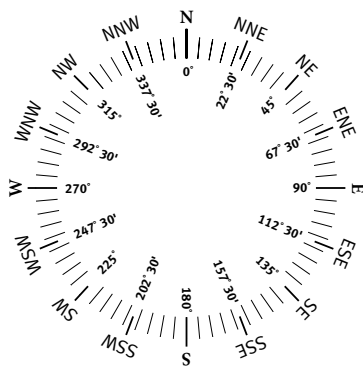


<hr/> Northern Latitude		<hr/> Western Longitude
<b>Pittsburgh</b>	<b>40° 26' 21"</b>	<b>79° 58' 36"</b>
<hr/> Northern Latitude		<hr/> Eastern Longitude
<b>Beijing</b>	<b>39° 55' 01"</b>	<b>116° 25' 59"</b>
<hr/> Northern Latitude		<hr/> Western Longitude
<b>Bradford</b>	<b>53° 46' 59"</b>	<b>1° 45' 00"</b>
<hr/> Northern Latitude		<hr/> Eastern Longitude
<b>Eppingen</b>	<b>49° 08' 13"</b>	<b>8° 54' 37"</b>



ANNUAL REPORT 2002



#### Units to Indicate Direction

Degrees are used not only for specifying geographical longitudes and latitudes, but also for direction. The range for indicating direction covers 360°. Starting from north (0°), degrees are counted in a clockwise direction, in a similar way to the hours on a conventional watch face. East lies at 90°, south at 180°, and west at 270°. For greater precision, this system is subdivided into two further levels.

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# Forbo

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Forbo is a global producer of floor coverings, adhesives, and belts for conveying and power transmission. The company employs some 5,700 people worldwide and has an international network of 32 production companies and 80 marketing organizations in 30 countries. Forbo's Head Office is in Eglisau/Zurich.

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In the Flooring Business, the focus is on environmentally friendly and design-oriented linoleum and high-quality vinyl. With linoleum, Forbo is the world leader with a global market share of some 60%.

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In the Adhesives Business, Forbo is among the industry's leading producers worldwide. The Group has strong positions in the global market in promising fields of application such as shoes, furniture, construction, car interior trims, packaging, and paper.

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In the Belting Business, Forbo under the Siegling brand is among the leading companies in the field worldwide. For example its conveyor and processing belts for the food industry, treadmill belts for fitness applications, and conveyor belts in logistics operations occupy a particularly strong market position.

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Forbo's strategy focuses on core products with leading positions in global markets and attractive profitability prospects. Following the acquisitions and restructuring projects within the Group in recent years, Forbo is an internationally well-established company today. In the foreground is the sustainable, value- and growth-oriented company development.

# Key Figures<sup>1)</sup>

	2002	2001	2002	2001
	m CHF	m CHF	m EUR <sup>2)</sup>	m EUR <sup>2)</sup>
<b>Forbo Group</b>				
<b>Net sales</b>	<b>1,531.1</b>	<b>1,485.1</b>	<b>1,043.7</b>	<b>982.2</b>
Divested activities	–	130.8	–	86.5
Flooring	736.1	787.4	501.8	520.8
Adhesives	486.6	219.4	331.7	145.1
Belting	308.4	347.5	210.2	229.8
<b>Continued operations</b>	<b>1,531.1</b>	<b>1,354.3</b>	<b>1,043.7</b>	<b>895.7</b>
Change on previous year (%)	+13.1	–4.5		
<b>Operating profit before depreciation and amortization</b>	<b>180.1</b>	<b>179.4</b>	<b>122.8</b>	<b>118.7</b>
As % of net sales	11.8	12.1		
<b>Operating profit</b>	<b>88.4</b>	<b>88.9</b>	<b>60.3</b>	<b>58.8</b>
<b>Continued operations</b>	<b>88.4</b>	<b>85.7</b>	<b>60.3</b>	<b>56.7</b>
Change on previous year (%)	+3.2	–32.3		
As % of operating assets (ROA)	6.6	7.9		
Divested activities	–	3.2	–	2.1
<b>Consolidated profit</b>	<b>42.6</b>	<b>51.8</b>	<b>29.0</b>	<b>34.3</b>
Change on previous year (%)	–17.8	–42.9		
As % of average shareholders' equity	6.9	7.1		
<b>Capital investments</b>	<b>45.2</b>	<b>66.4</b>	<b>30.8</b>	<b>43.9</b>
<b>Total assets</b>	<b>1,600.6</b>	<b>1,331.6</b>	<b>1,091.1</b>	<b>880.7</b>
<b>Shareholders' equity</b>	<b>590.6</b>	<b>652.2</b>	<b>402.6</b>	<b>431.3</b>
Equity ratio (%)	36.9	49.0		
<b>Net debt</b>	<b>485.4</b>	<b>235.2</b>	<b>330.9</b>	<b>155.6</b>
As % of shareholders' equity (gearing)	82.2	36.1		
	Number	Number		
<b>Employees (31. 12.)</b>	<b>5,715</b>	<b>5,145</b>		
Employees of acquired activities	728	84		
	m CHF	m CHF	m EUR <sup>2)</sup>	m EUR <sup>2)</sup>
<b>Free cash flow</b> (before dividends, acquisitions and divestments)	<b>108.8</b>	<b>73.7</b>	<b>74.2</b>	<b>48.7</b>
<b>Economic Value Added (EVA®)<sup>3)</sup></b>	<b>4.3</b>	<b>–2.1</b>	<b>2.9</b>	<b>–1.4</b>
<b>Stock market capitalization (at 31. 12.)</b>	<b>537.7</b>	<b>659.0</b>	<b>366.5</b>	<b>435.8</b>
	CHF	CHF	EUR <sup>2)</sup>	EUR <sup>2)</sup>
<b>Per share data</b>				
Earnings per share	32.65	37.84	22.26	25.03
Shareholders' equity per share	452.51	499.78	308.46	330.54
Cash distribution per share	22.00 <sup>4)</sup>	22.00	15.00	14.55
Payout ratio (%)	67.4	58.1		

<sup>1)</sup> For explanatory notes, see Financial Report

<sup>2)</sup> CHF values translated at year-average rate of CHF 1.467/1 EUR (2002) and 1.512/1 EUR (2001)

<sup>3)</sup> Registered trademark of Stern, Stewart & Co.

<sup>4)</sup> Proposal of the Board of Directors: Cash distribution by reducing the nominal value

# To our Shareholders

## Dear Ladies and Gentlemen

Consistent implementation of the Group's strategy

In recent years, Forbo has taken and implemented essential strategic decisions, especially the focus on the three core activities, Flooring, Adhesives, and Belting. In line with this process, the Group was restructured on the organizational and operative levels, and a stringent cost optimization process was started in all areas. In 2002, a decisive step was made with the acquisition of the Swift adhesives activities to reach a global position in the Adhesives Business, too. The acquisition created the preconditions for a better than industry-average company development. In fact, the Swift business has already made a positive contribution to the Group results in just under nine months since it was acquired. Due to sluggish demand on world markets, unfavorable exchange rate movements and the instable geopolitical situation, also Forbo's sales and profit suffered in the core businesses.

Operating profit on the previous year's level

In the year under review, the Forbo Group recorded sales of CHF 1,531 million, a 13 % rise excluding the Carpet Business sold in October 2001. This increase is the result of the Swift acquisition. The operating profit of CHF 88 million is nearly unchanged (previous year: CHF 89 million) despite amortization of goodwill and acquired trademarks of CHF 6 million and the impact of the unfavorable exchange rate movements of about CHF 4 million. Operating cash flow (EBITDA) at 12 % of sales remained on an acceptable level and is the basis for the Group's solid financial situation. The Group's consolidated profit of CHF 43 million is 18 % below the previous year especially as a profit of the higher financial expenses through acquisitions and due to higher tax rates.

Earnings per share

The share buy-back program carried out in 2001 reduced the number of shares. Related to the average number of outstanding shares, earnings per share was CHF 32.65 compared with CHF 37.84 in the previous year, meaning that the 14 % decrease of the earnings per share is somewhat less than the Group's consolidated profit decline.

## Global position in the Adhesives Business

With Swift into industry's top ten

The integration of the acquired Swift activities has led to a clear new positioning of Forbo in the international adhesives business. The extraordinary significance of this acquisition is the geographical expansion into North America. There, Forbo had not been present in the adhesives industry. Furthermore, the Swift activities in Europe are a perfect fit with the company's previous business, both geographically and by application segments. Whereas Forbo's previous activities focused on shoes, furniture, construction, and car interior trims, Swift is strengthening fields such as packaging, tobacco, and paper. Our market position has been strengthened substantially, especially in France, Italy, Great Britain, and Ireland as well as in Scandinavia. The scope of Forbo's activities has clearly grown in these countries. Thus, Swift represents an ideal expansion

of the Adhesives Business which was successful already in previous years. The Swift acquisition makes Adhesives an important pillar of the Group, introducing a completely new order of magnitude and strategic significance. Today, Forbo is among the world's leading producers of adhesives.

#### **European presence with Belting expanded**

Acquisition  
in Great Britain

Effective October 1, 2002, Forbo acquired 100% of the shares of British company Stephens Miracló Extremultus Ltd., following years of holding a 25% capital participation. The former family company has been representing Forbo's belting activities under the Siegling brand for more than 50 years and employs approximately 80 people. With annual sales of CHF 17 million, Stephens Miracló Extremultus Ltd. is among the leading suppliers of belts for conveying and power transmission in Great Britain and Ireland. The company has a strong position in the promising food segment which is very important in this geographical region. With the complete take-over, Forbo is now represented with its own companies in all the key European markets.

#### **Reorganization of the Flooring Business**

Consistent  
market appearance

The linoleum and vinyl activities, which have so far been represented separately in the Executive Board, were consolidated into a single Business at the beginning of the new fiscal year. This Business will in the future be represented in the market by a global sales organization, under the name of Forbo Flooring. The sales teams continue to be structured by project and residential activities on the national level so that a segmented market coverage is ensured with the core products of linoleum and vinyl. The production sites supplying the sales organizations worldwide with the flooring materials continue to be aligned to the two core products of linoleum (two production plants) and vinyl (five production plants). The streamlined organization will further enhance the appearance in the individual national markets and ensure a sharper customer focus with products and product development as well as cost savings in the field of administration.

#### **Unchanged cash distribution thanks to high free cash flow**

Considerable  
cash flow

A considerable operating cash flow (EBITDA) of CHF 180 million (previous year: CHF 179 million) was reached despite difficult trading conditions. The cautious investment activity – in line with the business development and good management of working capital – led to an attractive, high level of free cash flow. It reached CHF 109 million, compared with CHF 74 million in the previous year, before dividends and excluding the purchase and sale of activities.

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US private placement  
as innovative  
company financing

A US private placement was successfully concluded under attractive conditions in November 2002 for financing the acquisition of the Swift adhesives business and for general Group financing. The investors are US insurance companies. The term of the placement is graduated over a period of five, seven, and ten years, respectively. The private placement was heavily over-subscribed. Thus, the volume of originally USD 150 million was increased to USD 275 million. As a result, the Group's long-term debt financing rests on three pillars, i.e. US Private Placement, Swiss capital market, and, to a smaller extent, bank facilities.

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Cash distribution  
by reducing  
the nominal value

In view of the profitable business activity and especially the high free cash flow, the Board of Directors proposes to the Annual General Meeting a cash distribution as in the previous year of CHF 22 per registered share, by way of a reduction of the nominal value. On the one hand, this is to underline the distribution continuity. On the other hand, this is a special recognition of the company's 75<sup>th</sup> anniversary because the shareholders will additionally benefit from a tax favorable form of payment. The total amount to be distributed is CHF 29 million.

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Solid balance sheet

At the end of 2001, the Group's net debt was at CHF 235 million. Net debt rose to some CHF 590 million in May 2002 as a result of the acquisition of the Swift activities. As per December 31, 2002 net debt could be reduced to CHF 485 million as a result of the high free cash flow and the seasonal business development, with additional positive effects from the weakening US Dollar towards the end of the year. As a result, the gearing is at 82% (net debt in % of equity capital). The equity ratio is 37% – an acceptable level in connection with high liquidity. We expect the balance sheet ratios to show further improvements.

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### Personnel changes

Board of Directors

The terms of office of Dr. Paul Tanos and Prof. Dr. iur. Rolf Watter as Directors of the Board will expire as of the 2003 Annual General Meeting. The two gentlemen will stand for re-election. Dr. Gerd Hofmeister, for personal reasons, will resign at the forthcoming Annual General Meeting. We thank him for his active and most valuable cooperation since 1994.

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Executive Board

In the course of the reorganization of the Flooring Business, Martin Richenhagen was appointed Head of this Business and consequently has become a member of the Executive Board at the beginning of 2003. Since 1998, he has been Managing Director of the German family company CLAAS KGaA mbH with responsibility for Marketing, Sales, and Human Resources. Richard S. Pemberton, former Head of the Vinyl Business, was appointed Head of Flooring Sales. In this function, he retired from the Executive Board. We wish him lots of success in his new position. Marien A.G. Weijenberg, Head of the former Linoleum Business, left Forbo at the end of November 2002 by mutual agreement. We thank him for his services rendered.



## Corporate Governance

Good  
corporate citizenship

Good corporate citizenship has always been a priority for Forbo. The Corporate Governance Guideline of SWX has been implemented, as have been those rules of the Swiss Code of Best Practice which are relevant to Forbo. All Members of the Board of Directors are non-executive and independent of the company. Our Board Committees have effective and appropriate control mechanisms that have been in existence for years. However, we deem it much more important than all the regulations is that the Board of Directors as the shareholder representative is committed to actively practicing corporate governance in accordance with the meaning of the term.

## 75<sup>th</sup> anniversary of the Forbo Group

Tradition  
as a commitment

In 2003, the Forbo Group can celebrate its 75<sup>th</sup> anniversary. What started in 1928 as a network of European linoleum producers under the name of Continental Linoleum Union in the form of a group that had an international presence already at that time is in existence still today. Apart from the core product linoleum which in a rejuvenated form, is still successful in today's markets and continues to be one of our key profit contributors, the company's product portfolio underwent numerous changes in the 75 years of its existence.

Well prepared  
for the future

Today Forbo has good preconditions for further entrepreneurial success with its three global Businesses: Flooring, Adhesives, and Belting. As a company with a long tradition, we are proud of our roots and we know the strengths we can derive from. The resulting sense of responsibility and a high-quality awareness are guiding us in our daily approach to our products, the natural resources, our customers, partners, and employees. This gives the company stability and resistance.

## Outlook 2003

Continued  
sales growth

For the next few months, Forbo is not expecting a significant recovery of the current market conditions. As a result of these difficult trading conditions, we will continue our strict cost management and focus on cash generation aimed at posting a clearly positive free cash flow in 2003. This will further strengthen our balance sheet. We are expecting continued sales growth in local currencies following the first full-year contribution of Swift in 2003.

Thanks

We would like to thank you, dear shareholders, for your trust in and your loyalty to our company. At the same time, we would like to extend our thanks to all the Forbo employees for their commitment.



Karl Janjóri  
Chairman of the Board  
of Directors



Werner Kummer  
President and CEO

# Forbo Group: Focused Expansion of the Adhesives Business Has Positive Effects

The business year 2002 was characterized by continued difficult economic conditions and the acquisition of the Swift activities. The targeted expansion of the Adhesives Business had positive effects in all respects. The Forbo Group's international market position was essentially strengthened with the Swift acquisition, which made a substantial contribution to the Group's financial results. Thus, a company development could be brought about that was better than that of the overall industry. Sales in the business year 2002 reached CHF 1,531 million, an increase by 13% excluding the Carpet Business sold in October 2001 (previous year: CHF 1,354 million). The increase is the result of the acquisition of the Swift adhesives activities in April 2002. Excluding this acquisition, sales decreased on a comparable basis by 2% in local currencies and 5% in Swiss Francs to CHF 1,284 million. The operating profit of CHF 88 million is nearly unchanged (previous year: CHF 89 million), despite additional amortization of goodwill and acquired trademarks of CHF 6 million and unfavorable currency influences. The contribution of the original business to the operating profit declined by CHF 14 million or 16%, of which CHF 4 million alone were due to negative currency movements. As a result of clearly higher expenses for financing and an increased tax rate, Group profit is at CHF 43 million after CHF 52 million in the previous year. As opposed to this trend, the free cash flow could be increased to CHF 109 million (previous year: CHF 74 million).

## The business development at a glance

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Weak markets for floor coverings in Europe

Flooring sales declined by 3.6% in local currencies. In Swiss Francs, the decrease was 6.5%, corresponding with sales of CHF 736 million versus CHF 787 million in the previous year. This decline is essentially due to the weakness in the most important European markets. The sales losses could not be compensated by continued growth of about 20% in Eastern Europe.

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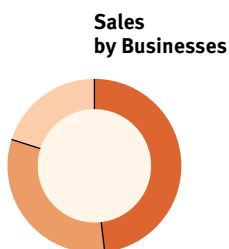
Linoleum grows in North America

Linoleum sales were CHF 372 million, 3.7% and 6.9% less than in the previous year in local currencies and Swiss Francs, respectively. Especially in the fourth quarter, linoleum suffered from reluctant public spendings in key European countries. As opposed, the North American linoleum market stayed on growth course with plus 6.9%.

Strong performance of vinyl in Eastern Europe

Forbo vinyl recorded sales of CHF 308 million, down 2.0% in local currencies and 4.8% in Swiss Francs from the previous year. In the course of the year, sales further picked up in Eastern Europe and Asia, partly compensating for weak business in Northern and Western Europe.

	m CHF 2002	Change on previous year effective %	currency adj. %	%
Flooring	736.1	-6.5	-3.6	48.1
Adhesives*	486.6	121.8	124.6	31.8
Belting	308.4	-11.3	-5.5	20.1
Total	1,531.1	13.1	16.7	100.0



\*Including acquired activities of CHF 255.2 million

Adhesives on growth course

With sales of CHF 487 million after CHF 219 million, the Adhesives Business is on a clear growth course. Of the CHF 268 million increase, CHF 247 million were accounted for by the Swift activities acquired in April 2002 whose integration in the existing Adhesives Business has been nearly completed. Even without the acquisitions, adhesives posted an increase by 8.2% in local currencies and 5.4% in Swiss Francs.

Belting suffering from weak capital investments

The global business with conveying and power transmission belts recorded sales of CHF 308 million (previous year: CHF 348 million), 5.5% less in local currencies and 11.3% less in Swiss Francs. The significant currency influence is due to the high percentage of Dollar-based markets. Especially sluggish demand for capital investment weakened the OEM business with conveying and power transmission belts, a trend that could not be made up for by replacement business. Business in North America and Asia was somewhat better than in Europe where the recovery that started in the third quarter continued throughout the fourth quarter.

### Geographical distribution

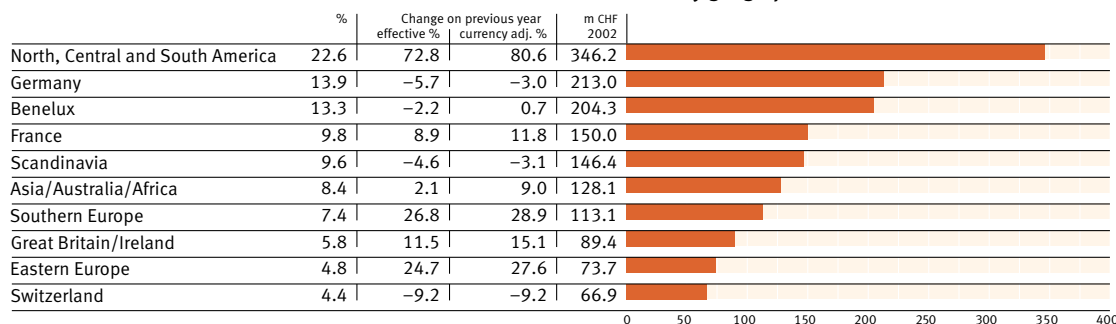
Sales decline in key markets

Expressed in local currencies and excluding the Swift acquisition, only Eastern Europe was able to record marked sales growth. Sales could be maintained on the previous year's level in Great Britain, France, the USA, and Asia. Considerable sales decreases were posted especially in our traditional European key markets such as Germany, Benelux, Scandinavia, and Switzerland. Except for Adhesives, all Businesses contributed to that result.

Shift in sales by markets

As a result of different market dynamics, Eastern Europe, Asia, and the USA have gained in importance. The acquisition of the Swift adhesives activities complements this trend, raising the sales percentage of North, Central and South America to about 23 % (previous year: 15 %) in line with the Group strategy. As opposed, the German market's contribution to Group sales decreased to 14 % (previous year: 17 %). The same trend applies to the Benelux countries and Scandinavia.

Sales by geographic areas

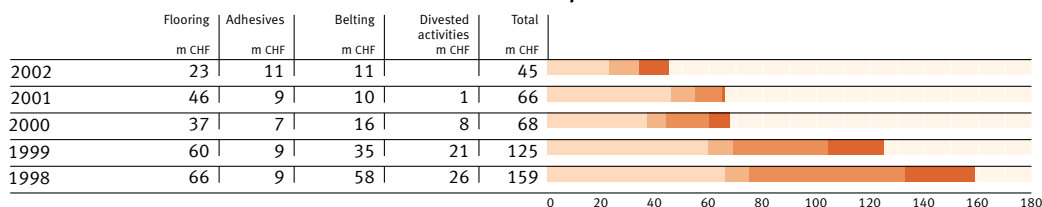


Capital investments

SAP introduction a priority

In previous years, essential capital investments were concluded. All in all, it can be noted that Forbo's production plants are state of the art, with sufficient production capacities. In 2002, the new vinyl coating and cutting facilities for the project market (floor coverings for commercial buildings, hospitals and other large projects) were started successfully in Reims (France). As a result, Forbo has now the necessary capacity – combined with higher productivity – to cater for this flourishing product category. Also in response to brisk demand, investments were made in the production of hot-melt adhesives in Pirmasens (Germany). The Group's investment program is focused on the introduction of standardized ERP software (Enterprise Resource Planning) from SAP. All in all, the investment volume of CHF 45 million was below the level of previous years and about CHF 35 million lower than depreciation in the year under review.

Capital investments 1998–2002



- Flooring
- Adhesives
- Belting
- Divested activities

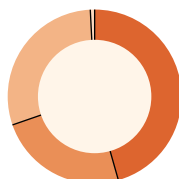
## Employees

Swift acquisition adds employees

As per December 31, 2002, the number of employees had risen from 5,145 to 5,715. 629 employees stem from the Swift acquisition, 99 employees from further acquisitions. Excluding acquisitions and on a comparable basis, this means that the number of employees decreased by 158 as a result of rationalization and cost saving measures. This decrease was concentrated on the declining key markets.

Employees by Businesses

	2002	Change 2001/2002 %	%
Flooring	2,611	-4.1	45.6
Adhesives	1,377	82.4	24.1
Belting	1,684	3.8	29.5
Headquarters	43	-4.4	0.8
Total*	5,715	11.1	100.0



\*Including 728 employees from acquired activities

Employees by geographic areas

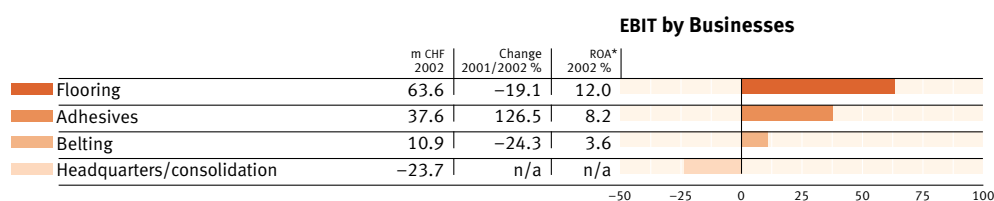
	%	Change 2001/2002 %	2002
Benelux	23.2	0.1	1,326
Germany	14.7	-2.8	837
North, Central and South America	14.3	66.3	815
France	9.9	25.1	568
Great Britain/Ireland	9.1	29.5	518
Scandinavia	8.7	-6.9	499
Switzerland	7.2	-9.6	413
Asia/Australia/Africa	6.4	5.2	365
Southern Europe	5.8	38.6	334
Eastern Europe	0.7	17.6	40

## Result development

Attractive result in spite of negative influences worldwide

The operating profit (EBIT) of the Forbo Group reached CHF 88 million (previous year: CHF 89 million) despite negative influences worldwide, after additional amortization of paid goodwill and acquired trademarks of CHF 6 million and a negative currency impact of CHF 4 million. This result development must be seen against the background of a severe weakness in some of Forbo's markets. The effects of negative influences could be limited through the Group's strategic realignment in recent years, and notably the acquisition and successful integration of Swift. The Swift activities have already made a considerable contribution to Group profit since the take-over on April 19, 2002. For example, its contribution to the operating profit before depreciation and

amortization (EBITDA) of CHF 29 million and CHF 23 million after depreciation (EBITA) is clearly above the original expectations. However, the weak US Dollar impaired the good performance slightly in the fourth quarter. Thus, the Forbo Group as a whole reached an operating profit before depreciation and amortization (EBITDA) of CHF 180 million – slightly higher than in the previous year – corresponding with 11.8% on sales (previous year: 12.1%). The operating profit after depreciation (EBITA) is CHF 100 million resulting in a return (EBITA/Operating Assets) of 8%, as in the previous year, including and adjusted to a Swift's full-year result.



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

#### Negative influences

The profit decrease has various reasons. The unfavorable currency development versus the Swiss Franc had a negative impact of CHF 4 million on the operating profit in the course of the year. In addition to strong price pressure in all the business areas, higher costs were incurred with raw materials, energy, and personnel. Both influences could only partly be offset by increased productivity. Finally, a strong sales decline had to be recorded in the linoleum business especially in the fourth quarter. In addition, there were also restructuring costs of some CHF 3 million.

#### Higher financial expenses

Net financial expenses were at CHF 24 million, clearly higher than in the previous year (CHF 16 million). This is mainly due to the Swift acquisition which was financed with borrowed capital. As a result of the slightly lower operating profit, higher financial expenses, a higher tax rate, and weaker foreign exchange rates, the Group profit is CHF 43 million compared with CHF 52 million in the previous year. The higher tax rate can be explained by a shift in the regional profit composition.

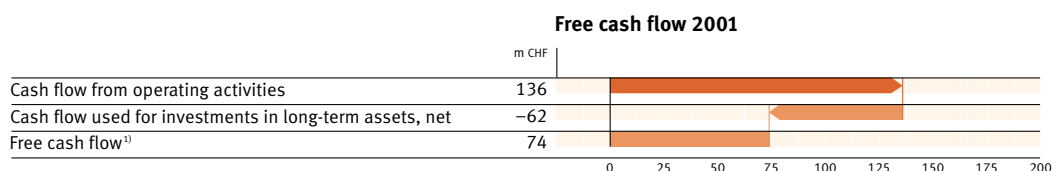
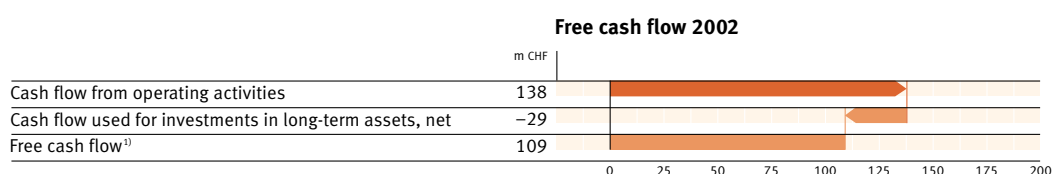
#### Positive Economic Value Added

Forbo aims at enhancing the company value. Such a value is only created when the return on assets employed is above the weighted average capital cost. Despite an increase in the capital employed, a positive EVA® (Economic Value Added) of CHF 4 million could be recorded in the year under review following the negative value of CHF 2 million in the previous year. This was possible by reducing the capital cost to 5.5% (previous year: 7.3%). The capital cost

reduction is mainly due to a higher percentage of borrowed capital and lower interest rates. A summary of this calculation can be found in the Financial Report on page 6.

#### Free cash flow

The free cash flow before dividend reached CHF 109 million versus CHF 74 million in the previous year. This does not include the purchase of activities such as Swift in 2002 or the sale of the Carpet Business in 2001. The lower level of capital investments and the reduced need for working capital had a positive effect on the free cash flow.



<sup>1)</sup> Before dividend, purchase and sales of activities

### Measures

#### Structures adapted

The cost cutting measures initiated already earlier were continued in the year under review. They also affected the number of people employed which decreased by 158 on a comparable basis. In all three core Businesses, the structures were adjusted to the demand situation and were further optimized. In this context, several sales offices in Great Britain and the Benelux countries were integrated.

#### Projects speeded up consistently

Numerous projects were speeded up consistently in spite of higher cost pressure with the goal of enhanced product innovation, market coverage and efficiency. The Group expects the implementation of these projects to bring about a long-term, sustainable increase in profit, and cost reduction. The introduction of standardized SAP software in all three businesses has been a priority project.

# Flooring: Position Well Maintained in Declining Markets

Thanks to its strong market position, Forbo was able to restrain the negative influences of the general industry development. The flooring market was declining in Europe, with particular pressure on carpet and cushion vinyl. The consumers preferred stone or ceramic floor coverings, followed by parquet, linoleum, cork, and conventional vinyl. The strong growth dynamics for laminate materials of the previous years has come to a standstill. Regionally affected were especially Germany, but also the Benelux countries, the entire Scandinavian region, and Switzerland. The market situation was somewhat better in France, Great Britain, and in Southern Europe. Demand was clearly picking up in Eastern Europe, and notably in Russia. North America and Asia were also suffering from sluggish demand, although less pronounced than in Europe. With sales of CHF 736 million, Forbo performed well in this extremely difficult market environment. In local currencies, the sales decline is 3.6%, slightly less than the overall market. In Swiss Francs, sales decreased by 6.5%, of which 2.9% alone are due to negative currency movements. The operating profit is at only CHF 64 million (CHF 79 million) because of the adverse conditions.

## Linoleum

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North America  
still a growth market

Linoleum sales in local currency declined by 3.7%, reaching CHF 372 million compared with CHF 400 million in the previous year. Business in the fourth quarter of the year under review was particularly weak. The decrease was due to weak demand especially in the project business. Among the primary reasons were customers' reluctance in key European countries with furnishing of business buildings, and reduced public spendings. The three largest markets for linoleum, i.e. Germany, the Benelux countries, and Scandinavia, as well as some smaller European markets were declining. Exceptions were Great Britain, France, and Austria. North America continued on its linoleum growth course with a plus of 6.9%. As opposed to Europe, public buildings, but also buildings taking into account environmentally friendly aspects had a positive impact in North America. Forbo defended its market leadership with a share of some 60% in the linoleum world market.

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Net margin kept  
despite  
market situation

The continued pressure on prices because of the current market situation could be offset by productivity improvements and cost savings. Thus, the net margin could be maintained at an unchanged level.



Presence  
at key international  
trade shows

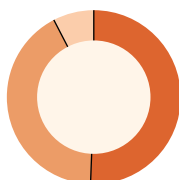
Linoleum holds a unique niche position within the flooring market. The product is environmentally friendly, design-oriented, long-lived, and extremely hard-wearing. Linoleum is used in the design-oriented residential area as well as for project business in public buildings such as schools, homes for the aged, hospitals, and office buildings. The unique benefits of the product were demonstrated at leading international trade shows: Domotex in Hanover (Germany), Surfaces in Las Vegas (USA), Neocon in Chicago (USA), Swissbau in Basle (Switzerland), Bâtimat in Paris (France), and for the first time also at the occasion of the Salone del Mobile in Milan (Italy).

Linoleum  
also for furniture  
and kitchens

Also in 2002, product innovations were developed and introduced, notably for applications of linoleum in furniture and kitchens. A new trend collection for the residential area and a premium Artoleum® collection for project business were added to the product portfolio. Also the tile segment was expanded, e.g. with the ‚Martha Stewart‘ collection for the North American market and a new tile collection for Sweden. Marmoleum® Click, unveiled at Domotex 2003, is being introduced. The product is laid like parquet or laminate, but it offers the advantages of the linoleum surface as a natural product. Forbo expects this product to strengthen the Group’s position in outlets specialized in residential floor coverings. The current product development is focused on easy laying, optimum cleaning and maintenance characteristics, and non-slip properties. All in all, the positioning of linoleum as a trend and lifestyle product is being continued with a clear design orientation.

Sales by product groups

	m CHF 2002	Change on previous year		%
		effective %	currency adj. %	
Linoleum	372.0	-6.9	-3.7	50.6
Vinyl	308.0	-4.8	-2.0	41.8
Other floor coverings	56.1	-12.6	-10.7	7.6
Total	736.1	-6.5	-3.6	100.0



## Vinyl

Price differentiated market development in the residential area

Vinyl sales declined by 2.0% in local currency. Sales reached CHF 308 million after CHF 324 million in the previous year. The market for cushion vinyl used especially in the residential area continued to suffer from overcapacities and all signs of a market saturation in Western Europe, notably in the lower price segment. Sales declined particularly in Germany, the Benelux countries, Great Britain, and Switzerland. The markets in Scandinavia and France stayed on a satisfactory level. Forbo was able to further grow its market share in the premium price segment. In Eastern Europe, the market share could be expanded substantially with a sales growth of about 20%. Especially Russia continued to be a clear growth market. The Forbo brands Novilon® and Novilux® continued to be leaders in the upper price segments of the market.

Progress in the project business

The conditions for vinyl project business (commercial buildings, hospitals, and other large projects) differed from those prevailing in the residential area. The market decline and the price pressure were less pronounced. For Forbo the business development was particularly positive in France and Eastern Europe. Essential progress was made in Asia, and notably in China.

New plant for project business

In 2002, the investment in a new coating and cutting plant for project floorings in Reims (France) was concluded. The plant offers sufficient capacity for the prospering project business.

Product innovation

A new Novilon® collection of cushion vinyl was launched successfully at the end of 2002. It has a novel design effect and further improved application properties. With Eternal, a new collection for the project area was presented at Domo-tex. This innovative collection of heterogeneous, non-foamed vinyl is produced with state-of-the-art technology in the plant in Coevorden (the Netherlands). The products are characterized by an excellent design and unique properties in terms of maintenance and life. As such they meet all the requirements made on demanding project applications.

## Parquet floorings and carpets

Flanking products

As a supplement to its product range, Forbo manufactures parquet floorings to a smaller extent, especially for the Scandinavian market, and textile needlefelt floorings in France. Parquet production in Sweden reached sales of CHF 31 million after CHF 37 million in the previous year. Carpets including needlefelt recorded sales of CHF 25 million.

### **Capital investment into modern IT solutions**

Improved processes  
through SAP

The SAP introduction was speeded up in the Benelux countries, Germany, and Switzerland, and the complete integration of sales and production was completed. The extension to the total Flooring Business is underway, and is expected to be concluded by 2004. The software facilitates and optimizes business processes in stock management and production control, but especially so in sales and order handling. The problems that occurred during the system introduction resulted in supply bottlenecks in the summer months. This unsatisfactory situation could be completely corrected as from the third quarter.

### **Outlook**

Restructuring  
offers advantages  
in a difficult market

It seems that the mostly difficult market conditions in our industry are here to stay also in 2003. The new structure of the Flooring Business with a global sales organization gives Forbo more flexibility and consistency on the international level and in individual geographical markets. As in the past, the sales teams are structured by project and residential business on the national level so that a segmented market coverage is ensured with the core products, linoleum, and vinyl. The stronger coordination of project and residential business on the national level will improve customer service and reduce costs. The new market-driven organizational structure in connection with new products is expected to bring about an expansion of business with the residential flooring industry. Following the expansion in the USA and in Asia, further growth should be possible in these regions provided the economic activity is going to pick up.

# Adhesives: Expansion into the USA with the Acquisition of Swift

For the adhesives industry, the year 2002 was not easy. In some segments, the consolidation continued, while others had above-average growth rates. Most outlets such as furniture and the construction industry suffered from sluggish demand. The price level decreased partly, and the higher raw material costs of the second half-year could not be passed on to the market. Consequently, this industry in general had to live with reduced margins. The result was a further consolidation in the entire industry. Forbo was able to successfully resist these negative influences, steering a clear growth course with net sales of CHF 487 million after CHF 219 million in the previous year. The Swift activities acquired in April 2002, and their integration into the existing Adhesives Business, which has nearly been concluded, accounted for CHF 247 million of the total increase of CHF 268 million. Even without acquisitions, Forbo's Adhesives Business was able to increase sales by 8.2% and 5.4% in local currency and Swiss Francs, respectively. The operating profit reached CHF 38 million after CHF 6 million amortization on goodwill and trademarks (previous year: CHF 17 million). Excluding Swift, CHF 21 million were posted, a clear increase over the previous year. This means that in 2002, the Adhesives Business became an important pillar of the Forbo Group in terms of both sales and returns.

## New positioning in the international Adhesives Business

With Swift  
into the Top Ten  
of the Industry

The integration of the Swift activities acquired in April 2002 has led to a clear new positioning of Forbo in the international adhesives business. The geographical expansion to North America is of extraordinary strategic significance. Before, Forbo had not been present there in the adhesives market. Furthermore, the Swift activities in Europe are a perfect match to the previous Forbo business. Whereas before Forbo had been active in areas like shoes, furniture, construction, and car interior trims, Swift especially strengthens the segments packaging, tobacco, and paper. This product match is particularly pronounced in France, Italy, Great Britain, Ireland, and Scandinavia. The share of Forbo activities has clearly been rising in these countries. Thus Swift is the ideal expansion of Forbo's hitherto successful Adhesives Business. With the Swift acquisition, adhesives have grown into a completely new order of magnitude and strategic significance for Forbo. Already in the year of the acquisition, Swift made a positive contribution to both operating profit and Group net profit. With Swift, Forbo has thrust into the league of the world's top ten producers of industrial adhesives.

### Current market segments in the Adhesives Business

	Europe	USA	Asia
Paper, Packaging	Complementary position	Swift's position	Swift's position
Building, Construction	Forbo's position	Swift's position	Complementary position
Woodworking, Joinery	Forbo's position	Complementary position	Complementary position
Transportation	Forbo's position	Swift's position	Complementary position
Footwear, Leather	Forbo's position	Complementary position	Swift's position
Consumer, Do it yourself	Forbo's position	Complementary position	Complementary position
Assembly	Forbo's position	Swift's position	Complementary position
Adhesives Intermediates	Complementary position	Swift's position	Complementary position

■ Forbo's position  
■ Swift's position  
■ Complementary position

#### Swift at a glance

Swift is a leading company in the development, production, and marketing of industrial adhesives. In North America, the company also produces and markets intermediate products for the adhesives production. Swift's high customer and technical service standards document its pronounced customer orientation. It offers a broad range of high-performance melt adhesives and water-based products. Among the customers are mainly the paper and packaging industries. On a regional basis, Swift is particularly strong in its 'homeland', the USA, but also has a presence in Canada, Mexico, and in some European countries.

#### Minor acquisitions

In February 2002, Forbo purchased all the interests in SABA Klebstoff- und Abdichtungssysteme GmbH, Mannheim (Germany). With sales of some CHF 10 million, the company is a strong partner of the German automotive industry and its suppliers. With this acquisition, Forbo was able to strengthen its position in this important market segment and to gain access to product solutions that can be used in other geographical markets. The acquisition of Balco Chemie Benelux BVBA in the year under review represents another step in the expansion of the Adhesives Business, especially for securing the market position in Belgium. The take-over with annual sales of some CHF 1.5 million was effective September 1, 2002.

### Enhanced service for stronger customer loyalty

Market shares  
through customer  
orientation

There are all kinds of adhesives. Apart from standard applications, special solutions are often needed. This is particularly true for the car industry. Depending on model and vehicle generation, new designs and materials are being used in the car interior and must be bonded permanently. Forbo does not only sell adhesives, but offers the customer a complete service package. If necessary, a team visits the customer to identify the suitable adhesives for a certain application, for example. It studies, among others, how existing machinery must be set up to reach optimum results. This service is rounded off by a hotline available around the clock. With this service approach, Forbo Adhesives is very successful in the market, continuously winning market shares.

The ball is round

At the beginning was leather. For more than 40 years, sports goods producer Adidas has been manufacturing footballs for world championships. At the beginning, this company had been looking for a partner able to supply high-quality products, committed to long-term cooperation, and ready to support and help with innovation. Forbo Adhesives proved to be the right address. Initially, a special coating was used preventing the ball from picking up moisture and gaining ever more weight during a game. Later on, the seams of the ball were made water-proof, and today it is all about high technology: The world championship balls consist of special synthetic materials that are tailor-made to the requirements of professional players. Forbo Helmitin supplies an advanced latex product for bonding the different materials. Forbo products will again demonstrate their quality during the 2006 football world championships.

Investments in  
hot melt adhesives

The favorable market conditions for hot melt adhesives called for the investment in new production facilities in Pirmasens (Germany). They serve to expand capacities and improve product quality. The market position with car interior trims could be strengthened with several product launches for new applications. For the shoe industry various solvent-free technologies (water-based or hot melt adhesives) were developed to replace solvent-based adhesives.

## Outlook

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Swift's earnings potential becomes effective

Through the complete integration of Swift, the earnings potential of this acquisition will become fully effective in 2003. The establishment of an own organization in Asia focused on attractive market segments will further strengthen Forbo's international position. SABA, acquired in 2002, will be organizationally integrated into Forbo Helmitin in Pirmasens (Germany) to exploit all synergies. The capacities in the field of melt adhesives will have to be further expanded to meet the high demand.

Further positive stimuli for sales and profits

In 2003, the adhesives industry will continue to consolidate in certain segments and grow in others. Forbo is represented in the most promising segments with the majority of its products, and the regional effects of the Swift acquisition will further strengthen the market position. As a result of the geographical multiplication of this market position, Forbo is expecting further positive stimuli for adhesives sales and profits.

# Belting: Resisting the Price Pressure with High-Quality Products

The generally weak trading conditions called for special efforts also in the field of beltings in order to master the challenges presented by the markets. The acquisition of Stephens Miraclo Extremultus Ltd. closed a gap in Forbo's international presence. Now Forbo is also present in Great Britain and Ireland with its own subsidiary, and has built up a strong position in the very promising food sector of this region. In local currencies, sales were 5.5 % below the previous year, reaching CHF 308 million after CHF 348 million in 2001. About half the sales decline is due to negative currency movements. The operating profit was CHF 11 million compared with CHF 14 million in the previous year. Despite clearly lower sales, return on sales was still at 3.5 % (previous year: 4.1%). The reasons are productivity improvements, sales with better margins, and an essentially better cost structure overall.

## Market situation

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Original equipment under pressure

The OEM business with conveying and power transmission belts was under pressure due to the reluctance in the capital investments industry. Replacement business proved to be somewhat more resistant to the business downturn. So-called commodity products, i.e. products with a high degree of standardization and thus exchangeability, suffered particularly. Some segments of the market, however, such as belts for security systems at airports, received positive stimuli. The food sector performed well, as new solutions were demanded in view of the higher requirements made on the hygiene standards of beltings.

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Slight recovery in the second half year

The overall market was clearly declining in the first months of the year, but stabilized in the second half-year. Whilst especially the USA, Canada, China, and Southeast Asia as well as Eastern Europe recorded growth, other key markets such as Germany or Japan declined. Forbo was at least able to defend its market shares in most regions. Market shares could be increased in the USA, China, and some countries of Western and Eastern Europe. In a few markets the prices were so unattractive that market shares were given up deliberately.



## Strategic goals reached

Expansion in China

The strategic goals were reached with the development and market launch of new products, essential efficiency improvements, and cost reductions in production, the successful expansion into China, and the highly promising setup of the new sales organization in Malaysia. In Japan, Forbo was able to stabilize the situation by means of a sweeping restructuring program, in spite of most unfavorable trading conditions, and to present itself in the market with important initiatives. In the USA, a large number of new customers could be won. The market price pressure could be resisted especially with new products.

Acquisition closes geographical gap

Effective October 1, 2002, Forbo acquired 100% of the shares of British company Stephens Miracló Extremultus Ltd., following a holding of 25% for years. The former family company has represented Forbo's belting activities under the Siegling brand for more than 50 years and now employs approximately 80 people. With annual sales of some CHF 17 million, Stephens Miracló Extremultus Ltd. is among the leading suppliers of beltings in Great Britain and Ireland. The company has a strong position in the promising food segment with its large share in the total market in this region. With the complete take-over, Forbo was able to enhance its market presence in Great Britain and Ireland, and is now represented with its own companies in all the key Western European markets.

## Optimized information, control, and production processes

ERP with SAP standard software

In order to improve processes in logistics and business economics, a so-called Enterprise Resource Planning Software (ERP) based on SAP standard software was implemented in the year under review. It represents all the relevant information across different departments that are necessary for the optimized cooperation of individual business functions. This includes the availability of resources, inventories, and incoming orders. The software initially introduced for the Hanover site (Germany) was installed in a period of only eight months – very fast for projects of this kind. The entire process from order receipt via product manufacture and shipment can now be controlled by this ERP system. On this basis, processes can be further developed with a view to the future. The introduction at European and Asian sites is underway. All the Siegling sites worldwide will follow receiving the new system.

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Additional advantages for customers

The newly introduced belt calculation program B\_Rex has become extremely popular. It allows the customer the interactive, graphically supported, systematic, and thus reliable calculation for the design of transport systems. This has been possible so far with data provided by Siegling in a written form. Now the digital availability of data and their integration in a convenient application software prevent time-consuming, manual calculations, and costly mistakes. By means of the program, Siegling products can be simulated in virtually any conceivable plant configuration. Thus B\_Rex contributes to stronger customer loyalty.

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### Outlook

Considerably stronger to face the competition

With its improved internal infrastructure, Forbo is structurally stronger for facing the competition. The use of SAP ensures a high level of responsiveness towards the customers. The ability to develop and offer innovative products even faster than before, is a clear competitive edge. The optimized use of the technical and operative strengths will contribute to a sharper customer focus. In the USA, Canada, Mexico, Russia, China, and also in some European countries, the market situation can be classified as conservatively optimistic. The German and Japanese markets are likely to stay difficult also in 2003.

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Secondary brand 'Realbelt' offers high quality to the lower price segment

The introduction of the secondary brand 'Realbelt' at the end of 2002 is to open up new market segments. It will offer the lowest market segment good quality and a selective product range, with a reliability so far not known in this segment.

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Towards profitable growth

Against the background of unsatisfactory margins in Europe, and notably in Germany, it is our declared goal to reach not only pure sales growth, but also profitable sales. The way to this goal has been paved with new standards of reliability and customer focus combined with innovative products for the food, wood and textile processing, paper, printing, and car industries.

<hr/> USA	
Pittsburgh	<b>Linoleum</b>
<hr/> China	
Beijing	<b>Vinyl</b>
<hr/> England	
Bradford	<b>Adhesives</b>
<hr/> Germany	
Eppingen	<b>Belting</b>

#### **Forbo all over the world**

At a children's hospital in China, vinyl floor coverings create a pleasant atmosphere; a prize-winning ecological bank building in the USA features linoleum floor coverings; the English stationery manufacturer Hallmark requires innovative adhesives, and a chipboard manufacturer in Germany relies on high-quality synthetic conveyor belts: the Forbo Group, as a global player, sells a diverse range of products for demanding applications all over the world. The following pages introduce people who have opted for Forbo products in their daily work.

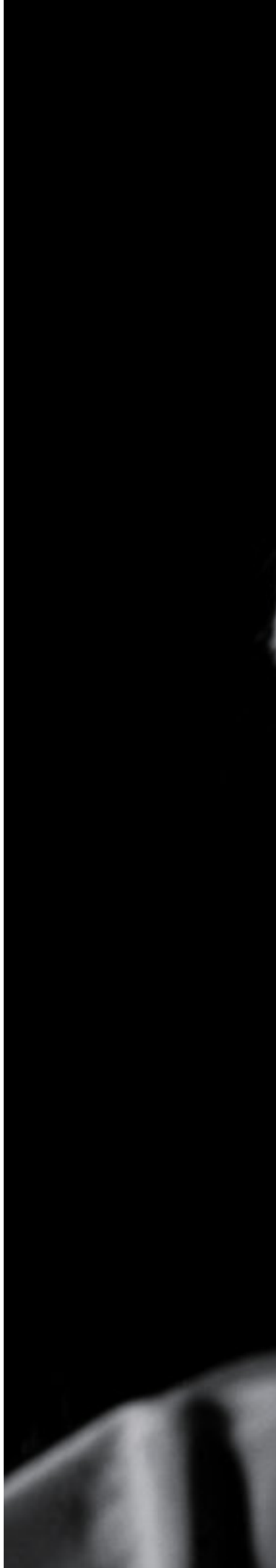
Linoleum

Northern Latitude  
Pittsburgh **40° 26' 21"**

Western Longitude  
**79° 58' 36"**

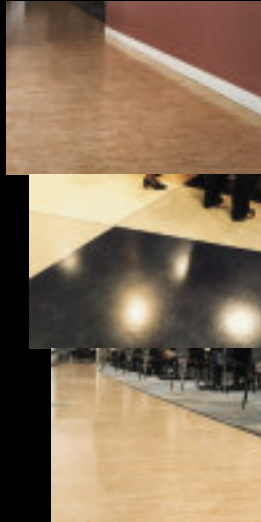
Sandra Wasik

Forbo USA





Forbo's linoleum floor coverings  
at the PNC Firstside Center.



“Inherent beauty of the product. Available color variations and choices. Durability. Ease of maintenance. Cost. All of these factors made Forbo's linoleum the obvious choice in areas that require hard surface flooring in the PNC Firstside Center in Pittsburgh (USA). In addition to all these advantages, Forbo has many sustainable features, including the use of all natural renewable materials and a minimum amount of energy used in manufacturing. These characteristics were influential when the building design process moved toward LEED (Leadership in Energy & Environmental Design) certification. Ultimately, the building was presented with a Silver Award by the U.S. Green Building Council and is the largest building to receive this honor.”

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Sandra Wasik has been the Vice President of the Commercial Interior Design Department at Astorino for seven years and in the design profession for over 22 years. She incorporates sustainable/green elements and products like Forbo's linoleum in many of her award winning projects.

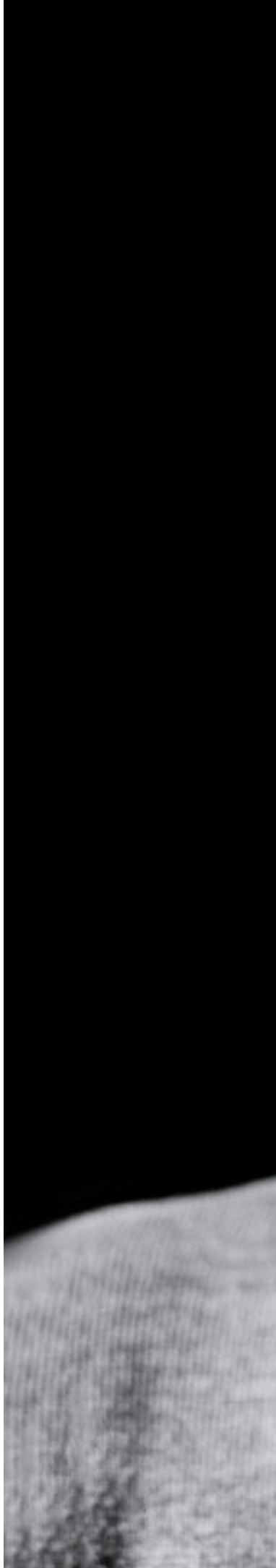
Vinyl

Beijing Northern Latitude  
**39° 55' 01"**

Eastern Longitude  
**116° 25' 59"**

**Xie Tian Hai**

Forbo China





Forbo's vinyl floor coverings  
in a children's hospital in Beijing.



“As an architect, I select an interior floor covering not only for its technical characteristics, but also for its aesthetics. Abrasion and wear resistance, anti-bacterial properties as well as easy maintenance are minimum requirements for the health care environment. Besides, Forbo offers me a large choice of modern and fresh colors. Their products also provide acoustic insulation and walking comfort. Sarlon® Traffic gave me the opportunity to design a hospital with a real feeling of well-being for patients, and in which the staff is happy and motivated to work in. In a traditional Chinese hospital, this is almost a revolutionary approach.”

Xie Tian Hai, designer at the Beijing Tune Construction and Decoration Company, and his team selected Forbo's Sarlon® Traffic floor covering in the new out-patient building of the Beijing recovering children's hospital, one of the largest and most famous children's hospitals in China. China is a country with growing needs, and Xie Tian Hai is confident to use more and more of Forbo's floor coverings in hospitals, but also in many other areas.

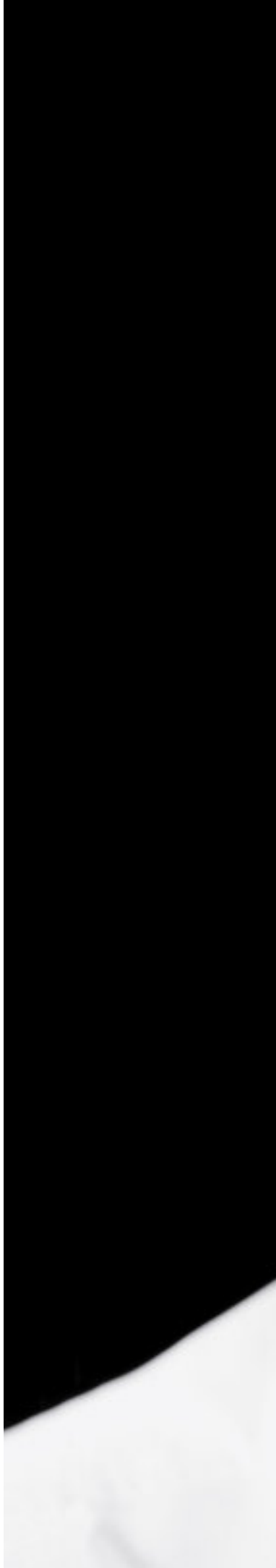
Adhesives

Bradford Northern Latitude  
**53° 46' 59"**

Western Longitude  
**1° 45' 00"**

Chris Mallows

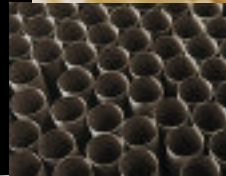
Forbo England







Forbo's adhesives in the production of greeting cards and gift-wrapping paper.



“My work as the Operations Manager calls for me to fully exploit all available resources to deliver quality, cost-effective finished products. By working in partnership with Forbo, who understands our business and its needs, we have achieved improved unit costs allied to higher quality finished products. In our cardboard core winding department, Forbo thought ‘outside the box’ and designed a higher value adhesive which resulted in a 30 percent increase in core-making speeds, thus preventing the need to invest in another machine to cope for future expansion, and also obtained a 30 percent increase in the yield from the adhesive, thus reducing material handling costs.”

Chris Mallows, Operations Manager for the past seven years of the multcard gift-wrapping and finishing factory of Hallmark Cards in Bradford, England. Hallmark Cards is the world's largest greeting cards manufacturer, and Forbo adhesives are used in every part of their business – from cardboard cores to envelopes.

**Beltिंग**

Northern Latitude

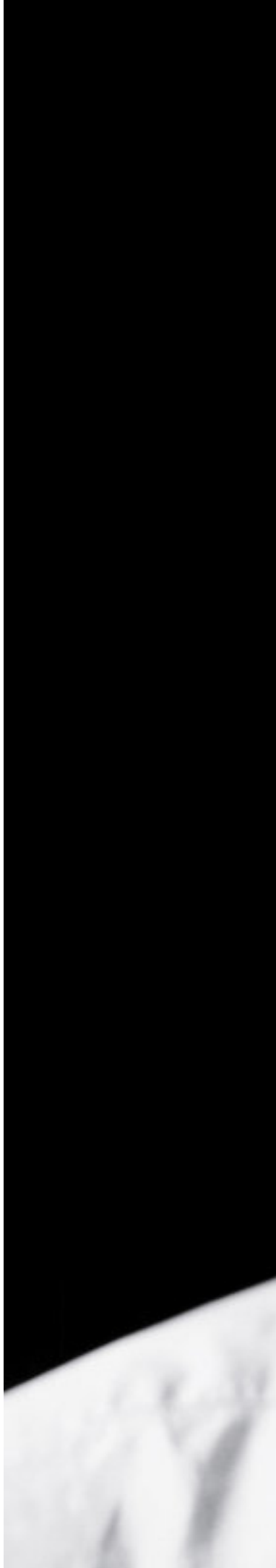
Eppingen **49° 08' 13"**

Eastern Longitude

**8° 54' 37"**

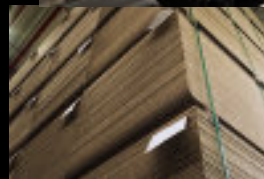
**Detlef Kroll**

**Forbo Germany**





Forbo's synthetic conveyor belts in wood processing.



“As Head of the mechanical engineering department for wood-panelling, I must use all available resources in the development and production of complete high-quality production lines for the particle board/MDF/OSB-manufacturing industry. Thanks to our close partnership with Siegling and their good understanding of our business and its needs, we have maximized the quality and functionality of our production lines. The high-quality Transilon® conveyor belts and Extremultus® drive belts developed by Siegling for our spreading, compaction and conveying sections meet our strict demands on function.”

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Detlef Kroll is Head of the mechanical engineering department for wood-panelling at Dieffenbacher GmbH & Co. in Eppingen, Germany, one of the biggest manufacturers of turnkey production lines for the wood-based panel industry. Siegling products are used here in all production lines – from spreading and conveying, through to handling the finished boards and decorating panels by, for example, veneering, coating and laminating.



Dr. Paul J. Hälgl  
Executive Vice President  
Adhesives

Gerold A. Zenger  
Executive Vice President and CFO

Werner Kummer  
President and CEO

Martin Richenhagen  
Executive Vice President  
Flooring

Dr. Jan Lipton  
Executive Vice President  
Belting

Jan E. Sångberg  
Executive Vice President  
Corporate Business Development

# Group Structure

President and CEO

## Werner Kummer, Swiss

Born in 1947, studied at ETH Zurich where he graduated in 1972 as a mechanical engineer. In 1979 he took part in the MBA program of INSEAD in Fontainebleau, France. From 1988 to 1998, he was working for the Schindler Group, initially as the Chairman of the Executive Board of Schindler Aufzüge AG, and from 1994 as a member of the Group management with responsibility for Asia/Pacific. Since December 1998, Werner Kummer has been CEO and President of the Executive Board. He is a member of the Board of Directors of Bâloise Holding AG (Switzerland) and of Huber & Suhner AG (Switzerland).

Executive Vice President and CFO

## Gerold A. Zenger, Swiss

Born in 1945, he worked from 1968 to 1970 with Crown Life Insurance in Toronto, Canada, in the Group Accounting Services area. From 1970 to 1973, he studied at the Advanced School of Economics and Business in Zurich and worked part-time with Swiss Aluminium Ltd. in various functions. From the end of 1973, he was responsible for Group reporting and consolidation. In October 1976, Gerold A. Zenger joined Forbo as an Assistant Corporate Controller, and he assumed responsibility for the Treasury area in 1979. He has been CFO since 1987, and he became an Executive Board member in 1998.

Executive Vice President Corporate Business Development

## Jan E. Sångberg, Swede

Born in 1948, he graduated in 1970 in Business Economics from Gothenburg University and started working with Forbo shortly afterwards, initially for Forbo Forshaga AB in Gothenburg. Since September 1988, Jan E. Sångberg has been holding different positions within the Group, and he has been an Executive Board member since 1992 with responsibility for corporate business development. He is a member of the Board of Directors of Enia Carpet Schweiz AG (Switzerland).

Executive Vice President Adhesives

## Dr. Paul J. Hälgl, Swiss

Born in 1954, he studied Chemistry at ETH Zurich where he took his doctor's degree in 1981. From 1981 to 1986, he worked for Swiss Aluminium Ltd. from where he went on to Gurit-Essex AG, where he finally was appointed CEO. In June 2001, Paul J. Hälgl was appointed Executive Vice President Adhesives and member of the Executive Board. He is a member of the Board of Directors of Gurit-Heberlein AG (Switzerland).

Executive Vice President Belting

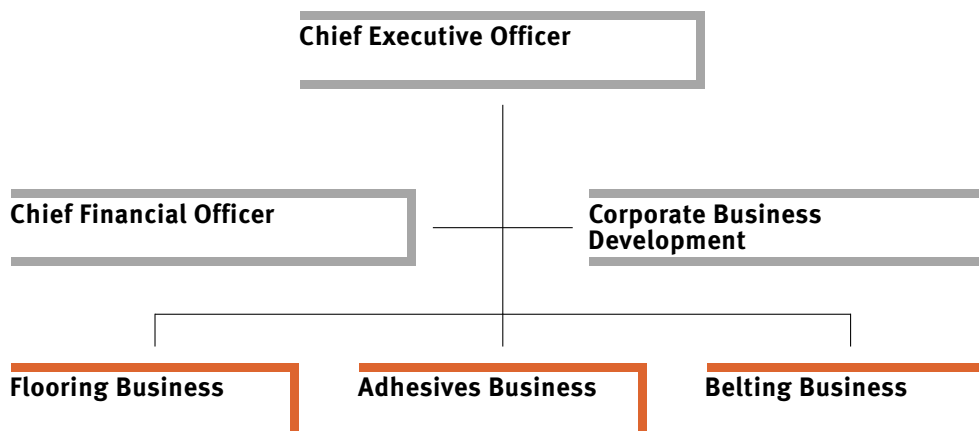
## Dr. Jan Lipton, Swiss

Born in 1952, he studied Engineering at ETH Zurich, and he took his doctor's degree at ETH Lausanne in 1983. Initially, he worked in research and development followed by management positions in different Swiss companies. From 1992 to 1997, he was working with Schindler AG, where he was a member of the Executive Board. Then, he joined the Executive Board of Keramik Holding AG. In April 2000, Jan Lipton was appointed Executive Vice President Belting and member of the Executive Board.

Executive Vice President Flooring

## Martin Richenhagen, German

Born in 1952, studied philology at the University of Bonn. Following several years in the role of a secondary school teacher, he joined the Hille & Müller Group in 1985, where he was Managing Director before leaving. From 1995 to 1998, Martin Richenhagen was Sales Director of Schindler Aufzügefabrik GmbH, followed by the role of Managing Director of CLAAS KGaA mbH. In February 2003, Martin Richenhagen was appointed Executive Vice President Flooring and member of the Executive Board. He is a Supervisory Board Member of Fendt GmbH (Germany) and member of the Advisory Council of Krone Holding GmbH & Co KG (Germany).



# Corporate Governance

**At Forbo, the concept of corporate governance encompasses the entire set of principles and rules designed to protect shareholder interests with regard to organization, conduct, and transparency. Forbo's aim is to strike a good balance between management and control. The SWX Swiss Exchange's Directive on Information Relating to Corporate Governance, which entered into force on July 1, 2002, provided investors with a framework within which they can obtain an overview of the essential elements of a company's system of corporate governance in a standardized form. Forbo had already implemented key sections of the Corporate Governance Directive prior to its entry into force and now complies with all of its provisions. The following information is set out in line with the Corporate Governance Directive drawn up by the SWX Swiss Exchange and, where applicable, the Swiss Code of Best Practice. Based on the Corporate Governance Directive, reference is made where applicable to information in the Annual Report, Financial Report or Forbo Website in order to avoid repetition. In cases where no information has been provided, it can be assumed that the corresponding sections of the Corporate Governance Directive are not applicable or immaterial in Forbo's case.**

## **Group structure and shareholders**

### Group structure

An organizational chart depicting the operational Group structure is given on page 35 of this Annual Report. The Forbo Holding AG group of consolidated companies does not include any listed companies. The relevant details relating to the non-listed companies that belong to the Forbo Holding AG group of consolidated companies are given on page 44 of the 2002 Financial Report in the list entitled 'Group companies'. Information relating to the allocation of the Group companies to their respective business units is also included in this list.

### Significant shareholders

As of the end of December 2002, 3,490 shareholders were listed in the share register of Forbo Holding AG, 181 more than in the previous year. According to the company's information, only one shareholder holds more than 5% of the voting rights. On July 29, 2002, UBS Fund Management (Switzerland) AG, Basel, acquired a stake of 5.11% with voting rights, thereby exceeding the 5% limit.

The Ordinary Annual General Meeting of Forbo Holding AG on April 23, 2002 resolved to implement a capital reduction as part of the previous year's share buyback program (see also the section on 'Capital structure' below). Following the entry of this measure in the Commercial Register and the destruction of 156,974 of its own registered shares, Forbo Holding AG, Eglisau, now holds treasury shares amounting to less than 5% of the voting rights.

### Cross-shareholdings

Forbo Holding AG is not involved in any capital or vote-based cross-shareholdings.

## Capital structure

Authorized and conditional capital

This information is contained on page 39 of the 2002 Financial Report.

Changes in capital, 2000 to 2002

A capital change only occurred in the 2002 financial year. It was resolved at the Annual General Meeting of April 23, 2002 to reduce the share capital as a result of the share buyback program from CHF 75,677,500 to CHF 67,828,800. The corresponding change to the Articles of Association was also approved by the Annual General Meeting.

Shares

The share capital of Forbo Holding AG is CHF 67,828,800, divided into 1,356,576 registered shares with a nominal value of CHF 50 each. Further details are given in the Notes to the Financial Statements on page 39 of the Financial Report. Each share entitles its holder to one vote. The economic and participatory rights of those 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 and the right to table motions and to vote. Shareholders who cannot attend the Annual General Meeting in person may be represented at the meeting. They may appoint as their representative an official of the company, an independent representative, or another shareholder who is entered in the share register.

Limitations on transferability and nominee registrations

With regard to relations with the company, only the party entered in the share register shall be recognized as the holder of registered shares or beneficiary. The entry of shares with voting rights shall always require the consent of the Board of Directors, which may only be withheld in special cases. The consent of the Board of Directors to the entry of the voting right may be withheld in case a share holder were to acquire or hold more than 8% of the total number of registered shares entered in the commercial register or if the acquirer of the shares does not expressly declare at the company's request that the shares are being bought and shall be held in his own name and for his own interests. The party acquiring registered shares shall submit a written application for approval of the share transfer and shall declare that he is acquiring and shall hold the shares for his own account. The registered shares of Forbo Holding AG are not evidenced by certificate. However, a shareholder may request that a certificate be printed and made available free of charge. Non-certificated shares, including the rights associated with such shares, may only be transferred by means of assignment. The company must be duly notified of any such assignment for the process to be valid. If non-certificated shares are held by a bank on the shareholder's behalf, such shares may only be transferred with the involvement of the bank. Resolutions on the amendment or deletion of the clause on the entry of registered shares shall require a majority of two-thirds of the votes represented at the Annual General Meeting in addition to an absolute majority of the represented share nominal values.

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Convertible bonds and options

There are no outstanding convertible bonds. Information on the option programs available to the Board of Directors and the Executive Board is contained on page 43 of the Annual Report.

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### Board of Directors

Members of the Board of Directors, activities and vested interests

The names of the members of the Board of Directors, alongside their nationalities, qualifications, professional backgrounds, activities, and interests are listed on page 41 of this Annual Report.

None of the members of the Board of Directors were responsible for operational management tasks for Forbo Holding AG or its Group companies. Similarly, none of the members were members of the Executive Board of Forbo Holding AG or its Group companies during the three financial years prior to the year under review. There are no significant business connections between the members and Forbo Holding AG or its Group companies.

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Cross-involvement

There is no cross-involvement between the Board of Directors of Forbo Holding AG and any other listed company.

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Elections and terms of office

The individual members are elected by the Annual General Meeting for four years and may be re-elected any number of times. The mandates expire on a staggered basis. Information in this regard is provided on page 41 of this Annual Report. In accordance with Forbo Holding AG's Organizational Regulations, members who have reached the age of 70 resign from the Board of Directors at the Annual General Meeting of the following year. The average age of the incumbent members of the Board is around 59. With regard to the composition of the Board of Directors, value is attached to the election of independent individuals with international experience in industrial companies as well as in the financial and consultancy sectors.

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Internal organizational structure

The allocation of tasks within the Board of Directors and the composition of the three Board committees are detailed on page 41 of this Annual Report.

The Board of Directors is the company's supreme executive body. The Chairman of the Board of Directors convenes its meetings in accordance with the Organizational Regulations as business dictates, but at least four times per year. Six ordinary meetings were held in 2002. Meetings are convened with notification of the agenda at least five working days in advance or with shorter notice being given in urgent cases.



The Executive Board and the Corporate Staff, as well as the managers of the subsidiaries, may be invited to meetings of the Board of Directors after prior arrangement with the Chairman. Regular use is made of this option, with the Executive Board generally being invited to attend meetings in an advisory capacity. The Executive Board informs each meeting about current business and important commercial events.

Three committees composed of members of the Board of Directors deal with clearly demarcated subject areas of overriding importance. These standing committees, which are constituted on a yearly basis, advise the Board of Directors and draw up proposals. Six committee meetings were held in total in 2002.

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Audit and Finance  
Committee

The Audit and Finance Committee (AFC) is responsible for issues relating to Group financing, verification of accounting principles and principles applied to year-end accounts, discussion of audit results, monitoring of work of external auditors, and independence of the same. The AFC also stipulates the tasks of the internal auditing. The CEO and CFO are regularly requested to attend meetings in an advisory capacity, whilst the involvement of representatives of the internal auditing or the external auditors may also be requested by special invitation. The AFC convenes as often as business requires but at least two times per year. During 2002 it convened on three occasions.

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Corporate  
Development  
Committee

The Corporate Development Committee (CDC) deals with issues relating to the corporate strategy. This includes, in particular, the realization of strategic alliances, acquisitions and mergers, as well as the divestment of company activities. The CEO attends meetings of the CDC in an advisory capacity, as may other members of the Executive Board if specially invited to do so. The CDC convenes as often as business requires. During the year under review, there was one meeting of the CDC.

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Committee  
for Human Resources  
and Remuneration

The Committee for Human Resources and Remuneration (HRC) is responsible for issues relating to the remuneration of the Board of Directors, the Group's general human resources policy, particularly with regard to the recruitment, periodic evaluation, and performance-based remuneration of senior executives. Unless it is his own performance assessment and salary determination that is being discussed, the CEO attends the HRC meetings in an advisory capacity. The HRC meets as often as business dictates. Two meetings were held in 2002.

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Definition of areas  
of responsibility

The Board of Directors is the supreme managerial and control body within the Forbo Group. It currently comprises eight members, none of whom hold any executive function within the company. The Board of Directors has fully delegated operational management of the company to the CEO and the Executive Board in the absence of any provisions to the contrary set out in the relevant statutory regulations, Articles of Association, or Organizational Regulations.

The Board of Directors is the senior managerial body and responsible for supervising and monitoring the Executive Board. It also passes guidelines on the company policies and strategy. The Board is regularly briefed on the current state of business. At Forbo, the Chairman of the Board of Directors is the CEO's direct superior and is in close and regular contact with the other members of the Executive Board.

The Executive Board comprises of the CEO, the CFO, the Head of Corporate Business Development, and the Heads of the Businesses, which previously numbered four but have been reduced to three. During the year under review, there were initially seven members. These were reduced to six after the organizational changes introduced in the Flooring Business. The Executive Board is responsible for the operational management of the Group and also prepares proposals regarding corporate planning and strategy for the Board of Directors. The members of the Executive Board are jointly responsible to the Board of Directors for the Group's success.

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Information  
and control  
instruments

In addition to the external auditors, internal auditing is available to support the Board of Directors and the Group Executive Board in the implementation of their supervisory duties. The internal auditing is independent, autonomous, and reports directly to the AFC.

	Born in	Member since	Term of Expiration	AFC	CDC	HRC
<b>Board of Directors of Forbo Holding AG</b>						
<b>Chairman</b>						
<b>Karl Janjóri, Swiss</b> From 1960 to 1997 in various functions at UBS AG (CH) (former Schweizerische Bankgesellschaft), thereof 18 years in the Executive Board Chairman of the Board of Directors of BDL Banco di Lugano (CH) Member of the Board of Directors of Italcementi S.p.A. (I), WJB Chiltern Group plc (GB)	1935	1986	2006	■	■	
<b>Vice Chairman</b>						
<b>Dr. Willy Kissling, Swiss</b> Lic. rer. pol./Dr. rer. pol. University of Berne (CH) PMD Harvard Business School (USA) Chairman of the Board of Directors of Unaxis Holding AG (CH) and until May 2002 CEO Vice President of the Board of Directors of Holcim Ltd. (CH), SIG Holding AG (CH) Member of the Board of Directors of Schneider Electric (F)	1944	1994	2006	■		
<b>Members</b>						
<b>Dr. Anton H. Bucher, Swiss</b> Lic. oec. publ./Dr. oec. publ. University of Zurich (CH) Owner of the Real Estate Holding Abbestate (USA) Chairman of the Board of Directors of Hüppi Holding AG (CH), Bircher Holding AG (CH) Member of the Board of Directors of WRH Walter Reist Holding AG (CH) Member of the Foundation Board of Alberto-Giacometti-Stiftung (CH)	1942	1986	2006		■	
<b>Drs. Pieter P.A. I. Deiters, Dutch</b> Lic. oec. HSG University of St. Gallen (CH) Member of the Board of Directors of Koninklijke Ten Cate B.V. (NL), Berghave B.V. (NL), Steps International B.V. (NL), Teidem B.V. (NL), Tootal B.V. (NL) Consultant EBRD European Bank for Reconstruction and Development (GB)	1943	2002	2006	■		
<b>Dr. Gerd Hofmeister, German</b> Dr. rer. pol. University of Graz (A) Master of Economics and Business Administration University Munich (D) Previously general partner of Ernst Siegling KG (D)	1934	1994	2006		■	
<b>Michael Pieper, Swiss</b> Lic. oec. HSG Universität St. Gallen (CH) CEO der Franke Holding AG (CH) Member of the Board of Directors of Franke Holding AG (CH), Hero (CH), SWISS International Air Lines Ltd. (CH), Thyssen Krupp Steel AG (D)	1946	2000	2004		■	
<b>Dr. Paul Tanos, Austrian</b> Magister rer. soc. oec. and Dr. rer. soc. oec. Diplomkaufmann Vienna University of Economics and Business Administration and studies at the University of Klagenfurt (A) Chairman of the Supervisory Board of Palmers AG (A) Member of the Supervisory Board of Vitalis GmbH (A), Zürich Versicherung Österreich (A)	1944	1999	2003		■	
<b>Prof. Dr. iur. Rolf Watter, Swiss</b> Dr. iur. University of Zurich (CH); LL.M of Georgetown University (USA) Partner of law firm Bär & Karrer (CH) Professor for commercial law University of Zurich (CH) Member of the Board of Directors of Zurich Financial Services (CH) and their affiliated company Zurich Financial Services (CH) Member of the Board of Directors of Syngenta AG (CH), Centerpulse AG (CH), Feldschlösschen Getränke Holding AG (CH), UBS Alternative Portfolio AG (CH), A.W. Faber Castell (Holding) AG (CH) Member of the Board of 'Schweizerischer Juristenverein' (CH)	1958	1999	2003	■	■	
<b>General Secretary of the Board of Directors</b>						
<b>Dagmar T. Jenni, Swiss</b> Attorney, LL.M						

AFC: Audit and Finance Committee  
 CDC: Corporate Development Committee  
 HRC: Committee for Human Resources and Remuneration

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## Group Executive Board

The Group Executive Board, activities and vested interests

The names of the Group managers, alongside their nationalities, function, qualifications, and professional backgrounds, as well as their activities and interests are listed on page 35 of this Annual Report.

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Management contracts

Forbo Holding AG has not entered into any management contracts with third parties.

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## Compensations, shareholdings, and loans

Content and method of determining the compensations and the share-ownership programs

The compensations paid to the Board of Directors are calculated by the HRC, with its proposal being submitted to a full meeting of the Board for approval.

The compensations and shareholding programs applicable to the Executive Board are stipulated by the HRC at the last meeting before the end of the year for the following year. The target agreements for the coming financial year are also approved as part of this process. When the annual accounts are produced in March, performance is reviewed in light of the stipulated target agreements and taking into account any prevailing market conditions, and a decision is made on any bonuses or the issuance of options.

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Compensations for acting members of governing bodies

The members of the Board of Directors are remunerated on the basis of a graduated remuneration scale applicable to the Chairman, vice-chair, and members. This consideration may be paid entirely in cash, or half of the total amount may be paid in the form of options on Forbo Holding AG shares. The theoretical market value on the issue date is used as the basis for calculation for the options. Total compensations, paid to the Board of Directors for all mandates within the Forbo Group amounted to CHF 879,943 in 2002, including options at tax value at the time of issue.

The remuneration paid to the Executive Board consists of a fixed base salary and a performance-related component, determined in each case at the end of the financial year. Up to 30% of the performance-related component may be paid in the form of shares of the Forbo Holding AG. These shares may not be sold for a period of three years. As part of a stock option plan, the Board of Directors issued members of the Executive Board with options in Forbo Holding AG for the first time in 2000. The basis of calculation was the theoretical market value on the issue date in each case, subject to a maximum of 10% of the total remuneration payable. Total compensations paid to the Executive Board in 2002 amounted to CHF 4,475,725. This includes all payments, i.e. base salaries, bonuses, shares, and options at their tax value on the date allocated.

Compensations  
for former members  
of governing bodies

During the year under review, no payments were made to members of the Board of Directors or Executive Board who resigned from the company during the previous period or at an earlier date.

Share allotment  
in the year  
under review

No shares were allotted to the members of the Board of Directors in the year under review, but 615 shares were allocated to members of the Executive Board as part of the performance-related remuneration system. No shares were allocated to parties (natural persons or legal entities) with close links to the Board of Directors/Executive Board.

Share ownership

The total number of shares held by the Board of Directors as at December 31, 2002 was 59,165, with the Executive Board holding 3,588 shares on the key-date. These figures include any shares held by persons (natural persons and legal entities) with close links to the Board of Directors/Executive Board.

Options

As of December 31, 2002 the Board of Directors and Executive Board held the following options:

Year allotted	Numbers	Term	Frozen until	Subscription ratio	Exercise price CHF
<b>Board of Directors</b>					
2001	917	08.05.2001–07.05.2006	07.05.2004	1:1	741
2002	1,602	07.05.2002–07.05.2007	06.05.2005	1:1	518
<b>Executive Board</b>					
2000	1,455	10.04.2001–09.05.2005	09.05.2003	1:1	670
2001	3,820	08.05.2001–07.05.2006	07.05.2004	1:1	741
2002	4,650	07.05.2002–07.05.2007	06.05.2005	1:1	518

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Additional fees and remunerations No further fees or payments were paid to the governing bodies during the year under review.

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Loans granted to governing bodies As of December 31, 2002, Forbo Holding AG had not awarded any securities, loans, credits, or advances to any members of the Board of Directors or Executive Board, or to any persons with close links to these members.

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Highest total compensation The highest total compensation paid to a member of the Board of Directors in the year under review amounted to CHF 290,000. This figure does not include any shares or options, as the individual in question did not receive any.

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### Shareholders' participation rights

Voting-rights and representation restrictions The Board of Directors may withhold its consent to the entry of the voting right of a shareholder or group of associated shareholders in the event that the 8% limit stipulated in Section 4 of the Articles of Association is exceeded with regard to the total number of registered shares entered in the commercial register. Consent may furthermore be withheld if the acquiring party of the shares in question, despite being requested to do so, fails to expressly declare that he is acquiring and will hold the shares on his own behalf and for his own interests. Resolutions on the amendment or deletion of the clause on the entry of registered shares (Section 4 of the Articles of Association) require a majority of two-thirds of the votes represented at the Annual General Meeting, in addition to an absolute majority of the represented share nominal values. Article 689, paragraph 2 of the Swiss Code of Obligations notwithstanding, shareholders who are unable to attend the Annual General Meeting in person may be represented. They may appoint as their representative an official of the company, an independent representative or another shareholder who is entered in the share register (Section 9 of the Articles of Association).

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Statutory quorums In accordance with Section 10 of the Articles of Association, resolutions regarding the conversion of registered shares into bearer shares, the entry of registered shares, the representation of shares at the Annual General Meeting, and the dissolution of the company, or a merger require the approval of two thirds of the votes represented at the Annual General Meeting, in addition to an absolute majority of the represented nominal values.

Convocation of the Annual General Meeting	The Annual General Meeting is convened in accordance with the statutory provisions.
Agenda	Annual General Meetings are convened at least 20 days prior to the meeting date. The agenda, as well as any motions tabled by the Board of Directors and any shareholder motions, are announced together with the invitation to attend the meeting.
Registrations in the share register	In accordance with Section 4 of the Articles of Association, the share register entries as at the 20 <sup>th</sup> day prior to the Annual General Meeting apply with regard to determining the participation and representation rights of shareholders at Annual General Meetings. In order to accommodate (new) shareholders and to enable them to attend the Annual General Meeting, Forbo Holding AG deviates from this provision in practice if entries are made where possible up to approximately seven days prior to the meeting date.
<b>Changes of control and defense measures</b>	
Duty to make an offer	The Articles of Association of Forbo Holding AG contain neither an opting-up clause (clause according to which the 33 1/3% threshold stipulated in Article 32, paragraph 1 of BEHG is raised) nor an opting-out clause (clause according to which an acquiring party is released from a purchase offer).
Clauses on changes of control	A member of the Executive Board reserves the right to terminate his contract in the event that certain conditions arise due to a change in the controlling shareholder. This involves payment of a settlement.
<b>Auditors</b>	
Duration of the mandate and term of office of the head auditor	PricewaterhouseCoopers AG, Zurich, have been the Forbo Group's auditors since 1987. The predecessor company of PricewaterhouseCoopers had been Forbo's auditors since 1928. The current head auditor Stefan Räsamen, has been in office since 2002. The auditors are appointed each year by the Annual General Meeting.

Auditing fees	The auditing fees levied by the Group auditor for the audit of the consolidated financial statements, including the statutory audit of the individual financial statements of the Holding and consolidated subsidiaries, amounted to CHF 1.7 million in the year under review.
Additional fees	Total additional consultancy fees (e.g. tax and legal advice, as well as consultancy during acquisitions, mergers and divestments), as invoiced by the audit company, amount to CHF 3.8 million for 2002. This amount was essentially incurred by activities in connection with the acquisition of the Swift activities, e.g. Due Diligence.
Supervisory and control instruments pertaining to the audit	The Audit and Finance Committee (AFC) of Forbo Holding AG is responsible for supervising and monitoring the work of the external auditors. Ultimate responsibility lies, however, with the full Board of Directors. At the AFC's invitation, representatives of the external auditors attend AFC meetings in an advisory capacity. For the purposes of assessing the external audit, the Chairman of the Board of Directors holds discussions on a yearly basis with the head auditor, dealing with any critical points.
Internal auditing	Ernst & Young AG, Basel, has been responsible for internal auditing since 2002. The remit of the internal auditors includes, among other tasks, verifying that internal guidelines and requirements have been implemented and monitoring the efficiency of internal processes. Furthermore, checks are carried out to assess whether appropriate control systems have been established from a financial and operational perspective. Ten companies were subjected to internal audits in 2002. In terms of sales, these account for some 20% of total Group sales.



## Information policy

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Transparency  
for investors

Forbo aims to provide comprehensive, objective, and timely information on business developments and commercially relevant events. To this end, it publishes annual and half-year reports as well as summarized reports for shareholders, as well as regular media releases. This target group-oriented information is also made available to interested parties via e-mail. Publications such as the corporate brochure 'In Focus' or the Forbo employee newsletter 'Forbo Inside' provide a revealing look into the world of Forbo.

All up-to-date information is available on the Forbo website at [www.forbo.com](http://www.forbo.com). Most information is also available to order in hard copy. This ensures that shareholders, the media, and financial analysts can access required information as and when necessary.

Direct communi-  
cation with different  
target groups

In addition, Forbo is involved in several activities designed to foster direct communication with different target groups. The primary measure as far as shareholders are concerned is the Annual General Meeting, whilst media conferences and news releases are used to brief the media. Presentations as well as both group and individual conferences on special topics are staged for the financial community.

To view the financial calendar with key dates, and for further information on the Forbo share, see also page 50 of this Annual Report.

# Human Resources

**Forbo places particular emphasis on looking after its employees. As an international Group whose global activities were significantly extended once more in 2002, well-trained and dedicated employees are the key to our success. Motivation, training, and identification with the company and its objectives are all important aspects of group-wide HR programs.**

## **Business Process Management Training**

Continuous process optimization

Forbo launched a new management training program in the early summer of 2002 with the aim of consolidating managers' knowledge of methods for analyzing and optimizing critical process flows and making it easier for them to implement this knowledge in practice. The course began by tackling the basic theory and methods involved, followed by a practical section that looked at case studies and real process flows from everyday practice. This two-days intensive seminar was attended by 120 participants in 2002.

## **Succession planning for managerial positions**

Measures introduced

Forbo aims to fill more managerial positions from within its own ranks in future. This means that up-and-coming managers are to be more involved in strategically important projects and targeted in the development of managerial skills such as teamwork and leadership. Intensive work began in 2002 on succession planning and, in cooperation with local management, on identifying and promoting younger employees with the potential to become managers. This approach will be continued in 2003.

## **Forbo Trophy**

Awards for outstanding achievements

The Forbo Trophy is awarded annually to a Group company in recognition of outstanding performance. The 2002 Forbo Trophy went to the team at Forbo Sarlino in Reims (France). Reims is home to the French sales organization for floor coverings and to the production site for vinyls and needlefelt coverings. The award of the Forbo Trophy hinged on the positive development of the company over a sustained period, a trend that is also being upheld at a time when the general economic situation is weak. Two factors were critical to the company's success: Firstly, the company's consistent customer focus and its efforts to find for each customer the optimal solution from Forbo's product portfolio. Secondly, the intensified use of teamwork for the continuous improvement of business processes. Moreover, a stable management team that has been in place for ten years has contributed to the site's dynamic development.

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Special Achievement  
Award

In addition to the Forbo Trophy, five Special Achievement Awards are presented in recognition of individual teams and employees. One of these was given to representatives of Adhesives (Forbo Helmitin), three to employees in Flooring (Forbo Novilon and Forbo Nairn), and one to employees in Belting (Siegling Canada).

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### **Swift increases number of employees**

Some 600  
new colleagues

The acquisition of Swift means the addition of some 629 new staff whilst Stephens Miraclo Extremultus Ltd. will bring another approximately 80 employees. This will increase the total size of the Forbo workforce to 5,715. Disregarding the increase due to these acquisitions, the workforce has decreased in size by 158. This development can be expected to continue due to the overall state of the economy and also as a result of the reorganization of the Flooring Business in the first half of 2003.

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### **Group Conference**

Discussion  
of strategic aims  
and expectations  
for the future

Once a year, Forbo managers from across the world meet to discuss business, their strategic aims, and their expectations for the future. This regular meeting is particularly significant in terms of the exchange of information and internal communication because it enables personal contacts to be fostered within a Group that operates on a global scale. In 2002, discussion focused on the structure and further expansion of the Group as well as on the integration of Swift and the resulting consolidation of the Group's international position in the Adhesives Business. The issues of cost management, raising profitability, greater customer and service focus as well as an even more intensive focus on product innovation were also high on the agenda.

# The Forbo Share

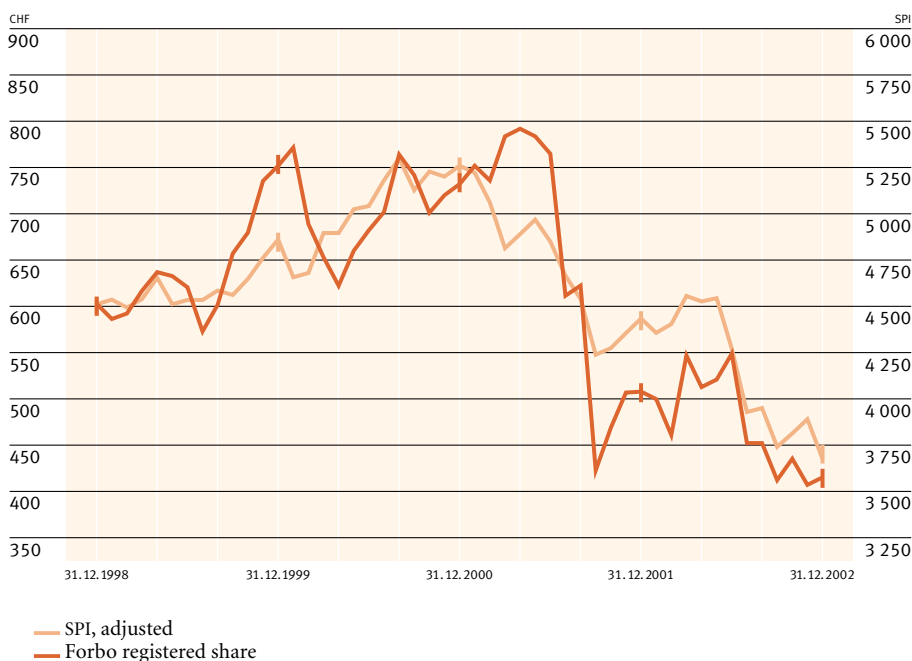
## Investor Relations

Forbo values close and direct contact with its private shareholders and institutional investors as well as with the media. Once again, in the previous year the Group management took part in several road shows and analyst meetings, as well as in a number of one-to-one talks, to discuss in detail the Forbo Group's strategy and future prospects. Numerous media releases on business trends provided the media and investors with information on Forbo. The current range of information can be consulted at any time on the company's website at [www.forbo.com](http://www.forbo.com).

## Share price development in 2002 slightly better than SPI

As the world's stock exchanges tended downwards, the SWX Swiss Exchange also suffered inevitable losses. The Forbo share was unable to escape this general trend, although the losses suffered over the year as a whole were slightly lower than those of the Swiss Performance Index (SPI). In view of the good cash generation and a cash distribution policy geared towards continuity, a market capitalization of approximately CHF 500 million appears to be low. Forbo has created a good starting position for itself thanks to restructuring and acquisitions, with a view to realizing higher company profits against an improved economic background. Whether or not the ambitious targets can be achieved depends to a large extent, however, on the future development of the general economic situation. Even rising company profits can only be expected to generate improved share performance if the equity market stabilizes and the geopolitical situation calms down.

The Forbo Share in comparison to the SPI



## Financial calendar

Annual General Meeting:	April 29, 2003
Letter to Shareholders:	July 25, 2003
Media release on half-year results for 2003:	July 25, 2003
Media release on the first three quarters 2003:	October 28, 2003

	2002	2001	2000	1999	1998
<b>Share capital</b>					
	Number	Number	Number	Number	Number
Issued registered shares (of CHF 50)	1,356,576	1,513,550	1,513,550	1,513,550	1,513,550
Thereof:					
Shares outstanding	1,305,207	1,305,052	1,463,010	1,463,522	1,454,824
Shares from buy-back program 2001	–	156,974	–	–	–
Other own shares	25,489	11,390	10,406	9,894	18,592
Reserve shares (without voting and dividend rights)	25,880	40,134	40,134	40,134	40,134

	CHF	CHF	CHF	CHF	CHF
<b>Nominal capital</b>					
Total	67,828,800	75,677,500	75,677,500	75,677,500	75,677,500
Thereof:					
Shares outstanding	65,260,350	65,252,600	73,150,500	73,176,100	72,741,200
Shares from buy-back program 2001	–	7,848,700	–	–	–
Other own shares	1,274,450	569,500	520,300	494,700	929,600
Reserve shares	1,294,000	2,006,700	2,006,700	2,006,700	2,006,700

	CHF	CHF	CHF	CHF	CHF
<b>Data per share</b>					
Shareholders' equity Group	453	500	556	539	542
Consolidated profit <sup>1)</sup>	33	38	62	58	52
Gross dividend and cash distribution, respectively	22 <sup>2)</sup>	22	22	22	22
Gross dividend return (%)	High 6.3 <sup>3)</sup>	5.3	3.5	3.9	5.1
	Low 3.8 <sup>3)</sup>	2.6	2.7	2.9	2.4
Payout ratio <sup>4)</sup> (%)	67	58	36	38	42

	CHF	CHF	CHF	CHF	CHF
<b>Stock market statistics</b>					
Share prices	High	585	839	828	764
	Low	350	417	620	569
	Year-end	412	505	730	750
Stock market capitalization (m) <sup>5)</sup>	High	764	1,228	1,220	1,126
	Low	457	544	914	838
	Year-end	538	659	1,068	1,098

<sup>1)</sup> See also Financial Report, 'Notes to the Consolidated Financial Statements', page 16 'Earnings per share', page 19

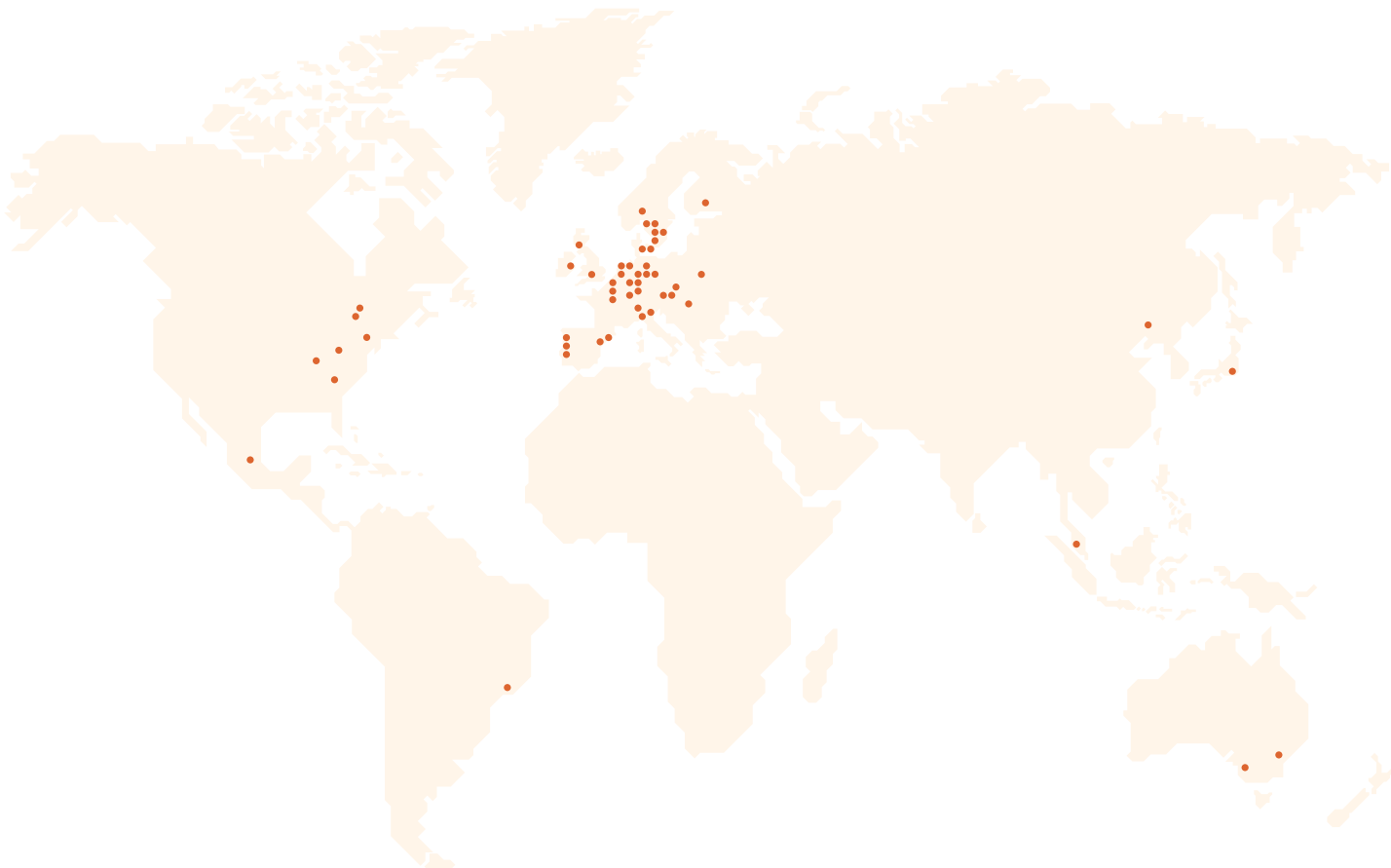
<sup>2)</sup> Proposal of the Board of Directors to the General Meeting of Shareholders: Cash distribution by reducing the nominal value

<sup>3)</sup> Calculated on the basis of cash distribution by reducing the nominal value

<sup>4)</sup> Gross cash distribution as % of consolidated profit (1999 before specific provisions)

<sup>5)</sup> Based on shares outstanding

# Our Global Presence



Imprint

Publisher: Forbo Holding AG, Eggenstein  
Editing: Klartext\_Medienbuero, Wuppertal (G)

Conception and Design: Gottschalk + Ash Int'l

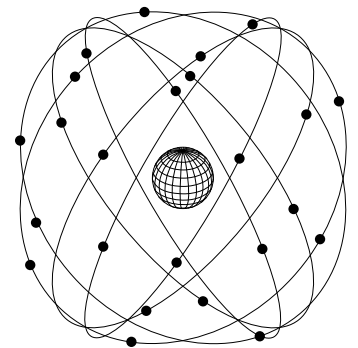
Photos: Thomas Schuppisser, Zürich (photos on pages 26–33)  
Beitina Schaefer, Zürich | Hamburg (photo on page 34)

Expert Advice on GPS System, Compass:  
Institute of Cartography ETHZ, Zürich  
(cover and pages of photos)

Typesetting, Litho and Printing: Neidhart + Schoen AG, Zürich

### **GPS (Global Positioning System)**

The GPS is a satellite-based measurement system with global coverage, installed and operated by the American Department of Defense (DOD). The GPS involves more than 21 satellites, which orbit the Earth at an average height of 20,200 km and at an average velocity of 3.3 km per second. One orbit thus takes 11 hours 58 minutes, i.e. one satellite circles our planet roughly twice a day. The satellites transmit signals that allow the exact position of a GPS receiver to be determined. Position location requires signals from at least four satellites. The receivers can be either stationary or in motion, on the ground or in the air. The GPS measurement process is used for land surveying, navigation, and other applications.





Forbo Holding AG  
CH-8193 Eglisau | Zurich  
Telephone +41 1 868 25 50  
Fax +41 1 868 25 51  
E-Mail [info@forbo.com](mailto:info@forbo.com)  
[www.forbo.com](http://www.forbo.com)

Forbo International SA  
CH-8193 Eglisau | Zurich  
Telephone +41 1 868 25 25  
Fax +41 1 868 25 26

Investor Relations  
Gerold A. Zenger  
E-Mail [gerold.zenger@forbo.com](mailto:gerold.zenger@forbo.com)

Corporate Communications  
Ursula Leonhard  
E-Mail [ursula.leonhard@forbo.com](mailto:ursula.leonhard@forbo.com)

