flooring. bonding. movement.

MEDIA RELEASE
2011 BUSINESS YEAR

Strong organic growth of +7.5% in local currencies – solid development in operating profit – net income from operations higher after adjustment for currency effects – net debt completely eliminated – tax-free cash distribution of CHF 12.00

Despite the challenging conditions that persisted throughout 2011, Forbo again succeeded in substantially increasing sales and net income from operations in local currencies. In organic terms, the Group increased sales by 7.5% in local currency terms. As a result of the strong Swiss franc, however, negative exchange rate effects of 12.1% pushed down top-line growth in the corporate currency by 4.6% to CHF 1,707.2 million (previous year: CHF 1,789.7 million). Operating profit before depreciations and amortizations (EBITDA) declined by 14.7% to CHF 208.5 million (previous year: CHF 244.3 million) owing to a combination of negative exchange rate effects, further increases in the prices of raw materials, and exceptional expenses associated with the sale of the industrial adhesives activity. The Group's operating profit (EBIT) accordingly decreased by 14.6% from CHF 185.9 million the previous year to CHF 158.8 million. Group profit for 2011 of CHF 146.5 million, including extraordinary financial gain from the sale of securities, was 10.3% lower than in 2010 (CHF 163.3 million) but after adjustment for exchange rate effects, it is on a par with the previous year. The net debt of CHF 43.6 million the previous year was completely eliminated.

Baar, March 20, 2012

Solid sales growth
After getting off to a promising start in 2011, the economy cooled off again slightly in the second half of the year. Government debt – and the resulting turbulence on the financial markets – left their mark on the real economy too. Against this background, Forbo also had to contend with the strong Swiss franc. Nevertheless, all three divisions increased net sales in local currencies: Flooring Systems was up +3.0%, Bonding Systems +14.0%, and Movement Systems +7.7%. In regional terms, the Group reported the strongest growth in North/Central and South America (+12.6%), followed by Europe (+6.5%) and Asia/Australia/Africa (+2.8%).

Since Forbo generates about 98 percent of its sales abroad, particularly in the euro and dollar zones, local-currency sales lowered the total reported in the corporate currency by about CHF 216 million.

Profitability impacted by currency effects
Both operating profit before depreciations and amortizations (EBITDA) and Group operating profit (EBIT) decreased owing to a combination of the strong Swiss franc, further increases in raw material prices, and exceptional expenses associated with the sale of the industrial adhesives activity. Factoring out the significantly negative exchange rate impact, Forbo generated operating profit approximately on the previous year's level. The EBITDA margin declined from 13.7% in the prior-year period to 12.2%, while the EBIT margin decreased from 10.4% to 9.3%.

Change in the Bonding Systems division
The sale of the industrial adhesives activity, including synthetic polymers, belonging to the Bonding Systems division, which was announced in December 2011 and completed on March 5, 2012, has resulted in the figures for 2011 being reported for 'continuing operations' as well in some cases.

Group profit steady in local currencies
Group profit from operations declined by 5.3% to CHF 124.1 million (continuing operations: CHF 115.0 million), which was lower than the prior-year result of CHF 131.1 million. After adjustment for exchange rate effects, however, net income from operations increased.

Three factors were decisive for net income from operations. On the one hand, the strong Swiss franc and exceptional expenses associated with the sale of the industrial adhesives activity had a negative impact; on the other hand, the tax rate of only 16.9%, which was significantly lower than the previous year (24.0%), had a positive effect.

In the reporting year, as in the previous year, Forbo posted an extraordinary financial gain of CHF 22.4 million after taxes (previous year: 32.2 million) from the sale of Rieter shares. This comes out to Group profit for 2011 of CHF 146.5 million (continuing operations: CHF 137.4 million), which is 10.3% lower than the previous year (CHF 163.3 million). After adjustment for exchange rate effects, it is on a par with the previous year.

Performance of the three divisions
The **Flooring Systems** division reported net sales of CHF 805.0 million, equivalent to top-line growth in local currencies of 3.0% year-on-year. Negative currency effects of 10.9% pushed down sales by 7.9% in Swiss francs (previous year: CHF 873.9 million). The division's share of Group sales was 47.1%. Operating profit (EBIT) declined by 12.7% to CHF 117.6 million (previous year: CHF 134.7 million), with the bulk of this decline caused by exchange rate effects and higher-than-average increases in raw material prices. The EBIT margin decreased slightly to 14.6% (previous year: 15.4%).

The **Bonding Systems** division generated net sales of CHF 584.9 million (continuing operation: CHF 81.5 million); in local currencies, this marked a significant increase of 14.0% versus the previous year. Owing to negative exchange rate effects on the same scale, however, the result translated into a marginal increase in sales of only CHF 0.2 million in the corporate currency (previous year: CHF 584.7 million). The division's share of Group sales totaled 34.3%. Two of the major features in the year under review were once again the limited availability of important raw materials worldwide and the significant rise in raw material prices. The division largely offset the price increase by a number of measures designed to counteract sales price increases and by new formulations. However, exchange rate effects and various special expenses associated with the sale of the industrial adhesives activity had a negative impact on operating profit. Operating profit (EBIT) declined by 49.6% to CHF 19.0 million (previous year: CHF 37.7 million). The EBIT margin decreased from 6.4% the previous year to 3.1% in the reporting year.

The **Movement Systems** division generated net sales of CHF 317.3 million, equivalent to a substantial increase of 7.7% versus the previous year in local currencies. In Swiss francs, however, the result was a 4.2% decline in sales (previous year: CHF 331.1 million) owing to negative exchange rate effects of 11.9%. The division's share of Group sales was 18.6%. Despite negative exchange rate effects and higher raw material prices, operating profit (EBIT) rose significantly by 26.3% to CHF 32.2 million (previous year: CHF 25.5 million). The EBIT margin rose to 10.1% in line with this increase (previous year: 7.7%). These strong results are due in particular to the structural adjustments made in earlier years and to the organization's more global orientation.

Balance sheet significantly strengthened
As at end-December 2011, shareholders' equity stood at CHF 815.3 million (previous year: CHF 729.7 million), resulting in a substantial increase in the equity ratio, which rose from 48.8% to 54.3%. As at December 31, 2011, Forbo had cash, cash equivalents, and marketable securities amounting to CHF 205.3 million (continuing operations: CHF 192.5 million) plus 201,242 treasury shares valued at CHF 99.2 million at the year-end price. Net cash stood at CHF 13.4 million (continuing operations: CHF 0.5 million). The sale of the industrial adhesives activity for CHF 370 million will produce a significant cash inflow in 2012 in addition to the inflow of liquidity from operations.

Dividend of CHF 12.00
In view of the earnings situation, the Board of Directors will propose to the Ordinary General Meeting the distribution of a dividend of CHF 12.00 per share for 2011, the same as in the previous year. This dividend will be paid out to shareholders again as a tax-free distribution from capital contribution reserves.

Further proposals to the Ordinary General Meeting
At the Ordinary General Meeting, the Board of Directors will propose the re-election of its members Dr. Reto Müller and Vincent Studer for a three-year term of office.

Stronger into 2012
Flooring Systems, Movement Systems, and the building and construction adhesives activity are well positioned in their markets and offer promising business opportunities. Forbo will further strengthen its competitiveness and worldwide presence in 2012 by systematically expanding and targeting its activities in growth markets in order to drive forward expansion in these regions. Despite the great uncertainties surrounding the markets, Forbo expects sales to increase again in 2012. Forbo's excellent market positions, strong balance sheet, and proven strategy make it possible to evaluate external growth options that will strengthen the Group's portfolio and enable it to reinforce its leadership positions in the markets.

Assuming no significant deterioration in the current economic environment, particularly with regard to exchange rates, and assuming that raw material prices remain more or less at present levels, Forbo is aiming for Group profit for 2012 on a par with net income from operations (from continuing operations) in 2011, though, reduced by the higher tax rate.

You can find further information in the 2011 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 technology. Following the sale of the industrial adhesives and synthetic polymers activities, the company employs some 4,900 people and has an international network of 24 sites with production and distribution as well as 36 sales organizations in a total of 33 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

	2011 CHF m	2010 CHF m	Change Corporate currency	 Local currencies
Net sales	**1,707.2**	**1,789.7**	**-4.6%**	**+7.5%**
Net sales from continuing operations	***1,203.8***	***1,291.2***	***-6.8%***	***+4.4%***
Flooring Systems	805.0	873.9	-7.9%	+3.0%
Bonding Systems	584.9	584.7	0.0%	+14.0%
Bonding Systems from continuing operation	*81.5*	*86.2*	*-5.5%*	*+6.1%*
Movement Systems	317.3	331.1	-4.2%	+7.7%
EBIT	**158.8**	**185.9**		**-14.6%**
EBIT from continuing operations	***148.9***	***168.7***		***-11.7%***
EBIT margin	**9.3%**	**10.4%**		
EBIT margin from continuing operations	***12.4%***	***13.1%***		
Group profit, without an extraordinary gain from the sale of securities	**124.1**	**131.1**		**-5.3%**
Group profit, *without an extraordinary gain from the sale of securities; from continuing operations*	***115.0***	***117.0***		***-1.7%***
Group profit	**146.5**	**163.3**		**-10.3%**
Group profit from continuing operations	***137.4***	***149.2***		***-7.9%***

	2011 CHF	2010 CHF	
Earnings per share (undiluted)	**62.78**	**71.64**	**- CHF 8.86**
Earnings per share from continuing operations (undiluted)	***58.88***	***65.45***	***-CHF 6.57***