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MEDIA RELEASE
2012 BUSINESS YEAR

Net sales at previous year's level – accelerated implementation of strategic projects impacts bottom line – considerably stronger balance sheet – tax-exempt cash distribution of CHF 12 per share – long-term succession planning in senior management

Difficult economic conditions – particularly in the euro zone, where governments made huge spending cuts – impacted on the past business year and on Forbo's performance. Despite a steep decline in demand from the public sector, the Group managed to hold sales close to the previous year's level by expanding into new markets and market segments. Sales came to CHF 1,201.1 million, which was 0.2% (–1.1% in local currencies) lower than the previous year (CHF 1,203.8 million). After factoring out positive special items, earnings before depreciation and amortization (EBITDA) decreased by 15.0% to CHF 160.6 million (previous year: CHF 189.0 million). Adjusted net income from operations came to CHF 90.1 million (previous year: CHF 115.0 million), equivalent to a decrease of 21.7%. Net cash rose sharply to CHF 258.3 million (previous year: CHF 0.5 million) as a result of the sale of the industrial adhesives activity.

Baar, March 19, 2013

Challenging business year 2012

As expected, 2012 proved to be a very challenging business year owing to the difficult economic environment. Business conditions, in particular efforts to cut public spending and uncertainties in the markets, demanded even faster implementation of strategic projects. Since a major part of Forbo's business is in Europe and is, directly or indirectly, dependent on public spending, the cost-cutting measures, especially in the euro zone, left their mark on the Group's results in the year under review. Government spending on schools, hospitals, retirement homes, and public buildings was cut massively, which led to a decrease in sales and earnings at Flooring Systems.

Net sales at previous year's level

Forbo was able to offset a large part of these decreases by accelerating penetration efforts in new markets and market segments with innovative products and customer-specific services and by expanding the existing distribution channels.

In the corporate currency, Flooring Systems reported a decline in net sales of –1.4%, while Movement Systems posted a net sales gain of +3.1% in a very mixed market environment. Overall, the North/Central/South America region grew fastest (+5.7%), while sales in the Asia/Pacific and Africa region rose by +1.1%. Europe, however, posted a decline of –2.0% owing to the prevailing economic conditions.

Strategic initiatives and extraordinary income impact bottom line

In order to reduce Forbo's dependence on public spending and to exploit the potential of growth markets, various strategic projects have been launched in recent years. The related expenses impacted on the company's profit.

The conversion of the most important pension plan in the Netherlands from a defined benefit to a defined contribution plan resulted, in accordance with applicable IFRS rules, in one-time extraordinary pretax gain of CHF 45.4 million. This had a significant effect both on the operating profit of the Flooring Systems division and on consolidated Group profit. This effect must, therefore, be neutralized when assessing operating profit.

Without factoring in this extraordinary gain, earnings before depreciation and amortization (EBITDA) decreased by 15.0% to CHF 160.6 million (previous year: CHF 189.0 million). The Group's operating profit (EBIT) declined by 21.3% from CHF 148.9 million the previous year to CHF 117.2 million. The EBITDA margin decreased from 15.7% to 13.4% year-on-year, and the EBIT margin was down from 12.4% to 9.8%.

Including the aforementioned special items, EBITDA rose by 9.1% to CHF 206.0 million (previous year: CHF 189.0 million), and EBIT increased by 9.3% to CHF 162.6 million (previous year: CHF 148.9 million). The EBITDA margin rose from 15.7% to 17.2% year-on-year, while the EBIT margin increased from 12.4% to 13.5%.

Group profit impacted by special factors
Adjusted net income from operations was CHF 90.1 million (previous year: CHF 115.0 million), equivalent to a decrease of 21.7%. This decline is explained by the difficult market conditions, the accelerated implementation of strategic initiatives (the expansion in growth markets and the broadening of the product portfolio), and a higher tax rate.

In addition, two non-recurring special factors had a major impact on Group profit: for one, the Group posted extraordinary net income of CHF 73.1 million stemming from the sale of the industrial adhesives activity, including synthetic polymers. For another, the conversion of the pension plan in the Netherlands resulted in extraordinary gain of CHF 34.0 million after tax.

This resulted in total Group profit of CHF 197.2 million in the year under review. In the previous year, Forbo had posted Group profit of CHF 146.5 million, which included extraordinary financial income of CHF 22.4 million after tax from the sale of Rieter shares. A year-on-year comparison of Group profit is therefore not very meaningful.

Strategy confirmed
In December 2011, Forbo announced the sale of its industrial adhesives activity, including synthetic polymers, which was part of the Bonding Systems division, to H.B. Fuller Company. The transaction was closed successfully on March 5, 2012. The remaining Bonding Systems activity, building and construction adhesives, will now be further developed within the flooring business of the Flooring Systems division. Following this portfolio adjustment, Forbo Group now consists of two strong divisions, each with globally leading market positions: Flooring Systems and Movement Systems. Both divisions thus match Forbo's strategic principles.

Performance of the divisions
The **Flooring Systems** division generated net sales of CHF 873.9 million (previous year: CHF 886.5 million), which is a slight decline of 1.4% year-on-year. Positive currency effects had a marginal impact of 0.3%, resulting in a decrease of 1.7% in local currencies. The division's share of Group sales came to 72.8%. The conversion of the pension plan in the Netherlands from a defined benefit to a defined contribution plan resulted, in accordance with applicable IFRS rules, in one-time extraordinary pretax gain of CHF 45.4 million, which had a significant impact on operating profit. Accordingly, operating profit (EBIT) rose by 17.7% to CHF 149.0 million, and the EBIT margin was up by 17.0%. Excluding this special item, EBIT decreased by 18.2% to CHF 103.6 million (previous year: CHF 126.7 million). The EBIT margin decreased to 11.8% (previous year: 14.2%). This decline was due mainly to the difficult economic conditions and investments in growth markets as well as to an impairment of intangible assets of CHF 4.0 million contained in the annual figures.

The **Movement Systems** division generated net sales of CHF 327.2 million in the year under review (previous year: CHF 317.3 million), which marked a year-on-year gain of 3.1% or a slight increase of 0.5% in local currencies. The division's share of Group sales came to 27.2%. Owing to the accelerated expansion in growth markets, operating profit (EBIT) declined by 16.2% to CHF 27.0 million (previous year: CHF 32.2 million) despite the slight upturn in sales. The EBIT margin accordingly decreased to 8.2% (previous year: 10.1%).

Balance sheet considerably stronger
Despite the buyback of the company's own shares, which was carried out following the Ordinary General Meeting's approval in April 2011, shareholders' equity rose slightly to CHF 817.4 million (previous year: CHF 815.3 million) at the end of December 2012. The equity ratio increased significantly from 54.3% to 61.3%.

As at December 31, 2012, Forbo had liquidity and short-term financial instruments amounting to CHF 393.4 million (previous year: CHF 192.5 million) plus 197,260 treasury shares (excluding the shares that were subsequently cancelled in January 2013 from the share buyback program concluded in 2012), which had a value of CHF 115.4 million at year-end share price. Net cash was CHF 258.3 million (previous year: CHF 0.5 million).

Proposals to the Ordinary General Meeting

Dividend of CHF 12

The Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend of CHF 12 per share for 2012, unchanged from the previous year. This dividend will be paid out to shareholders as a tax-exempt distribution from capital contribution reserves.

Long-term succession planning in Forbo's senior management

As Dr. Albert Gnägi, who has been Chairman of the Board of Directors for eight years, will reach the mandatory retirement age in early 2014, he will stand for re-election for one further year at the Ordinary General Meeting in 2013. To ensure continuity and long-term succession planning, the Board of Directors wishes This E. Schneider, who has led the company very successfully as Delegate of the Board of Directors and CEO for nine years, to continue to play an important role in the development of Forbo. The intention is for him to take over from Dr. Albert Gnägi as Executive Chairman in the spring of 2014.

In this context, the Board of Directors of Forbo Holding Ltd appointed Mr. Stephan Bauer as the new CEO and Chair of the Executive Board of the Forbo Group with effect from January 1, 2014. Stephan Bauer is 51 years of age and a German citizen. Since 2008, he has been the CEO of the globally operating Business Unit Control Products and Systems of the Siemens Building Technology Division. He had previously worked in various leading positions at Siemens VDO Automotive/Continental Automotive for around 17 years. Stephan Bauer holds a degree in industrial engineering from the University of Applied Sciences in Munich, Germany. He will join Forbo in the fall of 2013.

Furthermore, the Board of Directors will propose to the Ordinary General Meeting the re-election of its Vice Chairman, Michael Pieper, for another three-year term of office.

Well positioned for 2013

In the business year 2013, Forbo expects economic conditions to be similar to 2012. The steady stream of cost-cutting measures in the public sector announced in recent years will impact business at Flooring Systems with a time lag. The division will do everything it possibly can to offset sales losses with new products, a stronger presence in new market segments, and business activities in growth markets. Forbo is well positioned with its two divisions and will continue to implement its strategy as planned.

Assuming no 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.

You can find further information in the 2012 Annual Report published 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 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. Forbo 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

	2012 CHF m	2011 CHF m	Change Corporate currency	Change Local currencies
Net sales	**1,201.1**	**1,203.8**	**–0.2%**	**–1.1%**
Flooring Systems	873.9	886.5	–1.4%	–1.7%
Movement Systems	327.2	317.3	+3.1%	+0.5%
Operating profit (EBIT)	**117.2**	**148.9**		**–21.3%**
EBIT including special items	***162.6***	***148.9***		***+9.2%***
EBIT margin	**9.8%**	**12.4%**		
EBIT margin including special items	***13.5%***	***12.4%***		
Net income from operations	**90.1**	**115.0**		**–21.7%**
Group profit	**197.2**	**146.5**		**+34.6%**

	2012	2011	
Earnings per share from continuing operations (undiluted)	**CHF 56.06**	**CHF 58.88**	**– CHF 2.82**
Equity ratio	**61.3%**	**54.3%**	**+ 7 percentage points**