

ANNUAL REPORT

2001

Linoleum

Vinyl

Adhesives

Belting



Our Annual Report comprises two parts, the general report and the financial report. It is published in German and is also available in English.

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Forbo

- Forbo is a producer of floor coverings and industry specialties. The Group employs some 5,200 people worldwide and has an international network of 22 production companies in 12 countries and 58 marketing organizations in 26 countries. Forbo's Head Office is located in Eglisau/Zurich (Switzerland).
- Forbo develops, produces and markets floor coverings mainly in the form of linoleum and vinyl whilst its industry specialties include adhesives and synthetic drive and conveyor belts.
- Forbo has an attractive product portfolio and well-established brand names. Globally, the Group has a leading position in Belting and notably is the world leader in Linoleum with a world market share of 60 %. The Adhesives Business has strong positions in selected European growth market segments to be expanded on the global scale as well.
- Forbo's strategy is focused on the Group's core businesses, i.e. products and markets with growth perspectives and high profitability. In the four Strategic Business Units Linoleum, Vinyl, Adhesives and Belting, the Group concentrates on promising core products aimed at the sustainable enhancement of the company value through organic growth, targeted acquisitions, and consistent market orientation.

Key Figures¹⁾

Forbo Group	2001	2000	2001	2000
	Mio CHF	Mio CHF	Mio EUR ²⁾	Mio EUR ²⁾
Net sales	1,485.1	1,776.8	982.2	1,138.8
Divested activities	130.8	359.3	86.5	230.3
Flooring	787.4	828.0	520.8	530.7
Industry Specialties	566.9	589.5	374.9	377.8
Continued operations	1,354.3	1,417.5	895.7	908.5
Change on previous year (%)	-4.5	+5.1		
Operating profit before depreciation	179.4	234.5	118.7	150.3
As % of net sales	12.1	13.2		
Operating profit	88.9	130.6	58.8	83.7
Divested activities	3.2	4.0	2.1	2.6
Continued operations	85.7	126.6	56.7	81.1
Change on previous year (%)	-32.3	+6.7		
As % of operating assets (ROA)	7.9	11.3		
Consolidated profit	51.8	90.7	34.3	58.1
Change on previous year (%)	-42.9	+5.3		
As % of average shareholders' equity	7.1	11.3		
Capital investments	66.4	68.3	43.9	43.8
Total assets	1,331.6	1,526.6	880.7	978.4
Shareholders' equity	652.2	813.9	431.3	521.6
Equity ratio (%)	49.0	53.3		
Net debt	235.2	156.7	155.6	100.4
As % of shareholders' equity (gearing)	36.1	19.3		
	Number	Number		
Employees (31.12.)	5,145	5,832		
Employees of divested activities	—	547		
Employees of acquired activities	84	—		
	m CHF	m CHF	m EUR ²⁾	m EUR ²⁾
Free cash flow (before dividends)	73.7	89.3	48.7	57.2
Economic Value Added (EVA®) ³⁾	-2.1	20.8	-1.4	13.3
Stock market capitalization (at 31.12.)	659.0	1,068.0	435.8	684.5
	CHF	CHF	EUR ²⁾	EUR ²⁾
Per share data				
Earnings per share	37.84 ⁴⁾	61.98	25.03	39.72
Shareholders' equity	499.78	556.24	330.54	356.50
Dividend per share	22.00 ⁵⁾	22.00	14.55	14.10
Payout ratio (%)	58.1	35.5		

¹⁾For explanatory notes, see Financial Report

²⁾CHF values translated at year-average rate of CHF 1.5120/1 EUR (2001) and 1.5603/1 EUR (2000)

³⁾Registered trademark of Stern, Stewart & Co.

⁴⁾Based on average shares outstanding, based on year-end position CHF 39.69

⁵⁾Proposal of the Board of Directors

To our Shareholders

Dear Ladies and Gentlemen

Sharper Focus

In the business year 2001, Forbo continued its restructuring process to become a focused, market-oriented company. In view of the weak economic situation worldwide, this is more important than ever: Only convincing products and satisfied customers can be the basis of a business activity aimed at profitable growth. As of October 1, 2001, the Carpet Business was taken over by its own management and continues to trade as an independent unit. Forbo still holds a share of 25% in this enterprise. This concludes the planned concentration on four strategic core businesses: Linoleum and Vinyl (Flooring) on the one hand, Adhesives and Belting (Industry Specialties) on the other hand. Each business has an attractive cash flow, is profitable and pursues a value-oriented strategy.

Satisfactory sales, lower profit

Respectable return on sales

Sales of continued businesses reached CHF 1,354 million (previous year: CHF 1,418 million) in spite of a difficult situation. Compared with the previous year, this corresponds with a decline by 0.5% in local currencies or 4.5% in Swiss Francs. In consequence of a so far unparalleled accumulation of negative influences, the operating profit and the consolidated profit decreased significantly more than sales. The operating profit of CHF 89 million decreased by 32%. The operating profit of CHF 52 million is still considerable, but yet remains far below the result reached in the peak year 2000. The return on sales was at 3.5%.

Acquisitions strengthen the Adhesives Business

Leadership in the shoe adhesives market

The intention to grow the core business through acquisitions, among others, materialized with three acquisitions in 2001: With the acquisition of Spanish adhesives manufacturer Carzuh, S.L., Forbo succeeded in realizing a strategically important geographic expansion. This acquisition opens up the markets of Spain and Portugal to Forbo. Spain represents some 10% of the European adhesives market and has a substantial growth potential. Today, Forbo has a leading position in the shoe adhesives market following the takeover of the corresponding activities from Salamander Industrie-Produkte GmbH and Sika Tivoli GmbH in Germany, with a cumulated sales volume of CHF 6 million. A further transaction was made in early 2002 with the purchase of SABA Klebstoff- und Abdichtungssysteme GmbH (Germany), a leading producer of adhesives for car interior trims.

Expanding the Business with Adhesives

In the year under review, negotiations were conducted on the purchase of the adhesives activities of US-based Reichhold Inc., integrated under the name of Swift. The planned transaction includes all Swift adhesives activities in Europe, USA, Canada and Latin America, representing an annual sales volume of currently about CHF 400 million, CHF 240 million of which alone in North America. With the conclusion of negotiations planned for spring 2002, Forbo as a European producer will become a global player in the Adhesives Business as well. As a result, the focus in the Forbo portfolio will shift to Industry Specialties, and Adhesives will become the strategic core business with highest sales.

Successful share buy-back

Almost all options were exercised

Forbo repurchased 156,974 units of its own shares in the context of the share buy-back program approved of at the occasion of the last Annual General Meeting of Shareholders. The transaction was carried out in two tranches, starting in May 2001 with the issue of tradable put-options. The average price of an option linked to one share was approximately CHF 20. This program was most successful: 98.9% of all options were exercised, corresponding with 103,374 shares or CHF 109 million. In a second step, another 53,600 shares worth CHF 38 million were purchased through a second trading line at the SWX Swiss Exchange. The repurchase of additional shares was stopped when there were signs of a possible, substantial acquisition in September 2001. Out of the originally planned amount of up to CHF 200 million for the share buy-back program, shares worth CHF 147 million were repurchased. All in all, 10.4% of the share capital were bought back. The shares will be eliminated.

Earnings per share

Earnings per share increase through share buy-back program

Related to the number of shares at the end of the year, the 2001 Forbo earnings per share (EPS) was CHF 40 compared with CHF 62 in the previous year. The share buy-back program resulted in an earnings per share increase, meaning that the decrease of the earnings per share of 36% is less pronounced than the decrease of the absolute profit.

Good liquidity allows unchanged dividend

High operating cash flow

Despite a 23.5% decline, the operating cash flow (EBITDA) is still on an attractive level of CHF 179.4 million or 12.1% of sales. Effective working capital management and cautious investment policy again resulted in a high level of free cash flow. This amount – before dividend, and not taking into account acquisitions and divestments – reached CHF 74 million compared with CHF 89 million in the previous year.

Net debt developed as planned

Net debt on the key date of December 31, 2001 was CHF 235 million, meaning that it increased by only CHF 78 million in spite of the share buy-back program of CHF 147 million. The divestment of the Carpet Business and the acquisitions made during the year resulted in CHF 41 million net to the reduction of debt. Thus, the balance sheet is as solid as before. The equity ratio is at the high level of 49% (previous year: 53%), even after the share buy-back. Thanks to this high equity capitalization, the purchase of the Swift adhesives activities can be entirely financed with borrowed capital, which still leaves the balance sheet with an equity ratio of about 40%.

Continuity of dividend

In view of the profitable business activity and notably the good liquidity, the Board of Directors proposes to the Annual General Meeting of Shareholders for the distribution of an unchanged dividend of CHF 22 per registered share. The unchanged dividend will also reflect the positive view of the future business trend. As a result of the share buy-back program, the amount to be distributed will decrease to CHF 29 million after CHF 32 million in the previous year.

Personnel changes

Board of Directors

The terms of office of Dr. Anton Bucher, Peter van Duursen, Dr. Gerd Hofmeister, Karl Janjóri and Dr. Willy Kissling – Members of the Board of Directors – will expire by the 2002 Annual General Meeting of Shareholders. Mr. van Duursen will retire from the Board of Directors for reasons of age. We thank him for his active and most valuable contribution since 1994. The other gentlemen may be re-elected. Drs. Pieter P. A. I. Deiters, lic. oec. HSG, will be proposed for election as a new member to the Board of Directors. Mr. Deiters is a Dutch citizen and resident of Switzerland. He is a member of the Board of Directors and consultant to industrial enterprises and international institutions, such as the European Bank for Development and Reconstruction.

Executive Board

Last year, the Executive Board was rejuvenated. As planned, Richard S. Pemberton, previously responsible for the linoleum activities in Great Britain, was appointed head of the Vinyl Business effective May 1, 2001. His predecessor, Drs. Antonie J. Pluijmert, saw his well-earned retirement. As of June 1, Dr. Paul J. Hälgi, former CEO of Gurit-Essex AG, took over the responsibility for the Adhesives Business from Werner von Kuensberg, who will serve the company on different projects until reaching retirement age at the beginning of 2003. With their competence and commitment, Mr. Pluijmert and Mr. von Kuensberg have made an essential contribution to Forbo's development for many years, for which we owe them our sincerest thanks.

Long-term objectives are being maintained

Outlook

As a manufacturer of floor coverings and industry specialties, Forbo is operating in a short-term-oriented business. As a result, Forbo would directly benefit from a reversal of the current recession. The cost-cutting measures taken would quickly lead to a more than proportional profit recovery. Basically, we are therefore going to adhere to our long-term objectives, although slightly reduced for the year 2004. The operating profit before depreciation and amortization in percent of net sales (EBITDA on Net Sales), presently is 12 % (compared with 14 % in the previous year), the objective being 15 % by 2004. The operating profit (before amortization on goodwill) as a percentage of operating assets (EBITA on Operating Assets), currently is 8 % (previous year: 11 %), the objective being 13 % until 2004. Sales are expected to clearly exceed the CHF 2,000 million threshold by 2004. The planned acquisition of Swift represents a significant step towards this objective.

Thanks

In the name of the Board of Directors and the Executive Board, we would like to thank you, our shareholders, for your trust in and your loyalty to our company. We would also like to thank our loyal customers.

In the past year, many difficulties had to be mastered, and being successful was harder than ever. This is the reason why we would like to extend our very special thanks to all our employees for their extraordinary commitment.



Karl Janjóri,
Chairman of the
Board of Directors



Werner Kummer,
Chief Executive Officer
and Chairman of
the Executive Board

Forbo Group:

Economic Slow-Down Claims Tribute

The year 2001 was overshadowed by numerous tragic and dramatic events. Years of global economic boom were followed by a clear recession in important markets as of the second quarter. This was not without consequences for Forbo as well. Nevertheless, sales of the continued activities reached CHF 1,354 million (previous year: CHF 1,418 million). Compared with the previous year, this is a decrease by 0.5 % in local currencies, or by 4.5 % in Swiss Francs. Business activity slowed down especially from the third quarter and stagnated in the fourth quarter 3.2 % below last year's level (in local currencies). The operating profit decreased by 32 % to CHF 89 million, consolidated profit reached CHF 52 million. This means that, despite an accumulation of negative influences, we recorded a respectable return on sales of 3.5 % after 5.1 % in the peak year 2000.

An overview of business development

Flooring was declining due to currency movements

The Linoleum Business recorded a sales growth of 1.8 % in local currencies. Resulting from currency movements however, there was a slight decrease by 2.7 % to CHF 400 million (previous year: CHF 411 million). Except for Germany and Austria, the sales trend was upwards in all markets, notably in the USA. In Western Europe, Vinyl suffered from weak demand for foam-coated products in the lower price segment. This could only partly be compensated by good sales growth in Eastern Europe, so that sales in local currencies decreased by 3.1 %. Here, too, currency movements had a negative effect, and on a Swiss Franc basis, sales declined by 6.6 % to CHF 324 million (compared with CHF 346 million in 2000).

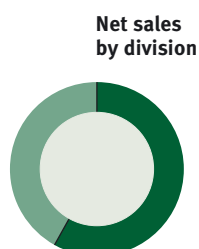
Dynamic development of Adhesives

There was brisk demand for Adhesives growing 9.2 % in local currencies and 6.0 % in acquisition-adjusted terms. Sales also rose by 6.3 % expressed in Swiss Francs to CHF 219 million (after CHF 206 million in the previous year). Both wall/floor adhesives and adhesives for industrial applications contributed to this development. This is a particular achievement in view of the difficult conditions prevailing in the adhesives market. It demonstrates the success that is possible with a clear focus on individual market segments and the use of market and cost synergies – the objective of our acquisition efforts, among others.

Belting suffers from a lack of demand

The Belting Business suffered a decline by 5.3 % in local currencies, reflecting the overall weak demand for capital goods. On a Swiss Franc basis, sales dropped by 9.3 % to CHF 348 million (2000: CHF 383 million). The replacement business provided some positive stimuli, though.

	m CHF 2001	Change on previous year effective %	currency adj. %	%
Flooring	787.4	-4.9	-0.6	58.1
Industry Specialties	566.9	-3.8	-0.3	41.9
Total	1,354.3	-4.5	-0.5	100.0
Divested activities*	130.8	-	-	-



*Net sales 2001 January–September

Geographic distribution

Decline of sales in the USA and in Asia

Expressed in local currencies, Switzerland, France, Southern Europe and especially Eastern Europe could record a sales plus. Sales were declining particularly in the United Kingdom, USA, and Asia, mainly due to the development of business in Belting.

Shift in weighting of sales

With the concentration on the core businesses, the sales break-down by geographical areas has also changed. The relative importance of the Benelux countries, Germany, and Switzerland has declined in terms of sales, whereas France, Southern and Eastern Europe and the USA have become more significant. The sales portion of the Americas is slightly below 15 % (compared with 13.6 % in the previous year), and this figure is bound to rise essentially in the wake of acquisitions.

Net sales by geographic area
(excluding divested activities)

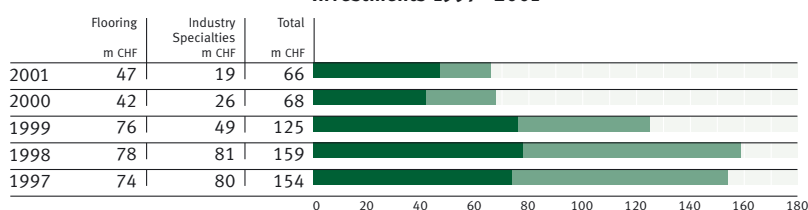
	%	Change on previous year effective %	currency adj. %	m CHF 2001
Germany	16.7	-4.0	-1.0	225.9
Benelux	15.4	-4.4	-1.5	209.0
Americas	14.8	-7.3	-6.7	200.4
Scandinavia	11.3	-12.4	-1.9	153.4
France	10.2	1.5	4.6	137.8
Asia/Africa	9.3	-11.9	-4.0	125.5
Southern Europe	6.6	5.2	7.2	89.2
United Kingdom	5.9	-13.9	-10.1	80.2
Switzerland	5.4	4.1	4.1	73.8
Eastern Europe	4.4	30.2	37.0	59.1

Capital investments

Investments lower than depreciations and amortizations

Following massive investments in the previous years, the investment volume could be kept nearly constant at CHF 66 million after CHF 68 million in 2000. As a result, investments are CHF 24 million below depreciations and amortizations. Essential projects in Flooring were the global introduction of SAP software, the expansion of the production plant for sound-absorbing Vinyl in Reims (France), and a new oxidation plant for the production of linoleum in Krommenie (The Netherlands). The Adhesives Business invested in the capacity expansion for the production of hot-melt adhesives in Pirmasens (Germany). For the current year, a similar investment volume is being planned, focusing on the introduction of SAP software in the entire Group.

Investments 1997–2001



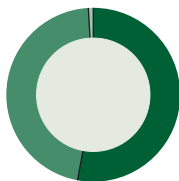
Employees

Job reduction as a result of business development

At the end of 2001, Forbo had 5,145 employees, 687 less than in the previous year. 463 of these result from changes in the scope of consolidation (divestment Carpet Business –547, acquisition Carzuh +84). The termination of 224 jobs was unavoidable for reasons of capacity adjustment and structural changes. The reduction was most pronounced in the Belting Business in the USA, but also in Asia and Europe. At the same time, the middle management level was considerably strengthened to better satisfy the higher requirements of the company. This is also a measure for creating a platform which will allow senior managers to be increasingly recruited from within the company.

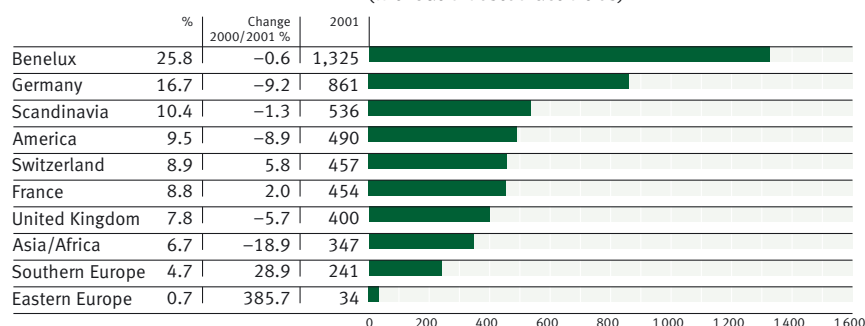
Employees by division

	2001	Change 2000/2001 %	%
Flooring	2,723	–1.9	52.9
Industry Specialties	2,377	–3.8	46.2
Group HQ	45	15.4	0.9
Total	5,145	–2.6	100.0
Divested Activities	547*	–	–



* At date of divestment

Employees by geographic areas (without divested activities)



Specific provisions

Specific provisions
completely used up

Of the specific provisions of CHF 70 million (after tax) made at the end of 1999 for implementing the new strategy, CHF 18 million were available at the beginning of the reporting year. This amount was completely used up in the business year 2001. Group wide, secondary sites, partly with their own small production and warehousing, were closed or moved. CHF 1 million was used for restructuring Belting activities in Asia, and CHF 2 million for adjustments in the European Adhesives Business. The restructuring of the Vinyl Business absorbed CHF 9 million, the major part of which was used for valuation adjustments of production facilities that were utilized at low capacity. The divestment of the Carpet Business absorbed CHF 6 million. As a result, the essential objectives of the Group's strategic renewal have been reached with the focus on its four core businesses.

Profit development

Lower profits after
peak year 2000

The business year 2001 finishes with essentially lower profits than the record year 2000, and is thus below the original expectations. This is the consequence of an accumulation of negative influences. Therefore, the year 2001 must be considered an exceptional year. The total operating profit is CHF 89 million. Compared with the CHF 131 million of the previous year, this is a decrease by 32%. Continued activities alone reached an operating profit of CHF 86 million or also 32% below the previous year's level on a comparable basis. In the first half of 2001, the decrease compared with the previous year was still at 11.4%, but in the second half-year, profits dropped 51.2% below the previous year's level due to the extremely difficult economic situation and contrary to expectations. The operating profit as a percentage of operating assets (EBITA on Operating Assets), adjusted for divestments, is 8%, compared to 11% in the previous year.

Accumulation of negative impacts

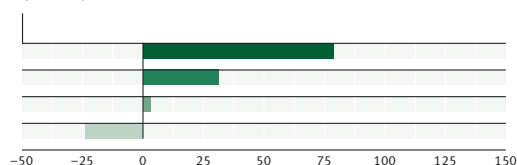
The main reasons for the profit decrease are as follows:

- The devaluation of the Euro against the Swiss Franc by more than 3 % in the course of the year accounted for CHF 3 million.
- There was intensive price pressure in all businesses which could only partly be offset by higher productivity.
- Measures taken in response to the weaker business trend and lower capacity utilization caused costs of some CHF 3 million.
- In the Linoleum Business, higher costs of raw materials, energy, labor and marketing could only partly be offset through increases in productivity.
- Vinyl for industrial uses recorded strong sales losses for applications in the electronics industry.
- Belting suffered from a sales decline as a result of the downturn of the business cycle, which could not be fully compensated by lower costs.
- Three essential acquisition projects, ready to be concluded, failed in their final phase and incurred costs of some CHF 3 million.

	m CHF 2001	Change 2000/2001 %	ROA* 2001 %
Flooring	78.6	–20.6	13.8
Industry Specialties	31.0	–35.1	6.6
Divested activities	3.2	n/a	n/a
Group HQ/Consolidation	–23.9	n/a	n/a

* Return on Assets (EBIT in % of operating assets)

EBIT by division
(m CHF)



Financial result weaker

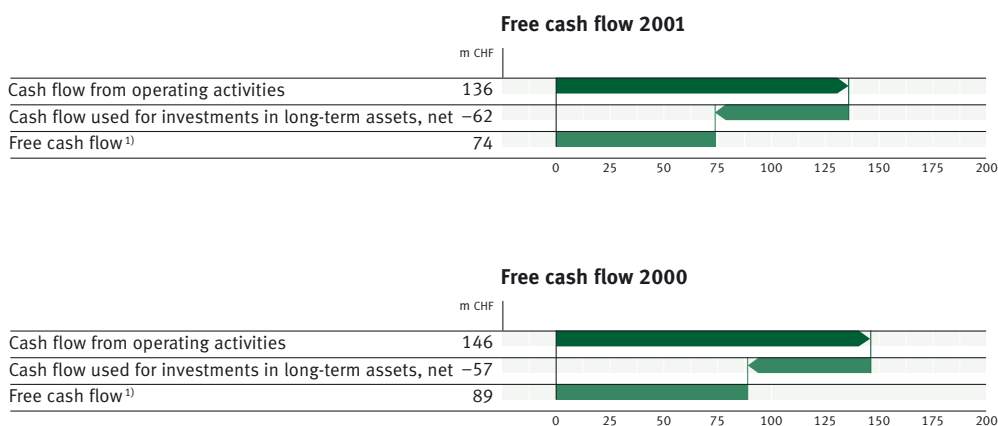
Net financial expenses of CHF 16 million had a stronger negative impact on consolidated profit than in the year 2000 (CHF 5 million). In the previous year, capital gains of CHF 9 million were realized with securities, whilst the year under review saw valuation losses of CHF 1 million. The resulting consolidated profit is CHF 52 million – 43 % below the previous year – due to a clearly lower operating profit, higher financial expenses, and weaker exchange rates.

Economic Value Added weaker

Forbo's strategy is aimed at enhancing the company's value. This will materialize only when the return on assets employed is above the weighted average cost of capital (WACC). Due to the decline of the net operating profit after taxes (NOPAT) and increased cost of shareholder's equity as a result of a more volatile share price, this objective could not be met in the year under review. While in 2000, the Economic Value Added (EVA®) was CHF 21 million, the EVA® achieved in the year under review was minus CHF 2 million. Details of this calculation can be found in the Financial Report on page 7.

High free cash flow

The free cash flow (before dividends) was CHF 74 million in the year under review. This does not include the effects of the divestment of the Carpet Business and the acquisitions with a net cash inflow of CHF 41 million. Lower capital investments and the reduced need for net current assets had a positive impact on the free cash flow. Based on the continued businesses, net current assets were 28.5 % of sales (after 32.0 % in the previous year) – a considerable achievement in view of the overall economic climate.



¹⁾ Before dividend, acquisitions and divestments

Cost-cutting measures

Structural adjustments

In response to signs of declining profits in the second quarter, a cost-cutting campaign was launched. This manifested itself in the number of employees that decreased by more than 220 on a comparable basis. All the four core businesses adjusted their structures to the new demand situation and screened them in view of their optimization potential. As a result, several sales offices were integrated, and the number of warehouses was reduced. Now, Forbo can start the year 2002 with lower fixed costs.

Numerous projects were continued

In the course of the strategy implementation, numerous projects for enhanced market coverage, product innovation, and higher efficiency were continued as planned in spite of high cost pressure, since in the long run, these projects will yield a sustainable potential for profit increase and cost reduction. Special efforts were made with the introduction of standardized SAP software in Flooring. Now, this software will also be implemented in the other Business Units.

Outlook

Full attention to the integration of Swift

With the successful restructuring of our company and the focus on the four core businesses of Linoleum, Vinyl, Adhesives, and Belting, we have created the preconditions necessary for ensuring a favorable sales and profit development even under difficult trading conditions. We will particularly benefit from our by now established strategic renewal as soon as global markets are starting to recover again. Sales growth and consequently more than proportional profit improvements resulting from our cost-cutting campaign will then be possible. With the acquisition of the Swift adhesives activities from US-based Reichhold Inc., we shall substantially strengthen our positions in Europe, Canada, and notably in the USA: Swift represents an annual sales volume of currently some CHF 400 million, CHF 240 million of which in North America. With this acquisition, Forbo is turning from a European producer to a global player in the field of adhesives as well.

Structurally in good shape

It remains difficult to make a prognosis for the current year. In terms of company structure, Forbo is in good shape to reach its objectives should the world economy recover, i.e. the sustainable enhancement of the company's value by way of a higher operating profit, better use of resources, and finally a higher earnings per share.

Flooring: Strong Market Position Strengthens Business

The market situation, which has been difficult for years with intensive competition, overcapacities, and price pressure, was further aggravated in 2001 by the downward trend of the economic development. As a result, we too suffered losses in sales and revenues. However, our favorable market position helped us to keep the decrease – starting from a high level – within moderate limits. Based on the continued activities, 2001 sales in local currency decreased by 0.6 %. On a Swiss Franc basis, the decline was 4.9 % to CHF 787 million (previous year: CHF 828 million). The operating profit adjusted by divestments, i.e. the actually comparable figure, was CHF 79 million or 20.6 % below the previous year. Sales of divested activities amounted to CHF 131 million, operating profits were CHF 3 million.

Linoleum

Growth in local currencies

Also in 2001, Linoleum recorded an – albeit – small sales and volume growth of 1.8 % in local currencies. In Swiss Francs, the result was a slight decrease by 2.7 % to CHF 400 million (compared with CHF 411 million in the previous year). The development of business was upwards, except for Germany and Austria. The impact of currency movements can best be demonstrated by the results for Scandinavia: Effectively expressed in Swiss Francs, sales declined, but in currency-adjusted terms, we recorded a plus and were able to win additional market shares. In the USA, business expansion could be continued, but at a somewhat slower pace. In Switzerland we also recorded growth, while business suffered an essential setback in Austria and Germany. Intensified competition, especially as a result of weak demand, put further pressure on the prices. As a result, the margins deteriorated in the course of the year. We took measures to reduce costs in response to this trend.

Successful market strategy of segmentation

In terms of market strategy, we concentrated on the proven segmentation approach, with two key segments. The traditional core segment with applications in education and health, offices and public buildings was intensified as our basic business. The Marmoleum Global 1 collection was very well received by the market and had a strong coverage in the press. The collection received various awards, the latest one being the Platinum Award for Design Excellence in the USA. In the second core segment, the design- and trend-oriented residential area, we again made good progress with the introduction of special collections. Thus we could essentially improve the image of Marmoleum in the residential market, supported by the launch of the innovative collection Tweeds & Crocodiles. Based on these key segments, we are opening up additional sales potential through the development of new applications for linoleum outside the floor covering area. Furniture Linoleum and Bulletin Board, for example, saw their successful launch with new collections. With these products, e.g. for the furniture industry or kitchen fittings, we intend to reduce our tendentious dependence on the economic cycle of the construction industry and to put the use of linoleum on a broader basis.

Vinyl

Demand for high quality products	Worldwide over-capacities caused a significant price drop in vinyl. Sales in local currencies went down by 3.1 %, although volume losses were restricted to only approximately 2 %. Currency movements had a negative effect here, too: In Swiss Franc terms, sales dropped by 6.6 % to CHF 324 million (after CHF 346 million in the previous year). The persistently difficult market conditions led to an unsatisfactory result development in the mass business, and notably in the lower price segment with vinyl products in Western Europe. In the higher price segment, sales and profits improved, though. In important sub-areas, profits and volumes were improved through the adequate and well-timed optimization of the product range.
Growth market Eastern Europe	The branded product range Novilon/Novilux raised sales by nearly one third in Eastern Europe. The products for the residential area continue to show sustainably attractive margins in this region. But difficult conditions were encountered in the United Kingdom and in the Benelux countries. We have taken steps to adapt the capacities to the market development in order to lower costs.
Volume increase in contract market	Sales of floor coverings for the contract market (commercial buildings, public buildings, large projects) were declining in Western Europe. This was more than compensated, however, through growth in Eastern Europe and China. All in all, a volume growth of about 9 % was recorded in this segment. Sales of floor coverings with sound-absorbing properties produced in France continued to show a very positive trend both at home and abroad.
Decline in products for the electronics industry	Sales of Colorex, a pressed tiled floor covering for the electronics industry and related branches, suffered from the worldwide decline of semi-conductor production and the lack of capital investment in new industrial plants.
Competitive advantages through modern technology	With our new production plant in Coevorden (The Netherlands), we are applying advanced production technology. The plant allows the production of synthetic flooring materials up to four meters wide. This gives us a competitive edge in the contract business. For technological reasons, these floor coverings exhibit a higher resistance and better quality than conventional vinyl floor coverings, resulting in excellent usage properties and a longer service life. We are using these benefits purposefully in our marketing campaign.

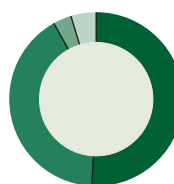
Parquet Flooring and Carpets

Parquet and needle felt as supporting products

With sales of CHF 37 million (previous year: CHF 39 million), our parquet production plant in Sweden made only a small contribution to the Group's results. In local currency, sales increased by 5.6%. Parquet is a product supporting our other activities so that we can offer the full range of floor coverings in Scandinavia with our leading market position there. The carpet activities that remained with Forbo following the divestment of this business recorded sales of CHF 27 million on a year-to-year basis.

Net sales by product group

	m CHF 2001	Change on previous year effective %	currency adj. %	%
Linoleum	399.7	-2.7	1.8	50.8
Cushion Vinyls	323.5	-6.6	-3.1	41.1
Carpets	27.4	-13.8	-12.3	3.4
Parquet Flooring	36.8	-5.9	5.6	4.7
Total	787.4	-4.9	-0.6	100.0
Divested Activities*	130.8	-	-	-



* Net sales 2001 January–September

Divestments

Focus on core activities

Effective October 1, 2001, we sold the Carpet Business to its management, except for the needle-felt production. The former brand names and especially the name Forbo Carpet will continue to be used by the now independent entity. Forbo still holds an interest of 25% in the company, which it will supply with needlefelt products. Vice-versa, Forbo will continue to distribute carpets in some countries and buy them preferably from Forbo Carpet. On this new basis, close business relationships will also be maintained in the future.

Outlook

Higher-value products and opportunities in the contract market

From today's point of view, it is unlikely that the economic situation will essentially improve in the course of 2002. We are expecting a stable market for linoleum, but with higher price pressure. This trend is to be countered with cost-saving measures and higher productivity on the one hand, and by the design-oriented positioning of premium products on the other hand.

For Vinyl, we expect a continued shift in the product mix to higher-value products in Western Europe, and continued growth in Eastern Europe. There are good chances especially in the contract market, where the French market is likely to continue its successful development. In addition, there is considerable potential for innovative products with technological benefits, which are produced in our new plant in Coevorden (The Netherlands) and which will continuously be developed and marketed accordingly.

Industry Specialties Gain in Importance

Whereas Adhesives made essential progress in spite of generally restrained trading conditions, the Belting Business suffered from very weak demand since the fourth quarter 2001, especially as regards airport equipment and logistics applications. For the strategic realignment of the Adhesives Business, three smaller but highly relevant acquisitions were made. In total, Industry Specialties recorded sales of CHF 567 million (after CHF 590 million in the previous year). The change was –0.3 % in local currencies. In acquisition-adjusted terms, sales of CHF 561 million were 1.3 % below the previous year's level. The operating profit was effectively CHF 31 million compared with CHF 48 million in 2000.

Adhesives

Growth in line
with strategy

With three acquisitions, a business expansion was realized during 2001 in line with the company's strategy. Including the purchased activities, sales could be increased by 9.2 % in local currencies. On a Swiss Franc basis, sales rose by 6.3 % to CHF 219 million (after CHF 206 million in the previous year). The acquisition-adjusted growth was still at 6.0 %, although the momentum weakened somewhat in the final quarter of the year. With our strong brands and positions in the field of wall/floor adhesives, as well as with our high level of diversification and our prominent technological position with industrial adhesives, we could successfully master the challenges of generally restrained markets. We won considerable market shares especially in Germany. We made good progress with reactive hot-melt adhesives, where we will invest in capacity expansion. The margins remained under pressure because raw material prices did not improve as early as expected. Operating profit decreased from CHF 20 million to CHF 17 million, and thus clearly did not match the sales development.

Growth segments in
adhesives market

The adhesives market with a worldwide volume of CHF 42 billion, CHF 14 billion of which in Europe, is heavily fragmented with clearly defined segments. Some of them are presently in a phase of consolidation, while others are experiencing more than proportional growth rates. Forbo is focused on wall/flooring, automotive, shoes, and packaging, partly as the market leader. In Forbo Flooring, there are excellent synergies – here we are suppliers of complete system packages. The wall/flooring product range covers all fields of application, thus allowing sales synergies. Strong local positions in Europe, especially in Germany, France and Switzerland, as well as market leadership in the Benelux countries are a good starting position for establishing new markets. This positioning will allow us to systematically contribute to the increase of Forbo's enterprise value.

Acquisitions in Adhesives

Strategically important geographic expansion

With the acquisition of the Spanish company Carzuh, S. L., now named Forbo Carzuh, S. L., we achieved a strategically significant geographical expansion. While the activities of the Business Unit Adhesives have so far been concentrated on Germany, this acquisition will now open up the markets of Spain and Portugal. Spain represents some 10% of the European adhesives market and has a substantial growth potential. Today, Carzuh has an annual sales volume of approximately CHF 25 million, mainly with products such as hot-melt adhesives as well as water- and solvent-based adhesives. The main outlets are suppliers of the automotive industry, apart from the wood and furniture industries. The take-over of the shoe adhesives activities from Salamander Industrie-Produkte GmbH and Sika Tivoli GmbH in Germany with cumulated sales of CHF 6 million resulted in Forbo's market leadership in this segment.

Belting

Weak demand for capital investments

The business with Belting suffered a decrease by 5.3% and 9.3% in local currencies and Swiss Franc, respectively, to CHF 348 million (previous year: CHF 383 million). Sales in the first four months still followed the previous year's positive trend. However, business started to slow down as of April and May, and the volumes declined significantly on all continents. This reflects the weak demand for investment goods, especially in the USA. Order volumes for larger projects stayed clearly below the previous year's level. Positive impulses came from the business with replacement belts, which is increasingly being combined with the offer of additional services. The operating result decreased by 49% at CHF 14 million (after CHF 28 million in the previous year). This development was mainly due to machinery costs, combined with quality costs in the first half, apart from the underlying sales development.

Market segments logistics and airports very weak

In the fourth quarter of 2001, business in the segments logistics and airports came to a nearly complete standstill as a consequence of the terrorist attacks in the USA on September 11, 2001. New projects are rarely commissioned because the operators of the facilities consider existing capacities sufficient or even prefer to close them down. This market situation further aggravated the pressure on margins that had already been noticeable before.

Market position in America further expanded

Our market position on the American continent is excellent, meaning that we could win additional market shares in spite of the unfavorable trading conditions. In Europe, the quality and cost measures initiated in the previous year started to show positive effects especially in the second half-year. In Asia, one of our key markets, a radical reorganization was implemented under a new management aimed at improving productivity and cutting costs.

New products ensure growth

Research and development initiatives continue to have high priority. Among the achievements of 2001 are conveyor belts for use in the food industry that are based on the so-called HACCP concept (Hazard Analysis and Critical Control Point). HACCP is an internationally recognized food-specific system for quality assurance and prevention of health risks.

Outlook

Strategic focus on global positioning

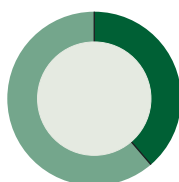
The Adhesives Business will have its strategic focus on the further expansion of activities aimed at global positioning. In order to reach this objective, we will concentrate on clearly defined and attractive market segments. We are expecting continued internal growth at attractive levels for Forbo Adhesives, mainly thanks to the clearly delimited fields of application and our corresponding marketing activities. In these efforts, we are using synergies already existing between the companies and markets. Decreasing raw material prices are being expected which will help to face price pressure. The integration of the Swift adhesive activities will be a particular task in this context. The acquisition means the transformation from a European producer to a global player, and it will bring us new opportunities especially on the US market, from which our European activities will also benefit.

Optimization of sites and warehouse

In the Belting Business, we will gear our production in China to the needs of international markets and intensify the penetration of the local market. A new remuneration system in our sales organization shall ensure that attractive customer segments will be handled with the appropriate priority. We also intend to increasingly offer standard products that can be manufactured cost-effectively. The introduction of SAP software will allow a fast response to individual customer needs at reduced transaction costs. A site and warehouse optimization initiative, as well as a rationalization program in logistics – without negative implications for delivery quality – shall further contribute to cost savings. Therefore, we expect a moderate improvement of business results in a market that will remain difficult in volume terms.

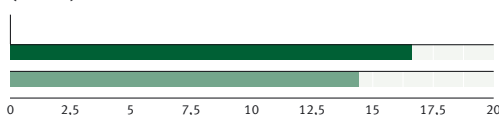
	m CHF 2001	Change on previous year effective %	currency adj. %	%
Adhesives	219.4	6.3	9.2	38.7
Belting	347.5	-9.3	-5.3	61.3
Total	566.9	-3.8	-0.3	100.0

Net sales by product group



	m CHF 2001	Change 2000/2001 %	ROA* 2001 %
Adhesives	16,6	-15,3	12,7
Belting	14,4	-48,9	4,2

EBIT by business units
(m CHF)



*Return on Assets
(EBIT in % of operating assets)

Linoleum Vinyl Adhesives Belting

The World of Forbo

When living rooms excel through breath-taking designs, when high-tech sport shoes carry athletes to new records, or when suitcases are safely conveyed on their way to dream-like holiday destinations – Forbo products are always involved.

As a manufacturer of flooring and industry specialties, Forbo is present in many spheres of every day life, although not necessarily always discernible at first sight. In fact, Forbo offers a fascinating product variety for high-class applications. This is illustrated on the following pages with examples from the four strategic core businesses, i.e. Linoleum, Vinyl, Adhesives, Belting.



Linoleum

Attractive products and appealing design ensure our market leadership with proven and yet innovative floor covering linoleum. Made from the renewable raw materials jute, resin, limestone, wood flour, and linseed oil, linoleum meets all requirements made on a pollutant-free, comfortable product. We have the right product, be it for traditional applications such as in schools and hospitals, offices and public buildings, or in the residential area, where our design- and trend-oriented collections are increasingly being used. Our product functions perfectly in both fields: It is extremely low-maintenance, long-lasting, and robust. With

the Tweeds & Crocodiles collection, we want to further expand our strong position in the residential market – a sample of the broad range of possible designs and colors is shown here.





Vinyl

Extensive investments have allowed us to use state-of-the-art technology for the production of vinyl floor coverings. For example, we are able to produce material which is up to four meters wide. In the contract business, this clearly gives us a competitive edge over the traditional two-meter formats. Moreover, the technology used in the production process results in other advantages. Our floor coverings have a higher resistance to indentation and better quality than conventional vinyls, which is reflected in excellent properties and a longer product life. The higher-quality residential market, as is the case with linoleum, is becoming

more and more significant. The Novilux Natura flooring material shown here has a natural, authentic wood image and offers all the benefits of vinyl floor coverings: high comfort underfoot, good sound and heat insulation, water resistance and exceptional indentation resistance, is easy to maintain and very durable.



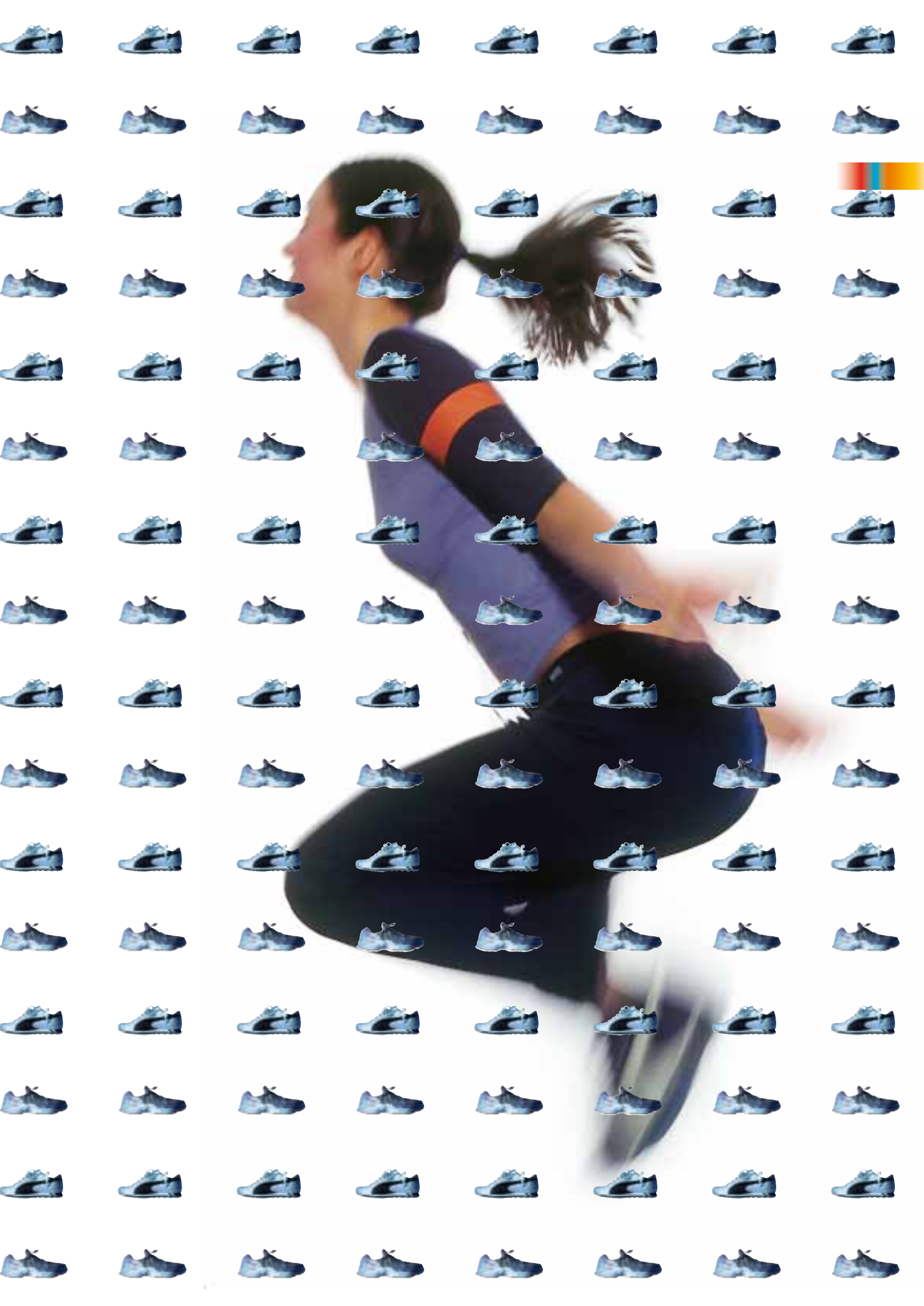


Adhesives

A modern and dynamic world with innovative products and elegant system solutions is not conceivable without adhesives. Adhesives are gaining ground, especially in the field of industrial applications. The reasons are many: highly efficient processing, weight savings, and technical solutions that would not be feasible with classical designs. The use of innovative adhesives has made possible entirely new variations in product and design, for instance as regards shoes. Thus, a high-performance sports shoe may incorporate up to seven types of adhesives. They all can be purchased from Forbo, the market leader in the segment shoe adhesives.

Likewise, Forbo is competent and strong in other high-growth segments, such as adhesives for wall and flooring, applications or adhesives for cars and packaging.





Beltings

Without transport and logistics, goods could not be made available around the globe. Synthetic drive belts and conveyor systems, which we produce on a high technological level, play a key role in this context. But belts are also used in production processes, e.g. in the food industry. Here, extensive research and development have allowed us to use new materials, which ensure a high level of hygiene without any harmful substances.

But our belts do not only move a wide variety of products: Forbo is also a leading, globally present manufacturer of belts for the leisure and wellness industry, e.g. in the form of strong running belts for fitness equipment.







Richard S. Pemberton (left)
Executive Vice President
Vinyl

Dr. Jan Lipton (front)
Executive Vice President
Belting

Dr. Paul J. Halg (rear)
Executive Vice President
Adhesives

Werner Kummer (middle)
CEO and President

Jan E. Sangberg (rear)
Executive Vice President
Corporate Business Development

Gerold A. Zenger (front)
Executive Vice President and CFO

Marien A. G. Weijenberg (right)
Executive Vice President
Linoleum

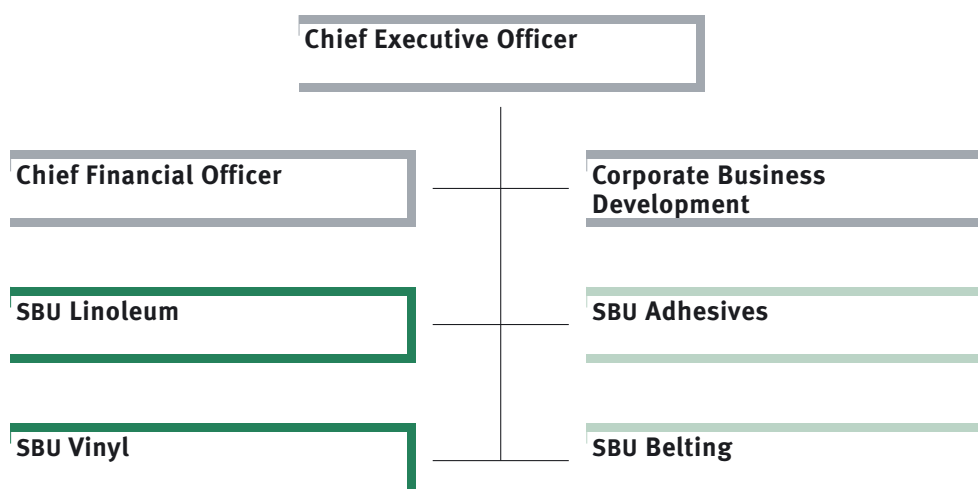
Executive Board

Chairman

Werner Kummer	Chief Executive Officer (CEO)
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Members

Dr. Paul J. Hälg	SBU Adhesives
Dr. Jan Lipton	SBU Belting
Richard S. Pemberton	SBU Vinyl
Jan E. Sångberg	Corporate Business Development (CBD)
Marien A. G. Weijenberg	SBU Linoleum
Gerold A. Zenger	Chief Financial Officer (CFO)



- Division Flooring
- Division Industry Specialties

SBU Strategic Business Unit

Human Resources

Enhancing the technical qualification as well as the company-specific identification and motivation of employees plays an essential part in the development of a company operating in global markets. This is particularly true at times when extraordinary efforts are necessary for reaching our strategic objectives. We have consistently implemented the relevant programs and have taken the necessary measures.

Value-Based Management Training

Training program
conveys integrated
value orientation

This training program adopted in 1999, organized for the first time in 2000 and concluded in 2001, was most valuable for all participants. Its main objective was to further the understanding of the integrated value approach concept and the associated financial key figures, such as return on invested capital in comparison to the cost of capital as well as issues relating to investments and financing. The program with its modular structure included basic and advanced courses and was attended by about 110 Forbo managers. The participants of individual courses were purposefully selected from different Business Units and functions in order to leverage the expertise and experience with different markets and countries. It is now up to the participants to implement the key messages of the training program in their daily work and to share the essential contents with their employees.

New training concept

Methods for
analyzing and opti-
mizing processes

Based on the successful concept of the Value Based Management Training, a follow-up program has been identified for 2002. It is called Business Process Management Training and is to start in early summer. Its objective is to convey in-depth knowledge on the methods for analyzing and optimizing processes which are critical for the company's success and implementing them in day-to-day practice. In addition to theoretical knowledge training, the courses will present case studies and deal with real processes encountered in Forbo Business Units. The target group has been enlarged to about 150 participants in order to obtain the desired multiplier effect.

Succession planning for managers

Promoting Forbo
employees

Forbo attaches great significance to employee development and succession planning on the management level. Following a company-wide survey, steps are going to be initiated that will enlarge the group of Forbo employees eligible as project leaders and for management positions. Forbo endeavors to support the selective development of management skills among future executives, notably team and leadership competences.

Forbo Trophy

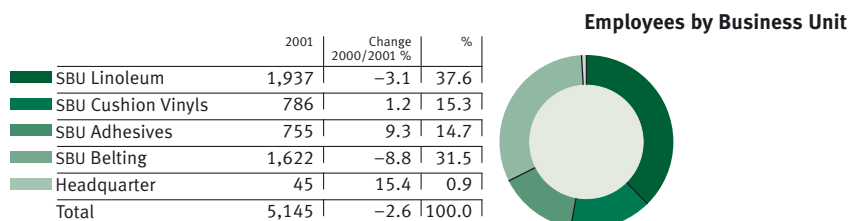
Internal competition
motivates

The Forbo Trophy is awarded every year to a Group company which has demonstrated an outstanding performance. The competition for the Forbo Trophy shall bring about business excellence in the sense of a fair competition among equals. Extraordinary success with the expansion of the linoleum business in the USA was decisive for winning the Forbo Trophy 2001. It was awarded to the linoleum team of Forbo Linoleum Inc. in Hazleton (USA). Inventive sales concepts, such as a market segment approach for the public area, a bonus program for customers or special training courses for floor installers proved to be effective. Combined with a program designed specifically for the residential market and the careful selection of competent sales partners, the above-mentioned concepts brought about a double-digit increase in 2000 sales. The resulting structure, with distribution partners who are fully concentrated on linoleum and who operate their business with a high level of commitment and a new service understanding, is the basis for long-term market success and strengthening of the favorable positioning.

Group Conference

Focus on strategic
key topics

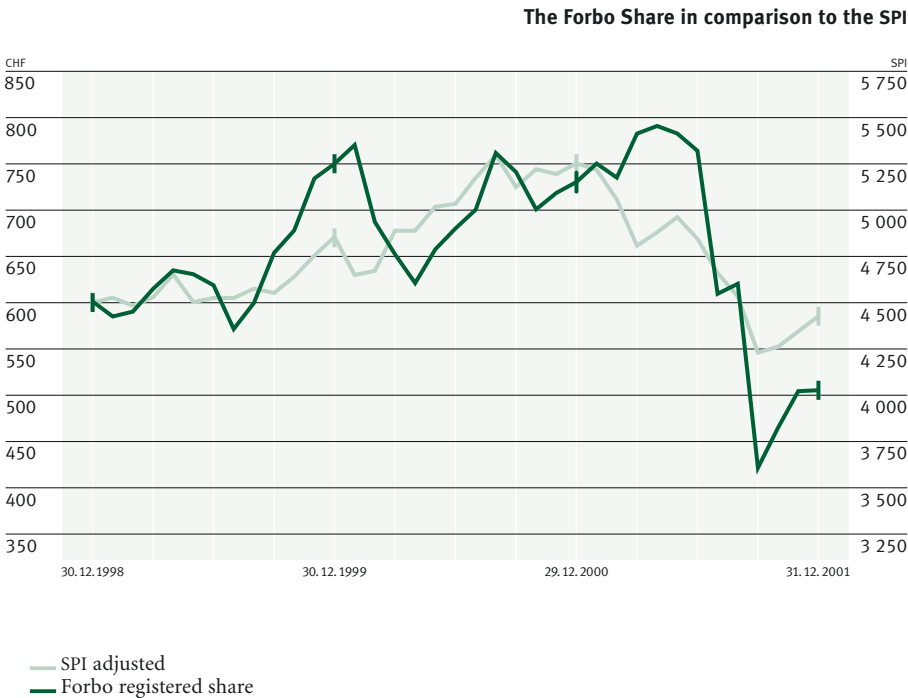
The Group Conference is of particular significance for communications and contacts within the Forbo Group. In 2001, it was held under the slogan 'product, innovation and markets'. It allowed more than 100 executives from Europe, Asia and America to inform themselves during two days about strategic key topics and issues, to discuss today's business and market situation, and to exchange company-relevant information.



The Forbo Share

Share buy-back led to higher share price

The development of the Forbo share price in the business year was characterized by strong fluctuations. The price soared partly above CHF 800, especially in the first half-year and after the announcement and subsequent buy-back of about 10% of the outstanding Forbo shares. In the third quarter, after the announcement of the results for the first half-year, there was a strong correction downwards with share prices around CHF 600 in August, and with short-term excursions down to CHF 420 as a result of the stock market slump in September. In the last quarter, the share price recovered to reach CHF 505 at year-end. Over a period of three years, the Forbo share developed more or less in line with the SPI, with stronger price fluctuations than in the total index. The Forbo share is likely to have a considerable price increase potential, assuming a recovery of the overall economy and the successful implementation of numerous Group internal measures.



3,309 Shareholders registered

At the end of December 2001, 3,309 shareholders were registered in the Forbo Holding SA share register, 200 fewer than in the previous year. To the Company’s best knowledge, no shareholder owns more than 5% of the voting rights. In accordance with the Articles of Association of Forbo Holding SA, no single shareholder is allowed to execute more than 8% of all voting rights.

Diary dates

Annual General Meeting of Shareholders:	April 23, 2002
Letter to the Shareholders:	July 25, 2002
Media release on half-year results:	July 25, 2002 (after close of the SWX Swiss Exchange)
Media release on the results of the first three quarters 2002:	October 28, 2002 (after close of the SWX Swiss Exchange)

	2001	2000	1999	1998	1997
Share capital					
	Number	Number	Number	Number	Number
Issued registered shares (of CHF 50)	1,513,550	1,513,550	1,513,550	1,513,550	1,513,550
Thereof:					
Shares outstanding	1,305,052	1,463,010	1,463,522	1,454,824	1,464,169
Shares from buy-back program 2001	156,974	–	–	–	–
Other own shares	11,390	10,406	9,894	18,592	9,247
Reserve shares (without voting and dividend rights)	40,134	40,134	40,134	40,134	40,134
Nominal capital					
	CHF	CHF	CHF	CHF	CHF
Total	75,677,500	75,677,500	75,677,500	75,677,500	75,677,500
Thereof:					
Shares outstanding	65,252,600	73,150,500	73,176,100	72,741,200	73,208,450
Shares from buy-back program 2001	7,848,700	–	–	–	–
Other own shares	569,500	520,300	494,700	929,600	462,350
Reserve shares (without voting and dividend rights)	2,006,700	2,006,700	2,006,700	2,006,700	2,006,700
Data per share					
	CHF	CHF	CHF	CHF	CHF
Shareholders' equity Group	500	556	539	542	517
Consolidated profit ¹⁾	38	62	58	52	42
Gross dividend	22 ²⁾	22	22	22	19
Gross dividend return (%)	High	5.3	3.5	3.9	5.1
	Low	2.6	2.7	2.9	2.4
Payout ratio ³⁾ (%)		58	36	38	42
Stock market statistics					
	CHF	CHF	CHF	CHF	CHF
Share prices	High	839	828	764	900
	Low	417	620	569	435
Stock market capitalization ⁴⁾ (m)	High	1,228	1,220	1,126	1,326
	Low	544	914	838	641
	Year-end	659	1,068	1,098	873

¹⁾ See also Financial Report, 'Notes to the Consolidated Financial Statements', page 17, 'Earnings per share', page 19

²⁾ Proposal of the Board of Directors to the General Meeting of Shareholders

³⁾ Gross dividend as % of consolidated profit (1999 before specific provisions)

⁴⁾ Based on shares outstanding (previous years adjusted)

Corporate Governance

‘Corporate Governance, that complex and now internationally used concept, is not a term that can be narrowly defined or even reduced to a specific formula. In fact, the concept of Corporate Governance relates to the entire set of principles and rules designed to protect shareholders’ interests with regard to organization, conduct and transparency, the aim being to achieve a balance between management and control at the most senior level of management whilst maintaining efficiency and the ability to make decisions.’ This is the preamble to the Swiss Code of Best Practice, a non-binding set of rules drawn up by a group of experts advising Swiss companies on issues of Corporate Governance. Corporate Governance at Forbo is also based on the OECD Principles of Corporate Governance as well as on the respective draft guidelines drawn up by the SWX Swiss Exchange.

The Board of Directors

Experience, independence and internationality are required

The Board of Directors is the highest supervisory and management body of the Forbo Group and is currently composed of eight members who do not hold any executive function within the company. Members are elected for a period of four years and can be re-elected several times. There is an age limit of 70. The average age of the incumbent members of the Board is 59. In terms of the composition of the Board of Directors, importance is placed on selecting independent personalities with business experience in industry as well as in the fields of finance and consultancy. In addition, special importance is placed on the Board being composed of international members. At Forbo, the function of Chairman of the Board of Directors is a separate function to that of Chairman of the Executive Board. The Chairman of the Board of Directors is appointed by the Board itself and is the direct superior of the CEO. He is in close, regular contact with both the CEO and the other members of the Executive Board.

The committees of the Board of Directors

Effectiveness of Board of Directors increased by Committees

From its own members, the Board of Directors appoints three committees, each dealing with clearly defined issues of higher importance to the company:

- The ‘Audit and Finance Committee’, set up to deal with aspects of Group financing, review of the accounting policies and the financial statements as well as to deal with the discussion of the audit findings and the supervision of the auditors’ activities and to assess their independence.
- The ‘Corporate Development Committee’, set up to deal with corporate strategy and the related implementation of strategic alliances, acquisitions, and mergers, as well as divestments of company parts.
- The ‘Committee for Human Resources and Remuneration’, which deals with general personnel issues affecting the Group. In particular, it is concerned with matters relating to the senior management level, its recruitment, its periodic evaluation, and its performance-oriented remuneration.

These permanent committees of the Board of Directors are newly constituted each year. The Board of Directors met for six ordinary meetings in 2001, and also held a total of six committee meetings.

Remuneration of the Board of Directors and the Executive Board

Performance-oriented remuneration as motivation

The members of the Board of Directors receive a remuneration, with different amounts for the Chairman, Vice-Chairman, and the ordinary members, respectively. Members can choose to have the remuneration either paid in cash or to receive up to 50% of it in the form of Forbo Holding SA stock options valued at the theoretical market price on the day of issue. In 2001, the total remuneration paid to the Board of Directors amounted to CHF 869,000. Total remuneration paid to the Executive Board comprises fixed base salaries plus a performance-related component which is usually determined following the year-end closing. Of the latter, up to 30% is paid in the form of Forbo Holding SA shares, which may not be sold for a period of three years. In addition, the Board of Directors issued to the members of the Executive Board stock options of Forbo Holding SA under the Stock Option Plan for the last two years, at the theoretical market price on the day of issue, for up to 10% of their total remuneration. The total remuneration paid to all members of the Executive Board (including shares and options) was CHF 4.7 million in 2001.

As per the end of 2001, the Board of Directors and the Executive Board held directly and indirectly 3.72% of the share capital of Forbo Holding SA, by way of freely available as well as blocked shares and options issued under the Stock Option Plan. The company will play the role of a silent partner for the options issued to the Board of Directors and the Executive Board, i.e. the necessary shares are taken out of Forbo's reserve shares pool or are purchased in the market. To date, options that will expire in 2005 and 2006 have been issued for a total of 7,312 registered shares.

Control systems

Internal audit department as independent body

In addition to the external audit office, an internal audit function supports the Board of Directors and the Group's Executive Board in the implementation of their supervisory duties. The internal audit function operates independently and reports directly to the Chairman of the Board of Directors. The Forbo Group accounts have been drawn up in accordance with IAS (International Accounting Standards) since 1992, and Forbo Holding SA operates in accordance with Swiss law and its Articles of Association.

Shareholders' rights

Equal treatment of shareholders

The economic and participatory rights of shareholders entered in the share register as having voting rights are stipulated by law and in the Articles of Association. The participatory rights encompass the right to attend the Annual General Meeting, including the right to propose motions and to vote. Any

shareholders who are unable to attend the General Meeting in person may have themselves represented by commissioning the company, an independent proxy or other shareholders entered in the share register. According to the Articles of Association, the Board of Directors may refuse to approve of the registration of the voting right of a shareholder or a group of associated shareholders if 8 % of the total number of shares registered in the Commercial Register are exceeded.

Dividend policy and management of shareholders' equity

Striving for
attractive return

In setting its annual dividend, Forbo Holding SA bases its decision on Group profits, the balance sheet situation and available liquidity. The aim is to offer shareholders an appropriate return on their investment in Forbo shares. The company also pursues a flexible approach towards its shareholders' equity while maintaining appropriate financial freedom. Capital that is not required is returned to the shareholders, as happened last year by way of a share buy-back program involving tradable put options and by means of a second trading line. The procurement of additional equity capital is not being excluded should there be, for instance, attractive opportunities for larger acquisitions. Over the last ten years, the average dividend yield on the Forbo share has been 3,4 % based on the annual average price paid for the share.

Communication

Full transparency
for investors

Forbo provides shareholders, investors, employees, customers, and the general public with comprehensive, open and regular information, thus guaranteeing equal treatment of shareholders and enabling the recipients of information to make a realistic and up-to-date assessment of the company's earnings potential. By institutionalizing and building up external relations and by maintaining the trust of the financial community, the media and the Group's stakeholders, the aim is to guarantee equal treatment and transparency. Information is provided in the form of the Annual Report, Half-year Report, media conferences, financial analyst meetings and the Annual General Meeting of Shareholders. Latest information on key projects and initiatives is promptly made available via the Internet and the media.

Corporate Bodies

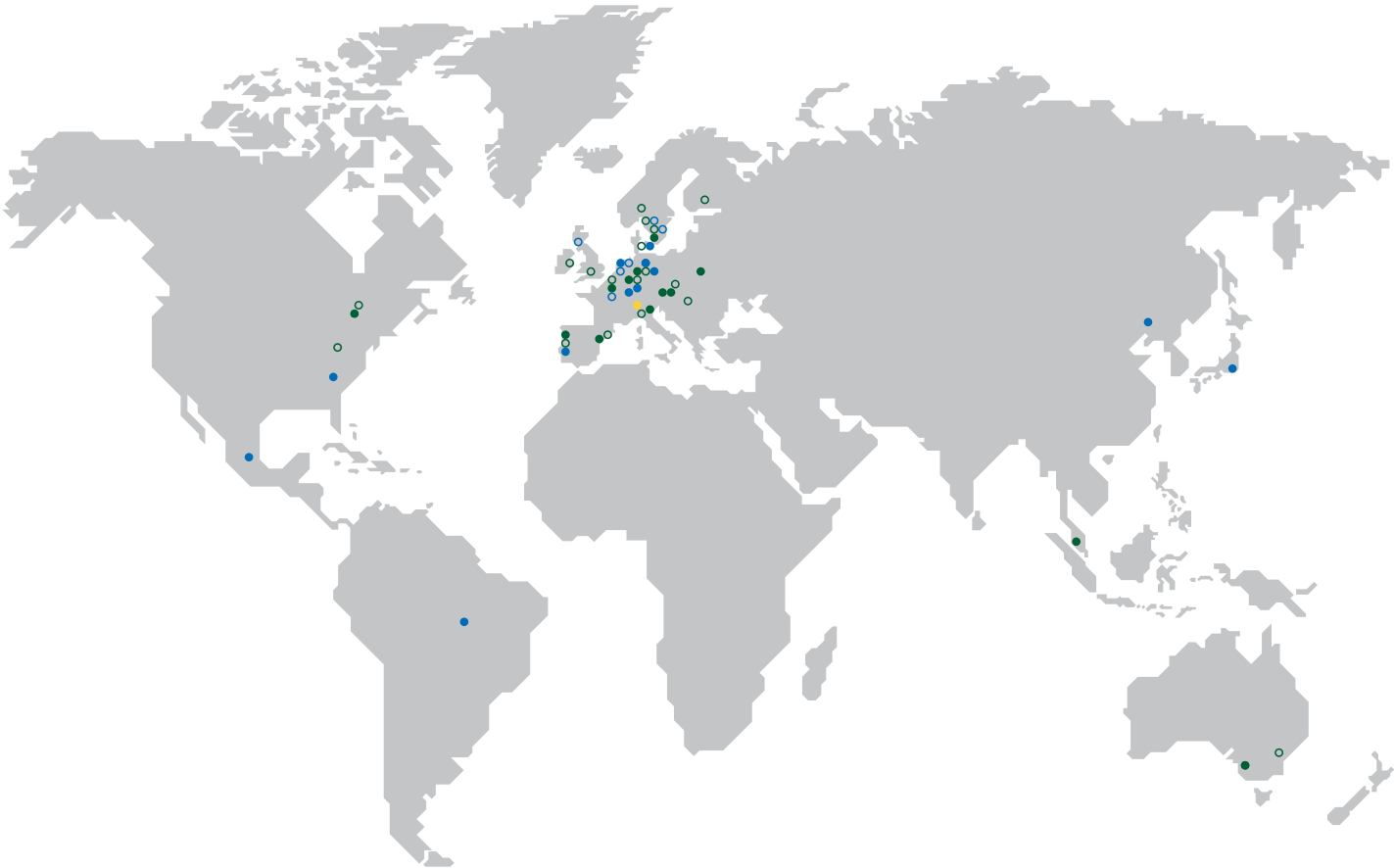
		A	B	C
Board of Directors Forbo Holding SA				
Term of office expires				
Chairman				
Karl Janjóri, Herrliberg, Switzerland	2002	■		■
President of the Board of Directors, BDL Banco di Lugano Other Board Memberships in listed companies: 1				
Vice-Chairman				
Dr. Willy R. Kissling, Hurden, Switzerland	2002		■	
Lic. rer. pol./Dr. rer. pol. University of Berne. PMD Harvard Business School, USA President of the Board of Directors and CEO, Unaxis Group Other Board Memberships in listed companies: 4				
Members				
Dr. Anton H. Bucher, Kuesnacht, Switzerland	2002			■
Lic. oec. publ./Dr. oec. publ. University of Zurich Owner of a Real Estate-Holding Company in the USA Chairman of the Board of Directors, Bircher Holding AG				
Peter van Duursen, Driebergen-Rijsenberg, The Netherlands	2002	■		
Chemical Engineer Retired Previously President, Shell Nederland				
Dr. Gerd Hofmeister, Hanover, Germany	2002		■	
Dr. rer. pol. University of Graz, Austria Master of Economics and Business Administration, University of Munich Previously general partner of Ernst Siegling KG				
Michael Pieper, Hergiswil, Switzerland	2004		■	
Owner and CEO, Franke Holding AG Other Board Memberships in listed companies: 2				
Dkfm. Mag. Dr. Paul Tanos, Vienna, Austria	2003		■	
Magister rer. soc. oec. and Dr. rer. soc. oec. Former Member of the Executive Board, Wienerberger Baustoffindustrie AG				
Prof. Dr. iur. Rolf Watter, Zurich, Switzerland	2003	■		■
Dr. iur. University Zurich, L. L. M. Georgetown University, USA Partner of law firm Bär & Karrer, Zurich Professor for commercial law, University of Zurich Other Board Memberships in listed companies: 1				
Secretary				
Andreas P. Lerch				

A: Audit and Finance Committee
 B: Corporate Development Committee
 C: Committee for Human Resources and Remuneration

Group and Statutory Auditors

PricewaterhouseCoopers AG Zurich

Forbo's Global Presence



- Group Headquarters**
 - Forbo Holding SA
- Production and Sales**
 - Flooring
 - Industry Specialties
- Sales**
 - Flooring
 - Industry Specialties

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