

# CONNECT.

HALF-YEAR REPORT 2016

SALES:	<b>+ 6.5%</b>
OPERATING PROFIT:	<b>+ 11.1%</b>
GROUP PROFIT:	<b>+ 12.9%</b>
OUTLOOK FOR 2016 BUSINESS YEAR:	<b>CONFIRMED</b>

The Forbo Group – a leading manufacturer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions – increased its net sales by 6.5% to CHF 590.9 million in the first half of 2016 (prior-year period: CHF 554.8 million). Operating profit (EBIT) rose by 11.1% to CHF 64.3 million (prior-year period: CHF 57.9 million). The EBIT margin improved to 10.9% (prior-year period: 10.4%). Group profit from continuing operations rose by 12.9% to CHF 51.7 million (prior-year period: CHF 45.8 million).

#### **Dear shareholders,**

The Forbo Group can look back on a successful first half of 2016 on the whole. Both divisions – but in particular the positive development of Flooring Systems – contributed to this success. The ongoing expansion of the product portfolio coupled with targeted optimization measures along the value chain is paying off. Driven by the steady expansion of its distribution and sales structure, Movement Systems again increased sales, which have risen continuously in recent years, and improved earnings.

When the results in local currency were translated into the corporate currency, the currency exchange situation produced a slightly positive currency effect compared with the first half of 2015.

#### **Healthy organic sales growth**

In the first half of 2016, Forbo generated higher net sales of CHF 590.9 million (prior-year period: CHF 554.8 million), reflecting an increase of 6.5% (+ 4.5% in local currencies). Both divisions contributed to this encouraging growth. Flooring Systems reported growth in the corporate currency of 6.5% (+ 4.8% in local currencies), while Movement Systems recorded an increase of 6.5% (+ 3.8% in local currencies). All regions contributed to this increase.

#### **Profitability continues to grow**

In the period under review, both divisions again expanded capacity, broadened their attractive product portfolios by adding new innovations, invested further in the development of high-end products, and continued to strengthen its distribution and service structures. Despite a sizeable increase in investment in recent years, we succeeded in further increasing profitability. The contributory factors were optimization measures along the value chain and additional productivity gains in both divisions.

Operating profit before depreciation and amortization (EBITDA) came to CHF 82.8 million (prior-year period: CHF 73.6 million), corresponding to a significant increase of 12.5%. The EBITDA margin improved to 14.0% (prior-year period: 13.3%). Operating profit (EBIT) was lifted by 11.1% from CHF 57.9 million to CHF 64.3 million. The EBIT margin improved to 10.9% (prior-year period: 10.4%).

### Double-digit growth in Group profit

Group profit from continuing operations amounted to CHF 51.7 million (prior-year period: CHF 45.8 million). This equates to a significant increase of 12.9%.

The higher Group profit plus buybacks of Forbo's own shares in the second half of 2015 resulted in earnings accretion. Earnings per share from continuing operations (undiluted) therefore increased by 24.9% to CHF 30.28 (prior-year period: CHF 24.24).

### Equity ratio remains high

Equity decreased slightly by CHF 16.3 million to CHF 542.9 million compared with the start of the year despite the gratifying profit reported. This was due in particular to the payment of the dividend, negative currency exchange effects (by the cutoff date), and higher pension liabilities owing to the interest rate environment. The equity ratio remains very high at 58.8% (year-end 2015: 61.3%).

### Liquidity solid

Net cash came to CHF 92.3 million as at June 30, 2016. In addition, Forbo held treasury shares worth CHF 324.5 million, based on the share price at end of June 2016. Owing to the cancellation of shares repurchased as part of the share buyback program, this amount has been reduced by CHF 219.8 million in July 2016. The strong balance sheet coupled with the high level of net cash enables Forbo to take advantage of external growth opportunities whenever they can generate value for our shareholders.

### Performance of the divisions

The **Forbo Flooring Systems** division reported sales of CHF 408.9 million in the first half of 2016 (prior-year period: CHF 383.9 million), which is equivalent to a gratifying sales increase of 6.5% (+4.8% in local currencies). All regions contributed to this growth. The positive sales trend was driven especially by the firming of our core markets in France and the USA and by the incipient recovery in the Netherlands. After a number of difficult years during the down cycle, the building and construction adhesives activity recovered and slightly increased sales compared with the comparable period the previous year. The construction of a production plant for high-end homogeneous vinyl floor coverings is progressing according to plan, so that we will be able to add an attractive product group to our product portfolio in 2017.

Operating profit (EBIT) rose by 15.9% to CHF 50.3 million (prior-year period: CHF 43.4 million) on the back of higher sales and optimization measures along the value chain and as a result of positive currency effects. The EBIT margin was increased significantly to 12.3% (prior-year period: 11.3%). In the coming months we will continue to focus on the systematic implementation of our strategy on a number of aspects by developing our attractive product portfolio specifically for customers in all the relevant target segments, adapting the portfolio to meet the needs of various application areas, and selectively expanding distribution structures in growth markets.

The **Forbo Movement Systems** division reported sales of CHF 182.0 million in the first half of 2016 (prior-year period: CHF 170.9 million), which is equivalent to a gratifying sales increase of 6.5% (+ 3.8% in local currencies). While all regions contributed to these gains, most European markets performed better than average. Sales growth in the USA weakened slightly, while demand in China, our largest market in Asia/Pacific, slowed down somewhat compared with previous years.

Operating profit (EBIT) rose marginally by 1.5% to CHF 20.7 million (prior-year period: CHF 20.4 million). The EBIT margin came to 11.4% (prior-year period: 11.9%). In the second half, we will continue to systematically execute the strategic initiatives in all business areas by adapting our product range specifically to the needs of our customer segments and targeting expansion of our distribution and service organizations.

#### **Outlook for 2016**

Our forecast for the full year 2016 has not changed. Despite the encouraging performance in the first half, the overall environment remains challenging because the currency exchange situation and the trends on individual markets are still volatile.

As announced in springtime, barring any change in the foreign exchange situation, we anticipate a slight increase in sales and Group profit from continuing operations for the full year 2016.



This E. Schneider  
Executive Chairman



Stephan Bauer  
CEO

#### **Forbo Holding Ltd**

Baar, August 16, 2016

# Consolidated balance sheet and income statement

<b>Condensed consolidated balance sheet</b>		
Unaudited, CHF m	30.6.2016	31.12.2015
<b>Assets</b>		
<b>Non-current assets</b>	<b>392.4</b>	<b>402.8</b>
Property, plant and equipment, intangible assets and goodwill	341.0	363.0
Deferred tax assets and other non-current assets	51.4	39.8
<b>Current assets</b>	<b>530.6</b>	<b>509.3</b>
Inventories	212.3	214.5
Trade and other receivables and accrued income and deferred expenses	225.2	178.5
Cash and cash equivalents	93.1	116.3
<b>Total assets</b>	<b>923.0</b>	<b>912.1</b>
<b>Shareholders' equity and liabilities</b>		
<b>Shareholders' equity</b>	<b>542.9</b>	<b>559.2</b>
<b>Non-current liabilities</b>	<b>152.1</b>	<b>120.7</b>
Non-current financial debt	0.5	0.9
Employee benefit obligations, non-current provisions, and deferred tax liabilities	151.6	119.8
<b>Current liabilities</b>	<b>228.0</b>	<b>232.2</b>
Trade payables	67.4	77.4
Current financial debt	0.3	0.1
Current provisions, accrued expenses and deferred income, current tax and other liabilities	160.3	154.7
<b>Total liabilities</b>	<b>380.1</b>	<b>352.9</b>
<b>Total shareholders' equity and liabilities</b>	<b>923.0</b>	<b>912.1</b>
<b>Condensed consolidated income statement</b>		
Unaudited, CHF m	First half 2016	First half 2015
<i>Continuing operations</i>		
<b>Net sales</b>	<b>590.9</b>	<b>554.8</b>
Cost of goods sold	-357.8	-338.2
<b>Gross profit</b>	<b>233.1</b>	<b>216.6</b>
Operating expenses	-168.8	-158.7
<b>Operating profit</b>	<b>64.3</b>	<b>57.9</b>
Financial result	0.8	-0.6
<b>Group profit before taxes</b>	<b>65.1</b>	<b>57.3</b>
Income taxes	-13.4	-11.5
<b>Group profit from continuing operations</b>	<b>51.7</b>	<b>45.8</b>
<b>Group profit from discontinued operations after taxes</b>	<b>0.0</b>	<b>0.0</b>
<b>Group profit</b>	<b>51.7</b>	<b>45.8</b>
Group profit attributable to shareholders of Forbo Holding Ltd	51.7	45.8
<i>Earnings per share, total</i>		
Basic earnings per share in CHF	30.28	24.24
Diluted earnings per share in CHF	30.27	24.23
<i>Earnings per share from continuing operations</i>		
Basic earnings per share in CHF	30.28	24.24
Diluted earnings per share in CHF	30.27	24.23

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

# Consolidated comprehensive income statement and statement of changes in equity

<b>Consolidated comprehensive income statement</b>		
Unaudited, CHF m	First half 2016	First half 2015
<b>Group profit</b>	<b>51.7</b>	<b>45.8</b>
Items that will not be reclassified to the income statement:		
Remeasurements of employee benefit obligations, net of taxes	-25.3	-3.4
Items that are or may be subsequently reclassified to the income statement:		
Translation differences	-17.3	-67.4
<b>Other comprehensive income, net of tax</b>	<b>-42.6</b>	<b>-70.8</b>
<b>Total comprehensive income</b>	<b>9.1</b>	<b>-25.0</b>
Total comprehensive income attributable to shareholders of Forbo Holding Ltd	9.1	-25.0

## Consolidated statement of changes in equity first half 2016

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
<b>January 1, 2016</b>	<b>0.2</b>	<b>-0.1</b>	<b>852.0</b>	<b>-292.9</b>	<b>559.2</b>
Group profit			51.7		51.7
Other comprehensive income, net of tax			-25.3	-17.3	-42.6
<b>Total comprehensive income</b>			<b>26.4</b>	<b>-17.3</b>	<b>9.1</b>
Share-based payments			2.4		2.4
Treasury shares		0.0	1.3		1.3
Dividend payment			-29.1		-29.1
<b>June 30, 2016</b>	<b>0.2</b>	<b>-0.1</b>	<b>853.0</b>	<b>-310.2</b>	<b>542.9</b>

## Consolidated statement of changes in equity first half 2015

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

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

# Consolidated cash flow statement

<b>Condensed consolidated cash flow statement</b>		
Unaudited, CHF m	First half 2016	First half 2015
<b>Group profit</b>	<b>51.7</b>	<b>45.8</b>
Depreciation of property, plant and equipment, and amortization of intangible assets	18.4	15.7
Increase in net operating working capital	-47.1	-83.0
Other adjustments for non-cash items	-5.8	5.6
<b>Net cash flow from operating activities</b>	<b>17.2</b>	<b>-15.9</b>
Purchase/sale of property, plant and equipment, and intangible assets	-8.9	-14.1
Purchase of business operations, less acquired cash and cash equivalents	-0.7	
Proceeds from other current financial assets		12.7
Other cash inflow from investing activities, net	0.3	0.2
<b>Net cash flow from investing activities</b>	<b>-9.3</b>	<b>-1.2</b>
Dividend payment	-29.1	-30.3
Cash outflow from transactions with treasury shares, net		-2.6
Other cash outflow from financing activities, net		-0.5
<b>Net cash flow from financing activities</b>	<b>-29.1</b>	<b>-33.4</b>
Decrease in cash and cash equivalents	-21.2	-50.5
Translation differences on cash and cash equivalents	-2.0	-12.7
Cash and cash equivalents at beginning of year	116.3	205.1
<b>Total cash and cash equivalents as at June 30</b>	<b>93.1</b>	<b>141.9</b>

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

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

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## 01 General information

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This condensed consolidated interim report of Forbo Holding Ltd and its subsidiaries (hereinafter 'the Group') covers the six-month period from January 1, 2016, to June 30, 2016 (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, 2015.

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 15, 2016.

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, 2015. Income tax expenditure is estimated on the basis of actual average actual tax rates during the current business year.

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## 02 Group accounting principles

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The accounting principles applied in the consolidated half-year report are in line with the accounting principles set out in the 2015 Annual Report. As of January 1, 2016, the Group applies various amendments to the existing International Financial Reporting Standards (IFRS) and interpretations that do not have any appreciable 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.

In the Flooring Systems division, the Group develops, produces, and sells linoleum, vinyl floorings, entrance flooring systems, carpet tiles, needle felt, Flotex, the washable textile flooring, and building and construction adhesives as well as various accessory products required for laying, 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 ma-

terials. 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 2016

Unaudited, CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	409.2	182.0	-0.3	590.9
Inter-segment sales	-0.3		0.3	
Net sales to third parties	408.9	182.0		590.9
EBIT	50.3	20.7	-6.7	64.3
EBITDA	64.2	25.1	-6.5	82.8
Operating assets	537.0	225.4	16.3	778.7
Capital expenditure	7.0	2.3	0.0	9.3
Number of employees (June 30)	3,125	2,194	41	5,360

#### 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	
Net sales to third parties	383.9	170.9		554.8
EBIT	43.4	20.4	-5.9	57.9
EBITDA	54.7	24.6	-5.7	73.6
Operating assets	561.7	217.2	16.2	795.1
Capital expenditure	11.7	2.2	0.2	14.1
Number of employees (June 30)	3,092	2,106	42	5,240

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

Unaudited, CHF m	First half 2016	First half 2015
<b>Segment result (EBIT)</b>	<b>64.3</b>	<b>57.9</b>
Financial result	0.8	-0.6
<b>Group profit before taxes</b>	<b>65.1</b>	<b>57.3</b>
Unaudited, CHF m	30.6.2016	31.12.2015
<b>Total operating assets</b>	<b>778.7</b>	<b>756.1</b>
Non-operating assets	144.3	156.0
<b>Total assets</b>	<b>923.0</b>	<b>912.1</b>

#### 04 Changes in the scope of consolidation

As per June 28, 2016, Forbo Siegling Italia S.p.A. acquired the entire share capital of Tema S.r.l. in Parma, Italy. Tema S.r.l. was an existing customer of Forbo that sells fabric conveyor belts and plastic modular belts. Tema S.r.l. is now an additional service point for the Movement Systems division in Northern Italy.

In the period under review, no further changes took place in the scope of consolidation.

#### 05 Balance sheet

Property, plant and equipment declined by CHF 9.5 million to CHF 217.8 million. Investments in property, plant and equipment amounted to CHF 9.3 million in the first half and were lower than depreciation of CHF 14.9 million. Intangible assets stood at CHF 123.2 million as at June 30, 2016.

The present value of the pension liabilities rose by a total of CHF 31.8 million owing mainly to lower discount rates in Switzerland and in the United Kingdom. Expenditure after deferred tax assets came to CHF 25.3 million and was recognized in the comprehensive income statement.

Inventories in the first half declined slightly by CHF 2.2 million versus year-end. The increase in trade and other receivables totaling CHF 46.7 million was mainly timing-related.

Compared with December 31, 2015, shareholders' equity decreased by CHF 16.3 million to CHF 542.9 million. While shareholders' equity increased by the amount of Group profit of CHF 51.7 million, this was offset mainly by the dividend of CHF 29.1 million in the form of a repayment from capital contribution reserves and by the other comprehensive income, net of tax of CHF 42.6 million. The equity ratio fell marginally to 58.8% as at June 30, 2016.

Financial liabilities mainly consist of leasing obligations for fixed assets carried in the balance sheet.

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**06 Income statement**


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Net sales of CHF 590.9 million were 6.5% higher than in the comparable period the previous year. The sales increase came to 4.5% in local currencies.

Operating profit (EBIT) in the reporting period came to CHF 64.3 million, which was CHF 6.4 million higher than in the prior-year period.

Whereas the financial result in the prior-year period came to CHF –0.6 million owing to losses on securities in the first half, the financial result in the reporting period amounted to CHF 0.8 million mainly on account of positive currency effects.

Income tax amounted to CHF 13.4 million, corresponding to a tax rate of 20.6%. In the prior-year period, the tax rate had been 20.0%.

The resulting Group profit from continuing operations came to CHF 51.7 million, which is CHF 5.9 million or 12.9% higher than the prior-year period.

Undiluted earnings per share on the basis of the average number of shares in circulation amounted to CHF 30.28 in the reporting period (prior-year period: CHF 24.24). Diluted earnings per share (adjusted for the dilution effect of outstanding options) came to CHF 30.27 (prior-year period: CHF 24.23).

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**07 Cash flow statement**


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Despite an increase of CHF 47.1 million in net operating working capital, cash flow from operating activities came to CHF 17.2 million.

Cash flow from investing activities comprises the cash outflow of CHF 8.9 million for investments in property, plant and equipment and intangible assets, CHF 0.7 million in connection with the acquisition of the share capital of Tema S.r.l. in Italy and cash inflow of CHF 0.3 million from interest.

Cash flow from financing activities reflects the dividend of CHF 29.1 million in the form of a repayment from capital contribution reserves.

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## 08 Main exchange rates applied

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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	
			2016	2015	30.6.2016	31.12.2015
Eurozone	EUR	1	1.0962	1.0578	1.0863	1.0878
USA	USD	1	0.9821	0.9475	0.9819	1.0019
Great Britain	GBP	1	1.4096	1.4430	1.3101	1.4772
Japan	JPY	100	0.8792	0.7882	0.9555	0.8329

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## 09 Contingent liabilities

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The Group's contingent liabilities have not changed significantly compared with December 31, 2015. 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.

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## 10 Events after the balance sheet date

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At the Ordinary General Meeting on April 29, 2016, the shareholders of Forbo Holding Ltd voted to reduce the share capital of CHF 199,000 to CHF 180,000 by cancellation of the 190,000 registered shares repurchased through the fixed-price share buyback program as well as via the second trading line of the SIX Swiss Exchange, as approved at the Ordinary General Meeting of April 24, 2015. The capital reduction was completed with the entry in the Commercial Register of the canton of Zug on July 11, 2016, and was published in the SHAB on July 14, 2016. The exchange adjustment took place on the same day.

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## Calendar

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Media and financial analysts' conference for the 2016 business year:	Tuesday, March 7, 2017
Ordinary General Meeting:	Thursday, April 6, 2017
Half-Year Report 2017:	Friday, July 28, 2017

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

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