income	-25.0	52.6

Consolidated shareholders' equity first half 2015

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2015	0.2	-0.1	982.9	-244.2	738.8
Group profit			45.8		45.8
Other comprehensive income, net of tax			-3.4	-67.4	-70.8
Total comprehensive income			42.4	-67.4	-25.0
Share-based payments			2.2		2.2
Treasury shares		0.0	2.6		2.6
Dividend payment			-30.3		-30.3
June 30, 2015	0.2	-0.1	999.8	-311.6	688.3

Consolidated shareholders' equity first half 2014

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2014	0.2	-0.1	1,031.5	-244.8	786.8
Group profit			53.8		53.8
Other comprehensive income, net of tax			-4.6	3.4	-1.2
Total comprehensive income			49.2	3.4	52.6
Share-based payments			1.2		1.2
Treasury shares		-0.0	-13.8		-13.8
Dividend payment			-28.6		-28.6
June 30, 2014	0.2	-0.1	1,039.5	-241.4	798.2

The accompanying notes are an integral part of the Half-Year Report.

Consolidated cash flow statement

Condensed consolidated cash flow statement		
Unaudited, CHF m	First half 2015	First half 2014
Group profit	45.8	53.8
Depreciation of property, plant and equipment and intangible assets	15.7	17.9
Increase in operating working capital ¹⁾	-83.0	-86.4
Other adjustments for non-cash items	5.6	16.4
Cash flow from operating activities	-15.9	1.7
Purchase of property, plant and equipment and intangible assets	-14.1	-9.7
Cash inflow from current financial instruments	12.7	2.9
Other cash inflow from investing activities, net	0.2	2.1
Cash flow from investing activities	-1.2	-4.7
Dividend payment	-30.3	-28.6
Cash outflow from transactions with treasury shares, net	-2.6	-20.1
Other cash outflow (-)/-inflow from investing activities, net	-0.5	0.2
Cash flow from financing activities	-33.4	-48.5
Decrease in cash and cash equivalents	-50.5	-51.5
Translation differences on cash and cash equivalents	-12.7	0.6
Cash and cash equivalents at beginning of year	205.1	241.0
Total cash and cash equivalents as at June 30	141.9	190.1

1) Net operating working capital includes the items 'trade receivables', 'inventories' and 'trade payables'.

The accompanying notes are an integral part of the Half-Year Report.

Notes to the condensed consolidated half-year financial statements (unaudited)

01 General information

This condensed consolidated interim report of Forbo Holding Ltd and its subsidiaries (hereinafter 'the Group') covers the six-month period from January 1, 2015, to June 30, 2015 (hereinafter 'reporting period') and was drawn up in accordance with 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 at December 31, 2014.

The consolidated half-year financial statements have not been audited by the auditors. They were approved for publication by the Board of Directors on August 17, 2015.

The preparation of the consolidated half-year financial statements requires management to use estimates and assumptions that may affect reported revenues, expenses, assets, liabilities, and contingent liabilities at the date of the financial statements. If the estimates and assumptions used by management to the best of its knowledge at the date of the financial statements happen to differ from subsequent 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 significant new estimates and assumptions used by management compared with the consolidated financial statements as at December 31, 2014. Income tax expenditure is estimated on the basis of average actual tax rates during the current business year.

02 Group accounting principles

The accounting principles applied in the consolidated half-year report are in line with the accounting principles set out in the 2014 Annual Report. As of January 1, 2015, the Group applies various amendments to the existing International Financial Reporting Standards (IFRS) and interpretations that do not have any significant impact on the present Half-Year Report.

Standards, interpretations or amendments that have been published but are not yet mandatory have not been adopted early.

03 Segment information

The Group is a global producer of Flooring Systems and Movement Systems. The divisions correspond to the internal management structure and are run separately because the products that they manufacture, distribute and sell differ fundamentally in terms of production, distribution and marketing.

Flooring Systems develops, produces and sells linoleum, vinyl floorings, entrance flooring systems, carpet tiles, needle felt floor coverings, Flotex (washable textile flooring) and building and construction adhesives as well as the various accessory products required for installing, processing, cleaning and care of flooring. In the Movement Systems division, the Group develops, produces and sells high-quality conveyor and processing belts, as well as plastic modular belts, and drive, timing and flat belts made of synthetic materials. Corporate

includes the costs of the Group headquarters and certain items of income and expenses which are not directly attributable to a specific business.

The Flooring Systems and Movement Systems divisions are reportable segments. The identification of reportable segments is based on internal management reporting to the Group's Executive Chairman and its Chief Executive Officer and hence on the financial information used to review the performance of the operational units in order to reach a decision on the allocation of resources.

The Executive Chairman and the Chief Executive Officer assess the performance of the segments based on their operating result (EBIT). The net financial result is not allocated to the divisions since it is Corporate Treasury that in the main exercises central control over the financial result.

First half 2015

Unaudited, CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	384.1	170.9	-0.2	554.8
Inter-segment sales	-0.2	-	0.2	0.0
Net sales to third parties	383.9	170.9	-	554.8
Operating profit (EBIT)	43.4	20.4	-5.9	57.9
Operating assets	561.7	217.2	16.2	795.1
Number of employees (June 30)	3,092	2,106	42	5,240

First half 2014

Unaudited, CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	437.2	165.8	-	603.0
Inter-segment sales	-	-	-	-
Net sales to third parties	437.2	165.8	-	603.0
Operating profit (EBIT)	52.7	17.0	-4.4	65.3
Operating assets	603.5	220.4	22.5	846.4
Number of employees (June 30)	3,127	2,000	41	5,168

Reconciliation of division results to the income statement and balance sheet:

Unaudited, CHF m	First half 2015	First half 2014
Segment result (EBIT)	57.9	65.3
Financial result	-0.6	2.1
Group profit before taxes	57.3	67.4
Unaudited, CHF m	30.6.2015	31.12.2014
Total operating assets	795.1	803.5
Non-operating assets	219.1	292.1
Total assets	1,014.2	1,095.6

04 Balance sheet

Total assets as at June 30, 2015, decreased by CHF 81.4 million to CHF 1,014.2 million versus the end of the previous year mainly because of currency effects.

Property, plant and equipment declined by CHF 23.8 million to CHF 211.0 million. Investments in property, plant and equipment amounted to CHF 14.0 million in the first half and were slightly lower than depreciation of CHF 14.4 million. Intangible assets stood at CHF 134.8 million as at June 30, 2015.

Inventories in the first half declined by CHF 4.5 million versus year-end 2014. The increase in trade and other receivables totaling CHF 31.4 million was mainly timing-related.

Current financial instruments, compared with the balance-sheet date as at December 31, 2014, remain the only essential financial instruments valued at recurring fair value. These are listed securities that are allocated to the first fair-value hierarchy level.

Liquidity holdings came to CHF 141.9 million as at June 30, 2015.

Compared with December 31, 2014, shareholders' equity decreased by CHF 50.5 million to CHF 688.3 million. The increase in shareholders' equity by the amount of Group profit of CHF 45.8 million was offset mainly by the dividend in the form of a repayment from capital contribution reserves of CHF 30.3 million, and in particular by translation differences amounting to CHF -67.4 million. The equity ratio rose marginally to 67.9% as at June 30, 2015.

Liabilities from current and non-current financing comprise leasing liabilities carried in the balance sheet.

05 Income statement

While net sales were 0.7% higher in local currencies, they fell by 8.0% to CHF 554.8 million owing to the translation into Swiss francs.

Operating profit (EBIT) in the reporting period came to CHF 57.9 million, which was CHF 7.4 million lower than in the prior-year period.

Whereas in the prior-year period the Group reported a positive financial result of CHF 2.1 million, due in particular to capital gains and income from securities, in the first half of 2015 the financial result was minus CHF 0.6 million owing to losses on securities.

Income tax amounted to CHF 11.5 million, corresponding to a tax rate of 20.0%. In the prior-year period, the tax rate had been 20.5%.

The resulting Group profit from continuing operations came to CHF 45.8 million, which is CHF 7.8 million or 14.6% lower than the prior-year period.

Undiluted earnings per share on the basis of the average number of shares in circulation amounted to CHF 24.24 in the reporting period. Diluted earnings per share (adjusted for the dilution effect of outstanding options) came to CHF 24.23.

06 Cash flow statement

Cash flow from operating activities was negative in the reporting period at CHF –15.9 million owing to the increase in net operating working capital.

Cash flow from investing activities comprises mainly the cash outflow of CHF 14.1 million for investments in property, plant and equipment and intangible assets and the cash inflow of CHF 12.7 million from divestments of financial instruments.

Cash flow from financing activities reflects primarily the dividend in the form of a repayment from capital contribution reserves of CHF 30.3 million and a net cash outflow totaling CHF 2.6 million from treasury shares.

07 Main exchange rates applied

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

Exchange rates			Income statement		Balance sheet	
			Average exchange rate, 6 months		On balance-sheet date	
			2015	2014	30.6.2015	31.12.2014
Euro zone	EUR	1	1.0578	1.2214	1.0432	1.2030
USA	USD	1	0.9475	0.8909	0.9333	0.9943
Great Britain	GBP	1	1.4430	1.4865	1.4691	1.5486
Japan	JPY	100	0.7882	0.8692	0.7534	0.8308

08 Contingent liabilities

The Group's contingent liabilities have not changed significantly compared with December 31, 2014. As announced in the media release on July 3, 2013, the activity of Forbo Flooring Systems in France is being investigated by the French competition authorities. The investigation affects the market for floor coverings in France and was initiated on suspicions that leading manufacturers may have engaged in anticompetitive practices. As the investigation is ongoing, the Group is unable to provide any further information at present or estimate the possible repercussions.

09 Events after the balance sheet date

At the Ordinary General Meeting on April 24, 2015, the shareholders of Forbo Holding Ltd voted to reduce the share capital of CHF 215,000 to CHF 199,000 by cancellation of the 160,000 registered shares repurchased through the fixed-price share buyback program as well as via the second trading line of the SIX Swiss Exchange, approved at the Ordinary General Meeting of April 25, 2014. The capital reduction was completed with the entry in the Commercial Register of the Canton of Zug on July 10, 2015, and was published in the SHAB on July 15, 2015. The exchange adjustment took place on the same day.

Calendar

Media and financial analysts' conference for the 2015 business year:	Tuesday, March 15, 2016
Ordinary General Meeting:	Friday, April 29, 2016
Report on the 2016 half year:	Tuesday, August 16, 2016

Our Half-Year Report is published in German language and in English translation.

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