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HALF-YEAR REPORT 2013

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Market conditions remain challenging – EBIT margin maintained at healthy level – Group profit rises by approximately 10% – Earnings guidance 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 592.5 million in the first half of 2013 (prior year period: CHF 603.1 million), representing a slight decline of 1.8%. Operating profit (EBIT) decreased by CHF 2.4% to CHF 56.9 million (prior year period: CHF 58.3 million). The EBIT margin came to 9.6% (prior year period: 9.7%) and thus stayed at more or less the same healthy level. Group profit amounted to CHF 46.9 million (prior year period, net income from operations from continuing operations: CHF 42.7 million), which is equivalent to an increase of about 10%.

Baar, August 20, 2013

As expected, market conditions remained very challenging in the first half of 2013. The economic environment, especially cost-cutting measures in the public sector and softness in many of Forbo's important markets, demanded great flexibility. As Forbo is to a large extent exposed to European markets and is significantly dependent, directly or indirectly, on public spending, cost-cutting in the public sector as anticipated impacted on the sales trend at Flooring Systems. Forbo, however, partly was able to offset this impact by pursuing its strategy adjustment that focuses on new market segments outside the public sector also, by expanding existing sales channels, and by opening up new markets.

By systematically and continuously adapting structures to market conditions and taking further measures to increase efficiency, Forbo succeeded in maintaining the EBIT margin at a healthy level despite a challenging macro-economic environment. Group profit rose by about 10%, an improvement that was due in particular to higher financial income and to lower interest payments owing to the reduction in interest-bearing debt.

The first-time adoption of the revised IAS 19 accounting standard resulted in changes in the accounting of employee benefit obligations. As a result, prior year period financial statements were restated and are therefore not the same as shown in the 2012 Half-Year Report. Operating

profit for the first half of the year thus improved by CHF 3.1 million in the previous year and by CHF 0.5 million in the year under review.

Moderate sales trend, as anticipated

In the first half of 2013 Forbo generated net sales of CHF 592.5 million (prior year period: CHF 603.1 million), which marked a slight decrease of 1.8% (– 2.6% in local currencies). Net sales of Flooring Systems continued to be impacted by public-sector cost-cutting measures and lower construction activity in many of Forbo's important markets. As anticipated, net sales declined by 2.5% (– 4.1% in local currencies). Movement Systems increased sales by 0.4% (+ 1.3% in local currencies) amid a very mixed market environment.

EBIT margin kept at a healthy level

Despite the slight decline in sales and the costs incurred for serving new markets and market segments, Forbo kept its margins largely at a healthy level.

Operating profit before depreciations and amortizations (EBITDA) came to CHF 76.6 million (prior year period: CHF 82.0 million), corresponding to a decline of 6.6%. The EBITDA margin stood at 12.9% (prior year period: 13.6%). Operating profit (EBIT) came to CHF 56.9 million, compared with CHF 58.3 million in the same period in 2012, corresponding to a decline of 2.4%. The EBIT margin stood at 9.6% (prior year period: 9.7%).

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The two divisions showed differing trends. Movement Systems increased earnings, whereas Flooring Systems reported a lower operating profit owing to the decrease in sales.

Significant increase in Group profit and earnings per share

Group profit came to CHF 46.9 million (comparable reported net income from operations in the prior year period: CHF 42.7 million). This corresponds to a significant increase of 9.8%, which was due on the one hand to higher financial income and on the other to lower interest payments as a result of the reduction of interest-bearing debt.

Earnings per share rose by 21.7% from CHF 18.70 in the prior year period to CHF 22.75.

Further improved equity ratio

Shareholders' equity increased by CHF 37.5 million to CHF 854.9 million compared to the start of the year, while the equity ratio rose to 62.9%.

High level of liquidity

Net cash came to CHF 226.2 million as at June 30, 2013. In addition, Forbo holds shares worth CHF 104.9 million, based on the share price at the end of June 2013. The strong balance sheet coupled with the high level of liquidity 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 shareholders.

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 430.2 million in the first half of 2013 (prior year period: CHF 441.4 million), which is equivalent to a decrease of 2.5% (– 4.1% in local currencies). Since Flooring Systems' primary customer segments are schools, hospitals, retirement homes, and public buildings, the division is highly dependent on public-sector spending. The significant cuts in government spending continue to impact on investments in new construction and renovations. In particular, the healthcare and education customer segments that are among Forbo's most important markets are suffering from this trend. The downturn is affecting most

countries with the exception of the growth markets. Forbo has adjusted to these changed conditions by strengthening its distribution structures and entering new customer segments such as shop fitting, offices, hotels and restaurants. These measures have partly offset the strong decline in sales in the public sector.

Operating profit (EBIT) decreased by CHF 8.7% to CHF 46.0 million (prior year period: CHF 50.4 million). The EBIT margin declined slightly from 11.4% in the prior year period to 10.7%. In the coming months, the focus will be on further efforts to expand in growth markets as well as on targeted measures in marketing and sales aimed at developing new customer segments and new markets and thereby reducing the division's dependence on public-sector spending.

The **Forbo Movement Systems** division reported net sales of CHF 162.3 million in the first half of 2013 (prior year period: CHF 161.7 million), equivalent to an increase of 0.4% (+ 1.3% in local currencies). Demand in North America showed a stable uptrend. The European markets were very mixed, but on the whole sales in Europe were close to the previous year's level. Asia/Pacific reported a slight increase in demand overall.

Operating profit (EBIT) rose by 8.2% to CHF 15.9 million, compared with CHF 14.7 million in the first half of 2012. The EBIT margin went up from 9.1% in the prior year period to 9.8%. In the second half of the year the division will continue to focus on expanding its activities in growth markets and extending its product portfolio.

Earnings guidance for 2013 confirmed

Forbo's assessment of the current year has not changed. On the whole, Forbo anticipates largely unchanged economic conditions for the remaining months of 2013. The company will continue to face challenging circumstances, and trends will be very different in the various regions, markets, and customer segments. Forbo is well positioned with its two divisions and will continue to implement its strategy consistently and concentrate on its operational performance and on providing convincing products and services to its customers.

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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 income from operations in the 2013 business year compared with the previous year.

You can find further information in the electronic version of the Half-Year Report 2013 published early 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 over 5,000 people and has an international network of 24 production and distribution companies, 6 assembly operations and 37 sales organizations in a total of 34 countries. The company generated net sales of CHF 1,201.1 million in the 2012 financial year and 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

	First half 2013 CHF million	First half 2012 CHF million Restated	Change	
			Corporate currency	Local currencies
Net sales	592.5	603.1	-1.8%	-2.6%
Flooring Systems	430.2	441.4	-2.5%	-4.1%
Movement Systems	162.3	161.7	+0.4%	+1.3%
Operating profit (EBIT)	56.9	58.3		-2.4%
EBIT margin	9.6%	9.7%		
Net income from operations from continuing operations	46.9	42.7		+9.8%

	First half 2013	First half 2012 Restated	
Earnings per share from continuing operations (undiluted)	CHF 22.75	CHF 18.70	+21.7%

	30.6.2013	31.12.2012 Restated	
Equity ratio	62.9%	61.3%	