Half-Year Report 2007

Firm sales growth
Significant improvement in margins
Strong increase in net profit

flooring.bonding.movement.

Forbo remains on track for success and is growing in all three divisions

Forbo Group – a leading manufacturer of flooring systems, chemical bonds and adhesives, as well as power transmission and conveyor belt solutions – reported a strong 73.9% increase in net profit in the first half of 2007. Net sales came to CHF 1,003.5 million, 7.5% more than in the prior-year period. Operating profit (EBIT) also increased significantly by 32.7% compared with the prior-year period. All three divisions reported further progress and contributed to this encouraging result.

Dear shareholders,

Forbo Group can look back on a successful first half of 2007. Forbo again significantly increased its profits in the first six months of 2007 on the strength of the excellent economic situation, the successful implementation of its change in strategy and the effectiveness of the measures taken to increase earnings.

Firm sales growth in all three divisions
In the first half of 2007, Forbo increased net sales by 7.5% (5.5% in local currencies) compared with the prior-year period to CHF 1,003.5 million. Growth in our key markets Central, South and Eastern Europe was particularly pleasing, while demand in America leveled off to some extent. All three divisions were instrumental in the Group's robust growth.

Substantial increase in profitability
Operating profit before depreciation and amortization (EBITDA) improved substantially in all three divisions, rising to CHF 103.6 million, representing an increase of 19.5% compared with the prior-year period. Operating profit (EBIT) rose by 32.7% to CHF 73.1 million.

Significant improvement in margins
All three divisions increased their operating profit margins significantly. The EBITDA margin as a percentage of sales improved from 9.3% in the prior-year period to 10.3%. The EBIT margin as a percentage of sales rose from 5.9% to 7.3%.

Strong increase in net profit
Group profit increased by CHF 19.8 million compared with the prior-year period to CHF 46.6 million, corresponding to a rise in net profit of 73.9%. As a result of higher investments, free cash flow was virtually unchanged in relation to the prior-year period at CHF 6.7 million.

Sound equity base
Equity as per end of June 2007 stood at CHF 691.2 million, corresponding to an equity ratio of 43.4%.

Positive development in all divisions

Forbo Flooring Systems reported sales of CHF 430.2 million in the first half of 2007, corresponding to a growth of 9.2% versus the prior-year period. The growth rate in local currencies was 5.7%. The strong development in net sales in all core markets was supported by positive economic conditions. The main drivers were new product launches for the commercial segment and the expansion in new markets in Eastern Europe. Against a background of an increasing demand for ecological products, the most important flooring segment linoleum – environmentally friendly and manufactured from renewable resources – was expanded further. Operating profit (EBIT) also rose by 35.1% to CHF 41.6 million compared with the prior-year period. This corresponds to an EBIT margin of 9.7%. Forbo Flooring Systems remains focused on the commercial segment and is planning to expand its presence in growth markets.

Forbo Bonding Systems reported sales of CHF 390.0 million in the first half of 2007, corresponding to a growth of 6.1% versus the prior-year period. The increase came to 4.9% in local currencies. The somewhat muted sales trend in North America was offset by a pleasing upswing in Europe and Asia. The construction, transportation, paper and packaging market segments in particular contributed to this positive trend. In the period under review, a third reactor for synthetic polymers in North America and a new plant for leveling compounds in Russia were brought on stream. Operating profit (EBIT) also increased by 14.0% to CHF 29.4 million compared with the prior-year period. Compared to the first half of 2006, the EBIT margin improved by 0.5 percentage points to 7.5%. The impact of higher prices for raw materials was offset by measures to enhance productivity.

Forbo Movement Systems reported sales of CHF 183.3 million in the first half of 2007, corresponding to a growth of 6.7% versus the prior-year period. The increase came to 6.1% in local currencies. This sales growth was driven by specific expansion of marketing and sales activities, intensified focus on services and additional product innovations for the food-processing and printing industries. This division expanded its presence in Eastern Europe and Asia-Pacific, leading to better-than-average growth in these regions. Operating profit (EBIT) almost doubled compared with the the prior-year period, increasing by 97.8% to CHF 9.1 million. The EBIT margin of 5.0% was substantially higher than the prior-year period figure of 2.7%. Another important step towards improving the profitability of this division was thus taken. Forbo Movement Systems will continue to pursue the strategy it has adopted and focus on highly profitable market segments.

Outlook for 2007

The economic environment has had a favorable impact on our business activities this year to date. If the economy continues to develop positively, we expect the result in the second half of 2007 to be similarly gratifying.

Dr. Albert Gnägi	This E. Schneider
Chairman of the Board	President and CEO

Forbo Holding Ltd
Baar, August 21, 2007

Summary of consolidated Income Statement

Unaudited, CHF m	First half 2007	First half 2006
Net sales	**1,003.5**	**933.1**
Cost of goods sold	–661.9	–624.6
Gross profit	**341.6**	**308.5**
Operating expenses	–268.5	–253.4
Operating profit	**73.1**	**55.1**
Financial expense, net	–5.8	–13.4
Group profit before tax	**67.3**	**41.7**
Income taxes	–20.7	–14.9
Group profit	**46.6**	**26.8**
Operating profit before depreciation and amortization (EBITDA)	103.6	86.7
Earnings per share in CHF (basic)	18.12	10.36
Earnings per share in CHF (diluted)	18.06	10.31

Summary of consolidated Balance Sheet

Unaudited, CHF m	30.6.2007	31.12.2006
Non-current assets	**604.5**	**593.4**
Tangible and intangible assets	577.7	570.7
Deferred taxes, investments in associates and other non-current assets	26.8	22.7
Current assets	**987.4**	**905.2**
Inventories	304.1	266.7
Trade and other receivables, prepaid expenses and deferred charges	395.2	344.4
Cash and cash equivalents	288.1	294.1
Total assets	**1,591.9**	**1,498.6**
Shareholders' equity	**691.2**	**638.6**
Non-current liabilities	**310.0**	**304.4**
Non-current financial debt	210.9	209.1
Employee benefit obligations, provisions and deferred taxes	99.1	95.3
Current liabilities	**590.7**	**555.6**
Trade payables	140.9	131.5
Current financial debt	128.5	128.3
Provisions and accrued expenses, tax and other liabilities	321.3	295.8
Total shareholders' equity and liabilities	**1,591.9**	**1,498.6**

Summary of consolidated Cash Flow Statement

Unaudited, CHF m	First half 2007	First half 2006
Cash flow from operating activities	**43.2**	**25.3**
Cash flow from investing activities	**–36.5**	**–18.8**
Cash flow from financing activities	**–18.6**	**–194.9**
Increase (+)/decrease (-) in cash and cash equivalents	–11.9	–188.4
Translation differences	5.9	–0.5
Cash and cash equivalents at January 1	294.1	404.6
Cash and cash equivalents at June 30	**288.1**	**215.7**

Summary of consolidated Statement of recognized Income and Expenses in Shareholders' Equity

Unaudited, CHF m	First half 2007	First half 2006
Group profit	46.6	26.8
Fair value adjustments of financial instruments	1.2	–0.1
Translation differences	17.4	–10.8
Total income and expenses recognized in shareholders' equity	**65.2**	**15.9**

Summary of consolidated Statement of Changes in Shareholders' Equity

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
At January 1, 2007	**54.3**	**–3.5**	**727.1**	**–139.3**	**638.6**
Group profit			46.6		46.6
Total income/expenses recognized in shareholders' equity			1.2	17.4	18.6
Treasury shares		–0.3	–12.3		–12.6
At June 30, 2007	**54.3**	**–3.8**	**762.6**	**–121.9**	**691.2**
At January 1, 2006	**54.3**	**–1.6**	**647.8**	**–142.4**	**558.1**
Group profit			26.8		26.8
Total income/expenses recognized in shareholders' equity			–0.1	–10.8	–10.9
Treasury shares		–1.6	–25.7		–27.3
At June 30, 2006	**54.3**	**–3.2**	**648.8**	**–153.2**	**546.7**

Notes to the consolidated half-year Financial Statements (unaudited)

1. Accounting principles

This summary of the consolidated interim financial statement covers the six-month period from January 1, 2007 to June 30, 2007 (hereinafter 'reporting period') and was drawn up in accordance with the International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. The consolidated half-year financial statements do not include all information reported in the consolidated full-year financial statements and should therefore be read in conjunction with the consolidated financial statements at December 31, 2006.

The consolidated half-year financial statements have not been audited by the Group auditors. They were approved for publication by the Board of Directors on August 16, 2007.

The preparation of the consolidated half-year financial statements requires management to make estimates and assumptions that can affect reported revenues, expenses, assets, liabilities and contingent liabilities at the date of the consolidated interim financial statements. If the estimates and assumptions made to the best of their knowledge by management at the date of the financial statements differ from the actual facts, the original estimates and assumptions will be adjusted in the reporting period in which the facts have changed.

The consolidated half-year financial statements do not contain any new estimates and assumptions by management compared with the consolidated financial statements at December 31, 2006. Earnings and expenses which are not incurred on a straight-line basis during the business year are only deferred if such deferral was justified at year-end. Income tax expenditure is estimated on the basis of average actual tax rates during the current business year.

The actuarial calculation of pension liabilities and assets is made at the end of the year. The impact of this calculation on equity is not stated in the consolidated half-year financial statements. For this reason, no actuarial profit or loss is reported in the reporting period.

2. Changes in scope of consolidation

There were no significant changes in the scope of consolidation in the reporting period.

3. Segment information

CHF m	**Flooring Systems**		**Bonding Systems**		**Movement Systems**		**Group**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Net sales	**430.2**	393.8	**390.0**	367.5	**183.3**	171.8	**1,003.5**	933.1
EBITDA	**55.5**	47.0	**37.3**	32.9	**16.1**	11.7	**103.6**	86.7
EBIT	**41.6**	30.8	**29.4**	25.8	**9.1**	4.6	**73.1**	55.1
EBIT margin in %	**9.7**	7.8	**7.5**	7.0	**5.0**	2.7	**7.3**	5.9
Group profit							**46.6**	26.8
Number of employees							**5,839**	5,874

Information on the segments can be found on page 3 of this Report.

4. Balance sheet

Total assets grew by around 6% to CHF 1,591.9 million mainly because of the seasonal increase in operating working capital and owing to translation effects. Investments in tangible assets amount to CHF 27.6 million and are slightly lower than depreciations of CHF 29.9 million. The funds were used primarily to finance projects designed to expand production capacity, to improve efficiency and to develop new markets.

Shareholders' equity increased by CHF 52.6 million from CHF 638.6 million to CHF 691.2 million compared with December 31, 2006. The increase mainly reflects the Group profit for the first half of 2007, amounting to CHF 46.6 million. The positive impact of CHF 17.4 million from the translation of the half-year financial statements of subsidiaries into the Group currency was partially offset by costs of CHF 12.6 million connected with the acquisition of the company's treasury shares. As per June 30, 2007, the equity ratio stood at 43.4%.

Net debt increased slightly by CHF 8.0 million from CHF 43.3 million to CHF 51.3 million compared with December 31, 2006. Compared to the end of the previous business year, the amount and structure of interest-bearing debt remained unchanged. Accordingly, the increase in net debt is due mainly to the decrease of CHF 6.0 million in cash and cash equivalents. Gearing (net debt/shareholders' equity) stood at 7.4% as per end of June (compared with 6.8% as per year-end 2006).

5. Income statement

Compared with the prior-year period, net financial expense declined appreciably by CHF 7.6 million mainly due to the repayment of a bond on June 8, 2006 in the amount of CHF 150 million. In the reporting period, it came to CHF 5.8 million. Income tax amounted to CHF 20.7 million, equating to a tax rate of 30.8%. The tax rate in the prior-year period was 35.7%. Group profit improved to CHF 46.6 million, corresponding to an increase of 73.9% compared with the prior-year period. The basic earnings per share were CHF 18.12.

6. Free cash flow

Free cash flow was virtually unchanged compared with the prior-year period at CHF 6.7 million. Cash flow from operating activities of CHF 43.2 million, which was substantially higher than in the prior-year period, was offset by higher investments of CHF 36.5 million. Cash flow from investing activities contains primarily investments in fixed assets (CHF 27.6 million) and acquisitions (CHF 9.9 million). This mainly involves an earn-out payment.

7. Main exchange rates applied

The following exchange rates have been applied for the most important currencies concerned:

		Income statement (average rate, 6 months)		Balance sheet (rate on balance-sheet date)	
CHF		**2007**	**2006**	**30.6.2007**	**31.12.2006**
Euro countries	EUR 1	1.63	1.56	1.65	1.61
USA	USD 1	1.23	1.27	1.23	1.22
Japan	JPY 100	1.02	1.10	1.00	1.03

Dates:

Media and financial analysts' conference: March 18, 2008

Annual General Meeting: April 25, 2008

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