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Forbo is affected by the significant slump in demand

The effects of the global financial crises and the resulting marked economic slowdown are having a drastic impact on different industries. Many of Forbo's key markets such as the construction or the automotive industry as well as the capital goods sector are hit particularly hard. Directly or indirectly, Forbo has a strong presence in these industries. Many of Forbo's customers are struggling in this difficult environment. At the same time, a worldwide slump in demand has occurred. On top of this, markets such as the USA that are eminently important for Forbo have been hard hit by the recession.

Baar, December 23, 2008

Sales trend

Forbo's net sales were stable until the third quarter 2008. Since October, however, they have declined considerably compared to the previous year. Furthermore, net sales fell significantly in the course of November. Due to different measures of Forbo's customers in December – closure of production sites, compulsory vacation and the introduction of short time work – net sales for December are expected to be significantly lower than for the same month of the previous year.

Earnings trend

During the first six months of 2008, Forbo again posted a record result. Despite the difficult economic environment, earnings were still satisfactory in the third quarter of 2008. Owing to the sales trend in the past two months, though, the profit situation has deteriorated considerably. In addition, debtor risks have risen distinctly. Forbo initiated cost-cutting measures as early as October: these are now being implemented and will partially offset the consequences of the decline in net sales. However, based on the trend in earnings during the recent weeks, it is most likely that despite these measures the result of the second half of 2008 will not be in line with expectations.

Forbo expects that net profit resulting from ordinary operating activities for the full year 2008 will be slightly below the previous year. In addition, net profit could be negatively affected by potential provisions for restructuring. Accordingly, a decrease in Group profit resulting out of the operating activities to CHF 80 million cannot be excluded.

Participation in Rieter

The participation in Rieter Holding AG, Winterthur, accounts for 10 percent as already disclosed in the half year report as per June 30, 2008. As is generally known, Rieter is especially hard hit by the crisis, which is also reflected accordingly in its share price. Since Rieter's earnings are not expected to recover in the short term, Forbo has decided to make an appropriate impairment as of the year-end. This impairment could further reduce the net result by nearly CHF 70 million. The operating result at the level of EBITA respectively EBIT will not be affected by this measure.

Strengthening of the balance sheet

In a prolonged difficult economic environment, Forbo considers a strong balance sheet to be a competitive advantage. For this reason, Forbo

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has decided to evaluate selective asset categories at Fair Values. This valuation is effected in accordance with the applicable IFRS accounting standards (IAS 16).

Outlook 2009

Forbo does not expect a rapid recovery of the market situation and therefore assumes that the year 2009 will be significantly more challenging than 2008.

Due to the current difficult market conditions and the unpredictable development of the global economic situation, it is not possible today for Forbo to make any forecasts in terms of net sales or Group profit for the business year 2009.

Forbo is a leading producer of flooring systems, adhesives as well as power transmission and conveyor belt solutions.

The company employs some 6,500 people and has an international network of 42 production companies with distribution, and 47 sales organizations in a total of 35 countries, generating annual net sales of over CHF 2 billion. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

Forbo Holding Ltd is listed on the SIX Swiss Exchange (security number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.s).

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