

MEDIA RELEASE

HALF-YEAR REPORT 2012

PAGE 1 OF 3

Public sector cost-cutting measures plus persistently strong Swiss franc result in a slight decrease in sales – Strategic and structural adjustments partly compensate for decline in earnings – Extraordinary income from the sale of Industrial Adhesives lifts Group profit

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 603.1 million in the first half of 2012, which equates to a slight decline of 0.9% in local currencies (–2.7% in the corporate currency) versus the prior-year period. Negative exchange rates again had an impact on the Forbo Group's results in this reporting period. The EBIT margin stood at 9.2% (prior-year period: 10.9%). Operating profit (EBIT) came to CHF 55.2 million (prior-year period: CHF 67.5 million), corresponding to a decline of 18.2%. Net income from operations from continuing operations amounted to CHF 40.3 million (prior-year period: CHF 44.7 million), equivalent to a decrease of 9.8%. In addition, the Group posted extraordinary net income of CHF 73.1 million in connection with the sale of the industrial adhesives activity, bringing Group profit up to CHF 113.4 million.

Baar, August 14, 2012

The first half of 2012 was impacted by difficult market conditions, a persistently strong Swiss franc, and the effects of cost-cutting measures in the public sector.

The Flooring Systems division was particularly hard hit by public-sector cost-cutting, since the bulk of its sales to schools, hospitals, old-age homes, and public buildings depend, either directly or indirectly, on public spending.

The sale of the industrial adhesives activity, including synthetic polymers, was successfully closed and resulted in an extraordinary income. The building and construction adhesives activity, the bulk of whose sales are in the Benelux countries, reported a slight downturn in sales and earnings owing to the weakening of the building and construction industry in this region.

The Movement Systems division reported a slight increase in sales. However, earnings fell marginally in the wake of the ongoing projects and investments in growth markets that Forbo continues despite the difficult economic conditions.

Three factors helped the Group to largely offset the impact of the difficult economic situation in the first half of 2012: the innovative product

portfolio, the strategic, sustainable investments in growth markets as well as in non-public-sector market segments made in the past, and systematic structural adjustments.

Moderate sales performance

In the first half of 2012, Forbo generated net sales of CHF 603.1 million (prior-year period: CHF 619.9 million). In local currencies this was just 0.9% lower than in the same period the previous year. However, the strong Swiss franc reduced sales by a further 1.8%, so that the decline in the corporate currency was 2.7%. The moderate sales trend, which began to take shape in the second half of 2011, intensified further. Movement Systems reported modest growth of 1.3% in local currencies, while Flooring Systems and the building and construction adhesives activity posted a slight decline in sales of 1.7% and 0.5% respectively.

Profitability impacted by difficult economic conditions

The minimal downturn in sales, combined with the strategic investments made in growth markets and in an innovative product portfolio, resulted in lower earnings in all divisions than in the first half of 2011. Operating profit before depreciations and amortizations (EBITDA) came to CHF 78.9 million (prior-year period: CHF 88.3 million), corresponding to a decline

MEDIA RELEASE

HALF-YEAR REPORT 2012

PAGE 2 OF 3

of 10.6%. Operating profit (EBIT), which includes an impairment of CHF 4.0 million at Flooring Systems, came to CHF 55.2 million, compared to CHF 67.5 million in the same period the previous year. This equates to a decline of 18.2%. The different divisions reported mixed trends. Movement Systems posted only a small decline in earnings, whereas Flooring Systems and the building and construction adhesives activity recorded a stronger decline in operating profit (EBIT). The main reason was the decline in sales stemming from the massive cuts in public spending and the downturn in the building and construction industry in many of Forbo's key markets.

Margins slightly eroded by the decline in sales

The minimal decline in sales plus the persistently strong Swiss franc had the effect of slightly eroding operating margins in the first half of 2012. The EBITDA margin fell from 14.2% in the prior-year period to 13.1%, while the EBIT margin declined from 10.9% to 9.2%. Whereas margin erosion at Movement Systems was moderate, the decline at Flooring Systems and building and construction adhesives was around two percentage points in both cases.

Net income from operations declined

Due to a significantly lower tax rate of 18.0% (prior-year period: 24.9%), net income from operations from continuing operations came to CHF 40.3 million, a decrease of 9.8% versus the prior-year period, when it had stood at CHF 44.7 million. In addition, the Group posted extraordinary net income of CHF 73.1 million stemming from the sale of the industrial adhesives activity. Overall, Group profit in the period under review amounted to CHF 113.4 million. In the prior-year period, Forbo posted Group profit of CHF 74.6 million, a figure that 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 meaningful.

Strong balance sheet drives value growth

Forbo will continue to systematically implement its strategy by intensifying its activities in growth markets, strengthening its innovative product portfolio, and offering customer-specific services. With its market positions, strong balance sheet, and well-proven strategy,

Forbo is able to step up expansion in growth markets and take advantage of external opportunities for growth in order to reinforce its position. However, Forbo will not make acquisitions unless they can create added value for its shareholders. Forbo will for the time being keep its liquidity as a strategic reserve.

Performance of the divisions

Forbo Flooring Systems reported net sales of CHF 401.9 million in the first half of 2012 (prior-year period: CHF 418.3 million), equivalent to a slight decrease of 1.7% in local currencies versus the same period the previous year (however, in Swiss franc terms, sales declined by 3.9%). Since Flooring Systems' main customer segments are schools, hospitals, old-age homes, and public buildings, the division is highly dependent on public sector spending. Given the massive cuts to public spending in many of Forbo's key markets, investment in new buildings as well as in renovations are being postponed or even shelved completely. The restrictive spending policy is likely to intensify. Forbo has adjusted to this changed environment by strengthening its distribution structures and entering new customer segments such as shopfitting, offices, hotels, and gastronomy. These measures, however, will only bear fruit in the medium term. Operating profit (EBIT), which contains an impairment of CHF 4.0 million, declined by 19.3% to CHF 40.5 million compared with CHF 50.2 million in the same period the previous year. The EBIT margin declined from 12.0% in the prior-year period to 10.1%. The focus in the coming months will be on targeted marketing and distribution activities, developing new customer segments outside the public sector, and intensified efforts to expand in growth markets.

Given the ongoing downturn in construction activity in the Benelux countries, net sales of the **building and construction adhesives** activity (the continuing operation of Forbo Bonding Systems) declined from CHF 41.9 million in the first half of 2011 to CHF 39.5 million in the first half of 2012. In local currencies, this comes to a minimal decline of 0.5% versus the prior year (in Swiss francs, the decline was 5.7%). The sales downturn in the Benelux countries was offset in part by strong growth in the Russian

MEDIA RELEASE

HALF-YEAR REPORT 2012

PAGE 3 OF 3

market, where Forbo tapped the private residential market. Operating profit (EBIT) fell by 14.7% to CHF 8.1 million (prior-year period: CHF 9.5 million). The EBIT margin contracted from 22.7% to 20.5%. In the second half of 2012, the building and construction adhesives activity will focus its efforts on further developing the Russian market and its business in Eastern Europe.

Forbo Movement Systems reported net sales of CHF 161.7 million in the first half of 2012 (prior-year period: CHF 159.7 million), equivalent to an increase of 1.3% in both local currencies and Swiss francs versus the same period the previous year. The demand trend in the second half of 2011 continued into the first half of 2012. While demand in Europe remained very muted, some countries in the Asia-Pacific region reported double-digit growth rates. In China and Japan, Forbo's largest markets, however, demand weakened slightly. The positive sales uptrend continued in North America. Operating profit (EBIT) declined slightly by 3.3% to CHF 14.7 million compared with CHF 15.2 million in the same period the previous year. The EBIT margin contracted slightly from 9.5% to 9.1%. Also in the second half, the division will keep its focus on expanding its activities in the growth markets and on worldwide marketing of its range of plastic modular belts.

Outlook for 2012

Forbo expects that public-sector cost-cutting will continue and that the impact on its business, especially for new buildings and renovations, will intensify slightly. The measures Forbo launched some time back to reduce its dependence on the public sector by

developing new market segments are currently being implemented and will have the medium-term effect of offsetting the decline in demand from the public sector.

Assuming no major changes in other relevant conditions, Forbo expects to post somewhat higher net income from operations from continuing operations in the second half of 2012 than it did in the first six months of the year.

You can find further information in the electronic version of the 2012 half-year report published this morning on the Internet: www.forbo.com – Investor Relations – Financial Publications

Forbo is a leading manufacturer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. The company employs a workforce of some 5,000 and has an international network of 24 production facilities and distribution companies as well as about 40 sales organizations in 34 countries across the globe. The company generated net sales of CHF 1,203.8 million in the 2011 financial year and is headquartered in Baar in the canton of Zug, Switzerland.

The Group company Forbo Holding Ltd is listed on the SIX Swiss Exchange (securities number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

Contact person:
This E. Schneider
Delegate of the Board of Directors and CEO
Phone +41 58 787 25 49
Fax +41 58 787 20 49
www.forbo.com