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# **Forbo Group Consolidated Financial Statements**

# Consolidated Income Statement

		1999	1998
	Notes	m CHF	m CHF
<b>Gross sales</b>	27	<b>1,874.4</b>	<b>1,832.2</b>
Deductions from sales		-119.9	-117.7
<b>Net sales</b>	27	<b>1,754.5</b>	<b>1,714.5</b>
Cost of goods sold		-1,125.1	-1,092.3
<b>Gross profit</b>		<b>629.4</b>	<b>622.2</b>
Development costs	2	-30.2	-31.2
Marketing and distribution costs		-335.2	-333.0
Administrative costs	3	-122.3	-120.0
Other operating expenses	4	-18.7	-25.8
<b>Operating profit before specific provisions</b>		<b>123.0</b>	<b>112.2</b>
Specific provisions	6	-70.0	
<b>Operating profit after specific provisions</b>		<b>53.0</b>	<b>112.2</b>
Financial income	7	13.8	12.8
Financial expenses	8	-19.4	-20.6
<b>Profit before taxes</b>		<b>47.4</b>	<b>104.4</b>
Taxes	24	-31.3	-27.7
<b>Net profit for the year</b>		<b>16.1</b>	<b>76.7</b>

		1999	1998
	Notes	CHF	CHF
Earnings per share before specific provisions	9	58.44	52.06
Earnings per share after specific provisions	9	10.93	52.06
Presentation was adapted to IAS 1 (revised)			

# Consolidated Balance Sheet

		31.12.1999	31.12.1998
Assets			
	Notes	m CHF	m CHF
<b>Long-term assets</b>		<b>866.9</b>	<b>828.9</b>
Tangible assets	10	813.1	781.3
Intangible assets	10	24.0	20.3
Investments in associates	10	2.5	2.5
Deferred taxes	24	27.3	24.8
<b>Current assets</b>		<b>860.5</b>	<b>751.4</b>
Inventories	11	306.2	291.4
Trade receivables	12	282.1	247.1
Other receivables		31.1	33.4
Prepaid expenses and deferred charges		19.6	18.9
Marketable securities	13	73.6	71.6
Cash		147.9	89.0
<b>Total assets</b>		<b>1,727.4</b>	<b>1,580.3</b>

		31.12.1999	31.12.1998
Shareholders' equity and liabilities			
	Notes	m CHF	m CHF
<b>Shareholders' equity</b>		<b>794.8</b>	<b>798.3</b>
Share capital	14	75.7	75.7
Own shares, nominal (issued, not outstanding)	15	-2.0	-2.0
Reserves and retained earnings		721.1	724.6
<b>Long-term liabilities</b>		<b>458.6</b>	<b>372.5</b>
Deferred taxes	24	4.0	5.2
Employee benefit obligations	16	91.8	67.1
Other provisions	17	115.5	48.5
Bond issues	18	175.0	175.0
Long-term bank loans and mortgages	19	72.3	76.7
<b>Current liabilities</b>		<b>474.0</b>	<b>409.5</b>
Trade payables	20	139.6	120.5
Other payables		50.1	42.0
Accrued expenses	21	105.0	93.4
Bank loans and overdrafts	22	179.3	153.6
<b>Total shareholders' equity and liabilities</b>		<b>1,727.4</b>	<b>1,580.3</b>

Presentation was adapted to IAS 1 (revised)

## Statement of changes in shareholders' equity

	Share capital m CHF	Own shares m CHF	Reserves and retained earnings m CHF	Translation differences m CHF	Total m CHF
<b>Total shareholders' equity at 31.12.1997</b>	<b>75.7</b>	<b>-2.0</b>	<b>735.6</b>	<b>-48.2</b>	<b>761.1</b>
Net profit for the year			76.7		76.7
Translation differences				-11.7	-11.7
Dividend distribution			-27.8		-27.8
<b>Total shareholders' equity at 31.12.1998</b>	<b>75.7</b>	<b>-2.0</b>	<b>784.5</b>	<b>-59.9</b>	<b>798.3</b>
Change in accounting policies (IAS 19)			-16.5		-16.5
Net profit for the year			16.1		16.1
Translation differences				29.3	29.3
Dividend distribution			-32.4		-32.4
<b>Total shareholders' equity at 31.12.1999</b>	<b>75.7</b>	<b>-2.0</b>	<b>751.7</b>	<b>-30.6</b>	<b>794.8</b>

The column "Translation differences" contains the currency-related value adjustments since the adoption of International Accounting Standards (IAS) as of 1.1.1992

# Consolidated Cash Flow Statement

	1999	1998
Cash flow from operating activities		
	m CHF	m CHF
Net profit for the year	16.1	76.7
Depreciation of tangible assets	100.7	96.1
Amortization of intangible assets	4.8	5.2
Increase (+)/decrease (-) in deferred income taxes and other provisions	63.3	-11.7
Increase (+)/decrease (-) in current liabilities (bank loans/overdrafts not included)	20.5	-2.8
Increase (-)/decrease (+) in current assets <sup>1)</sup>	-18.3	-8.3
<b>Total cash flow from operating activities</b>	<b>187.1</b>	<b>155.2</b>
Cash flow from investing activities		
	m CHF	m CHF
Decrease (+) in long-term assets through divestments <sup>1)</sup>	0.0	1.0
Increase (-) in long term assets	-125.5	-158.8
Decrease (+) in long term assets	6.1	10.4
<b>Total cash flow from investing activities</b>	<b>-119.4</b>	<b>-147.4</b>
Cash flow from financing activities		
	m CHF	m CHF
Increase (+)/decrease (-) in long-term bank loans and mortgages	-7.9	-41.9
Increase (+)/decrease (-) in employee benefit obligations	7.0	9.7
Increase (+)/decrease (-) in short-term bank loans/overdrafts	20.5	-23.1
Dividend paid	-32.4	-27.8
<b>Total cash flow from financing activities</b>	<b>-12.8</b>	<b>-83.1</b>
Change in cash and marketable securities		
	m CHF	m CHF
Increase (+)/decrease (-) in cash	52.9	-49.6
Increase (+)/decrease (-) in marketable securities	2.0	-25.7
Translation differences	6.0	-1.2
Cash and marketable securities at beginning of year	160.6	237.1
<b>Total cash and marketable securities at year-end</b>	<b>221.5</b>	<b>160.6</b>
Change in net debt		
	m CHF	m CHF
Net debt at January 1	244.7	226.3
Increase (-)/decrease (+) in cash and marketable securities	-54.9	75.3
Translation differences	-6.0	1.2
Increase (+)/decrease (-) of debt	21.3	-58.1
<b>Net debt at December 31</b>	<b>205.1</b>	<b>244.7</b>

<sup>1)</sup> excluding cash and marketable securities

The consolidated cash flow statement is prepared using the indirect method. The changes in balance sheet positions are based on values exclusive of translation differences.

# Accounting Policies

## **Basis of consolidation**

The Group's consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) as issued by the International Accounting Standards Committee (IASC), and comply with the law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

The consolidated financial statements are based on the audited financial statements of the individual group companies as at and for the year ended December 31, 1999.

## **Scope of consolidation**

The consolidated financial statements include Forbo Holding SA and all subsidiaries over which the Group exerts a controlling influence. A controlling influence normally exists when the Group owns more than 50% of the voting rights in a company. Intra-group transactions and balances are eliminated.

Companies acquired during the reporting year are included in the consolidated financial statements as of their acquisition date, and all companies disposed of are eliminated from the accounts as of the date of disposal. The companies included in the consolidated financial statements are listed under Group Companies (pages 34–36). Equity interests in companies over which the Group does not exert any significant influence are included in the balance sheet at cost, with adequate provision for long-term impairment in value.

## **Capital consolidation**

The purchase method is used, whereby goodwill is capitalized and amortized over its estimated useful life (but over a period not exceeding twenty years).

The value of the net capitalized balance is reviewed at the end of the year, and provision is made for any impairment in value where the capitalized balance is considered to exceed the future benefits.

## **Foreign currency translation**

The assets and liabilities of group companies which do not report in Swiss francs as their functional currency are translated at year-end exchange rates and their income statements are translated at weighted average exchange rates for the year. Currency translation differences arising from changes in exchange rates between the beginning of the year and the end of the year and the difference in net income translated at weighted average and year-end exchange rates are taken directly to shareholders' equity. Exchange gains and losses arising from long-term intra-group financings with equity character denominated in foreign currencies are likewise taken to shareholders' equity. Exchange gains and losses arising in group companies from transactions in foreign currencies are taken to the income statement.

## **Valuation principles**

The consolidated financial statements of Forbo Holding SA are prepared in accordance with the historical cost convention.

## **Tangible assets**

Tangible assets are stated at their acquisition or production cost less depreciation over their estimated useful lives. Depreciation is charged on a straight-line basis over 30 years for buildings and over a period of five to ten years for machinery, equipment and other tangible assets. The same applies for leased assets where the group companies assume all the risks and rewards of ownership (financial leasing). These assets are capitalized at the estimated present value of the underlying lease payments. The corresponding payment obligations, excluding the associated financing costs, are shown in the balance sheet as short or long-term loans, depending on their due date.

Expenditures for maintenance and repairs are charged directly to the income statement, whereas expenditures which enhance the value of assets, are capitalized.

### **Intangible assets**

Intangible assets, other than goodwill, comprise patents, licenses and trademarks acquired from third parties. These assets are capitalized and depreciated on a straight-line basis over their estimated useful life (but over a period not exceeding 20 years). The value of the net capitalized balance is reviewed at the end of the year, and provision is made for any impairment in value where the capitalized balance is considered to exceed the future benefits.

### **Inventories**

Inventories of raw materials, work in progress and finished goods are valued at the lower of their average acquisition or, where applicable, group production cost and their market (net realizable) value. The valuation of work in progress and finished goods includes related production overheads. Appropriate provision is made for excess and obsolete inventories and reductions in sales prices.

Unrealized profits on inventories resulting from intra-group transactions have been eliminated in the income statement and balance sheet.

### **Trade receivables**

Trade receivables are stated at their nominal value less necessary provisions for doubtful receivables. Provisions are made for individual receivables positions for which recovery is doubtful. A general provision is made on the basis of past experience.

### **Marketable securities**

Marketable securities are valued at the lower of cost or market value on a portfolio basis. The Group's own shares are also valued at the lower of cost or net realizable value.

### **Cash**

This position comprises cash on hand, balances in post office accounts, bank accounts, call accounts and deposit accounts.

### **Warranties**

On the basis of past experience, provision is made for warranty costs at the time the sales revenue is recognized.

### **Deferred taxes**

Deferred income taxes are accounted for using the 'balance sheet liability' method. Provisions for deferred taxes are established in respect of all temporary differences between the tax values of assets and liabilities and their values in the consolidated financial statements. Deferred taxes are calculated on the basis of standard local tax rates, with immediate adjustment for any changes in the relevant tax law. Deferred tax assets arising from a reduction of future tax liability due to the carry forward of allowable losses and valuation differences are shown as assets only if levels of forecast profits make it likely that such tax assets will be realized.

### **Pension plans**

For defined contribution plans the expense charged to the income statement corresponds with the contributions made by the Group companies.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. Actuarial valuations were carried out in 1999 on all significant defined benefit plans. As a rule full actuarial valuations are carried out every three years and up-dated during the intervening period. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term high quality corporate bonds. All actuarial gains and losses are spread forward over the



remaining service lives of employees. The capitalisation of surpluses of funded plans is limited to the net total of any unrecognised losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

As of January 1, 1999, the group has implemented IAS 19 (revised) Employee Benefits and accounted for the transitional liability by adjusting retained earnings at January 1, 1999. The 1998 consolidated financial statements have not been restated.

#### **Provisions for restructuring costs and specific provisions**

Provisions for restructuring costs and specific provisions are made at such time as management approves the decision and determines the nature and amount of the provision or identifies the risks. Other provisions serve as precautionary cover for identifiable and quantifiable business risks.

#### **Revenue recognition**

Revenues from the sale of goods are recognized at the time of transfer of the risks and rewards of ownership to the buyer. Appropriate provision is made for all costs incurred in connection with sales, including the cost of returned goods.

#### **Research and development**

Expenditure under this heading refers exclusively to development and design activities and is charged to the income statement as and when incurred.

#### **Changes in presentation**

The Group has reclassified certain information relating to the previous year in order to conform with the presentation adopted for the year under review (IAS 1, revised).

### **Description of terms**

#### **Cash flow**

Cash flow is defined as net profit for the year before specific provisions plus depreciation and amortization.

#### **EVA®**

EVA® (Economic Value Added) is a financial figure indicating how much value a company has generated in a given year. Our calculations based on the Capital Asset Pricing Model (CAPM) resulted in weighted average cost of capital (WACC) of 6.7%.

$$\text{EVA}^{\circ} = \text{NOPAT} - \text{WACC} \times \text{IC}$$

NOPAT: Net Operating Profit After Tax  
WACC: Weighted Average Cost of Capital  
IC: Invested Capital

#### **Specific provisions**

Provisions for restructuring measures and valuation adjustments in connection with the Group's strategic renewal program.

# Notes to the Consolidated Financial Statements

## Changes in the scope of consolidation

- 1 There were no changes in the scope of consolidation compared with the previous year. 82 group companies were included in the consolidated financial statements at 31.12.1999.

## Development and production overheads

- 2 In the reporting year development costs amounted to CHF 30.2 million (1998: CHF 31.2 million).  
Production overheads totalled CHF 184.5 million (1998: CHF 182.0 million) and are included in 'Cost of goods sold'.

## Administrative costs

- 3 The Group has no significant costs for licence fees or royalties.

## Other operating expenses

	1999	1998
	m CHF	m CHF
Current restructuring costs and projects	8.0	13.2
Other expenses	10.7	12.6
<b>Total</b>	<b>18.7</b>	<b>25.8</b>

Restructuring costs include costs for measures carried out in Flooring and Industry Specialties as well as provisions for current projects.

## Personnel expenses

- 5 The Group's total personnel expense comprised CHF 383.6 million (1998: CHF 375.3 million) for salaries and wages and CHF 87.3 million (1998: CHF 86.0 million) for employer's social security contributions. The average headcount for the year was 6,803 employees (1998: 6,916).

## Specific provisions

- 6 In context with the strategic renewal a specific provision for restructuring and valuation adjustments in the amount of CHF 70 million (after tax) was created. This provision relates with CHF 29.2 million to the Flooring Division, and with CHF 40.8 million to the Industry Specialties Division.

**Financial income**

	1999	1998
<b>7</b>		
	m CHF	m CHF
Interest income	2.8	6.9
Securities and exchange gains and other financial income	11.0	5.9
<b>Total financial income</b>	<b>13.8</b>	<b>12.8</b>

**Financial expenses**

	1999	1998
<b>8</b>		
	m CHF	m CHF
Interest on debt	17.7	15.5
Securities and exchange losses and other financial expense	1.7	5.1
<b>Total financial expenses</b>	<b>19.4</b>	<b>20.6</b>

The average interest rate on interest-bearing debt (bond issues, long- and short-term bank loans, mortgages and discounted bills) in 1999 was 4.2% (1998: 3.6%).

**Earnings per share**

**9** Earnings per share are calculated from net profit for the year divided by the weighted average number of shares outstanding.

	1999	1998
Net profit for the year (m CHF)	16.1	76.7
Weighted average number of shares issued and outstanding	1,473,416	1,473,416
Earnings per share (net profit) (CHF)	10.93	52.06

**Earnings per share, adjusted for specific provisions**

	1999	1998
Net profit for the year (m CHF)	16.1	76.7
Specific provisions (m CHF)	70.0	
Net profit for the year before specific provisions (m CHF)	86.1	76.7
Earnings per share (net profit for the year before specific provisions) (CHF)	58.44	52.06

At 31.12.1999 and at 31.12.1998 there were no financial instruments outstanding that could have caused a dilution of the values shown above. The Board of Directors had also taken no decision to increase the number of shares outstanding.

## Long-term assets

10 The tangible assets also include leased assets with a net book value of CHF 5.5 million (1998: CHF 6.3 million).

## Tangible assets

Cost	Land and buildings m CHF	Machinery & equipment m CHF	Other tangible assets m CHF	Assets under construction m CHF	Total tangible assets m CHF
<b>At 31.12.1997, gross</b>	<b>514.9</b>	<b>788.0</b>	<b>132.5</b>	<b>82.8</b>	<b>1,518.2</b>
Additions	3.3	26.5	11.5	115.4	156.7
Reductions through divestments	-6.2	-3.5	-0.7	-0.3	-10.7
Disposals	-11.9	-15.2	-9.0	-0.4	-36.5
Transfers	28.2	47.3	10.1	-85.6	0.0
Translation differences	0.7	-7.0	-0.2	-0.3	-6.8
<b>At 31.12.1998, gross</b>	<b>529.0</b>	<b>836.1</b>	<b>144.2</b>	<b>111.6</b>	<b>1,620.9</b>
Additions	9.3	22.3	10.6	82.1	124.3
Disposals	-5.8	-23.5	-11.3	-0.6	-41.2
Transfers	30.2	54.9	17.7	-112.1	-9.3
Translation differences	15.2	31.4	3.9	1.5	52.0
<b>At 31.12.1999, gross</b>	<b>577.9</b>	<b>921.2</b>	<b>165.1</b>	<b>82.5</b>	<b>1,746.7</b>

Accumulated depreciation	Land and buildings m CHF	Machinery & equipment m CHF	Other tangible assets m CHF	Assets under construction m CHF	Total tangible assets m CHF
<b>At 31.12.1997, gross</b>	<b>149.2</b>	<b>516.9</b>	<b>109.4</b>	<b>0.4</b>	<b>775.9</b>
Depreciation	18.0	61.5	16.5	0.1	96.1
Reductions through divestments	-0.9	-1.6	-0.5		-3.0
Disposals	-6.7	-13.4	-7.3		-27.4
Translation differences	0.2	-2.3	0.1		-2.0
<b>At 31.12.1998, gross</b>	<b>159.8</b>	<b>561.1</b>	<b>118.2</b>	<b>0.5</b>	<b>839.6</b>
Depreciation	16.9	64.2	16.2	3.4	100.7
Disposals	-4.7	-21.0	-9.6		-35.3
Transfers	12.0	-8.1	-5.6	-0.2	-1.9
Translation differences	4.8	22.7	3.0		30.5
<b>At 31.12.1999, gross</b>	<b>188.8</b>	<b>618.9</b>	<b>122.2</b>	<b>3.7</b>	<b>933.6</b>
Total tangible assets at 31.12.1998, net	369.2	275.0	26.0	111.1	781.3
Total tangible assets at 31.12.1999, net	389.1	302.3	42.9	78.8	813.1

The fire insurance value of buildings, machinery and factory equipment of CHF 2,427 million (1998: CHF 2,225 million) covers the replacement cost. The business interruption risk arising from fire and the production and product liability risks are covered by a group-wide policy. Maintenance and repair costs amounted to CHF 28.4 million (1998: CHF 29.2 million). The depreciation expense is included in 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs' and 'Administrative costs'.

The Group's tangible assets consist almost exclusively of operational assets.

## Intangible assets and investments in associates

Cost	Intangible assets			
	Goodwill m CHF	Trademarks/ patents m CHF	Investments in associates m CHF	Total m CHF
<b>At 31.12.1997, gross</b>	<b>19.9</b>	<b>29.0</b>	<b>2.5</b>	<b>51.4</b>
Additions	2.1			2.1
Reductions through divestments				0.0
Disposals	-9.0			-9.0
Translation differences	-1.1			-1.1
<b>At 31.12.1998, gross</b>	<b>11.9</b>	<b>29.0</b>	<b>2.5</b>	<b>43.4</b>
Additions	1.2			1.2
Reductions through divestments	-0.2			-0.2
Transfers	8.6			8.6
Translation differences	3.1			3.1
<b>At 31.12.1999, gross</b>	<b>24.6</b>	<b>29.0</b>	<b>2.5</b>	<b>56.1</b>

Accumulated amortization	Intangible assets			
	Goodwill m CHF	Trademarks/ patents m CHF	Investments in associates m CHF	Total m CHF
<b>At 31.12.1997, gross</b>	<b>12.8</b>	<b>10.8</b>	<b>0.0</b>	<b>23.6</b>
Amortization	2.3	2.9		5.2
Disposals	-7.7			-7.7
Translation differences	-0.5			-0.5
<b>At 31.12.1998, gross</b>	<b>6.9</b>	<b>13.7</b>	<b>0.0</b>	<b>20.6</b>
Amortization	1.9	2.9		4.8
Transfers	3.1			3.1
Translation differences	1.1			1.1
<b>At 31.12.1999, gross</b>	<b>13.0</b>	<b>16.6</b>	<b>0.0</b>	<b>29.6</b>
Total intangible assets and investments				
in associates at 31.12.1998, net	5.0	15.3	2.5	22.8
Total intangible assets and investments				
in associates at 31.12.1999, net	11.6	12.4	2.5	26.5

## Inventories

11	1999	1998
	m CHF	m CHF
Raw materials and supplies	65.2	56.8
Work in progress	99.6	87.0
Finished goods	159.8	166.4
Provisions for product risks	-18.4	-18.8
<b>Total inventories</b>	<b>306.2</b>	<b>291.4</b>

## Trade receivables

12	1999	1998
	m CHF	m CHF
Accounts receivable	264.9	232.0
Notes receivable	37.0	34.2
Provisions for doubtful receivables	-19.8	-19.1
<b>Total trade receivables</b>	<b>282.1</b>	<b>247.1</b>

### Marketable securities

- 13** The market value of the Group's portfolio of marketable securities was CHF 82.5 million (1998: CHF 83.4 million). Book value: CHF 73.6 million (1998: CHF 71.6 million).

	1999	1998
Breakdown of marketable securities by type		
	m CHF	m CHF
Equities <sup>1)</sup>	50.9	47.4
Derivatives on equities <sup>2)</sup>	0.0	0.0
Bonds <sup>3)</sup>	31.6	36.0
<b>Total marketable securities (market values)</b>	<b>82.5</b>	<b>83.4</b>

<sup>1)</sup> Shares, equity fund units, etc.

<sup>2)</sup> Options, warrants, etc.

<sup>3)</sup> Incl. bonds with warrants and convertible bonds

	1999	1998
Breakdown of bonds by residual maturity		
	m CHF	m CHF
0-1 year	4.4	4.6
over 1 year	27.2	31.4
<b>Total bonds</b>	<b>31.6</b>	<b>36.0</b>

### Share capital

- 14** The share capital of Forbo Holding SA amounts to CHF 75,677,500 and is divided into 1,513,550 registered shares with a nominal value of CHF 50 each. Of these, 40,134 registered shares without voting and dividend rights are at the disposition of the Board of Directors. Accordingly, 1,473,416 registered shares carried voting and dividend rights in the 1999 financial year.

### Own shares

- 15** Own shares consist of registered shares without voting and dividend rights (see 'Share capital' above). Issued and outstanding shares held by group companies are accounted for under 'Marketable securities'.

### Employee benefit obligations

- 16** The Group has established several pension plans on the basis of the specific requirements of the countries in which the group has such plans. The Group has both defined contribution and defined benefit plans. The expense for contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 8.5 million (1998: CHF 8.3 million). The pension expense related to the major defined benefit plans consisted of the following in 1999 (amounts for 1998 have not been calculated):

	1999
	m CHF
Current service cost	11.3
Interest on obligation	24.6
Expected return on plan assets	-29.4
<b>Net periodic pension cost</b>	<b>6.5</b>
Increase of unrecognized assets (limit under IAS 19 para. 58b)	7.6
Translation differences on unrecognized assets	-3.3
<b>Total pension expenses as included in personnel expenses</b>	<b>10.8</b>

The actual return on plan assets amounted to CHF 49.5 million in 1999.

The amounts recognized in the balance sheet are as follows:

	31.12.99	1.1.99
	m CHF	m CHF
Present value of wholly or partly funded obligations	466.8	412.3
Fair value of plan assets	-538.1	-454.5
<b>Balance</b>	<b>-71.3</b>	<b>-42.2</b>
Present value of unfunded obligations	42.4	36.6
Unrecognized actuarial gains, net	21.9	0.0
Unrecognized assets (limit under IAS 19 para. 58b)	62.8	55.2
<b>Net liability in the balance sheet</b>	<b>55.8</b>	<b>49.6</b>

The employee benefit obligations of CHF 91.8 million (1998: CHF 67.1 million) also include provisions for early retirement and other benefits of about CHF 36 million.

Movements in the net liability recognized in the balance sheet are as follows:

#### Net liability at 1.1.1999

	m CHF
as previously reported	33.1
effect of adopting IAS 19 (revised)	16.5
as restated	<b>49.6</b>
Total pension expenses as included in personnel expenses	10.8
Employer contributions	-8.7
Translation differences	4.1
<b>Net liability at 31.12.1999</b>	<b>55.8</b>

The principal actuarial assumptions used for accounting purposes were (expressed as weighted averages):

	%
Discount rate	5.2
Expected return on plan assets	6.3
Future salary increases	3.1

#### Other provisions

<sup>17</sup> Other provisions serve as a precautionary measure to cover identifiable business risks and also comprise the newly created specific provisions of CHF 70 million (after tax) in context with the strategic renewal program.

	1999	1998
	m CHF	m CHF
Provisions to cover identifiable risks	45.5	48.5
Specific provisions 1999	70.0	
<b>Total other provisions</b>	<b>115.5</b>	<b>48.5</b>

18	Bond issues	1999	1998
		m CHF	m CHF
	3% Bond with warrants 1994–2000	75.0	75.0
	4% Bond 1996–2001	100.0	100.0
	<b>Total bonds</b>	<b>175.0</b>	<b>175.0</b>

### 3% Bond with warrants 1994–2000

The exercise period for the warrants was until 8.8.1997. A total of 8,080 warrants were exercised in exchange for 1,616 Forbo Holding SA registered shares at a price of CHF 640 each. The bond (due on 8.8.2000) has no early redemption clause. The Group intends to refinance this bond on a long-term basis. The market value of the bond was CHF 75.2 million at 31.12.1999 (1998: CHF 75.5 million).

### 4% Bond 1996–2001

The bond's duration is from 11.6.1996 to 11.6.2001. There is no early redemption clause. The market value of the issue was CHF 100.8 million at 31.12.1999 (1998: CHF 103.5 million).

19	Long-term bank loans and mortgages	1999	1998
		m CHF	m CHF
	Unsecured bank loans	95.0	76.5
	Secured bank loans	35.9	32.0
	Lease obligations	5.5	6.3
	Sub-total	136.4	114.8
	Less current portion	–64.1	–38.1
	<b>Total*</b>	<b>72.3</b>	<b>76.7</b>
	*of which loans without fixed maturity date secured by mortgage	35.9	32.0

Maturities of long-term bank loans and mortgages	1999	1998
	m CHF	m CHF
2000	0.0	0.0
2001	14.3	4.2
2002	1.5	23.3
2003	1.1	8.4
2004	6.1	8.8
Later	13.4	0.0
Loans without fixed maturity date but secured by mortgage	35.9	32.0
<b>Total</b>	<b>72.3</b>	<b>76.7</b>

Secured bank loans are covered by property of the Group (book value CHF 57.5 million). For interest charges, see 'Financial expenses' (8).

20	Trade payables	1999	1998
		m CHF	m CHF
	Accounts payable	124.6	100.7
	Notes payable	15.0	19.8
	<b>Total trade payables</b>	<b>139.6</b>	<b>120.5</b>



**Accrued expenses**

21	1999	1998
	m CHF	m CHF
Current taxes	18.3	14.5
Accrued personnel expenses	25.9	22.7
Other accruals	60.8	56.2
<b>Total accrued expenses</b>	<b>105.0</b>	<b>93.4</b>

Other accruals comprise accrued volume rebates, commissions, premiums, interest and provisions for warranty liabilities and similar items.

**Short-term bank loans and overdrafts**

22	1999	1998
	m CHF	m CHF
Bank loans and overdrafts	115.2	115.5
plus current portion of long-term bank loans	64.1	38.1
<b>Total short-term bank loans and overdrafts</b>	<b>179.3</b>	<b>153.6</b>

For interest charges, see 'Financial expenses' (8)

**Commitments and contingent liabilities**

23	1999	1998
	m CHF	m CHF
Commitments and contingent liabilities	6.0	4.4

Contingent liabilities relate to sureties and guarantees in favor of third parties. The effects on the Group's earnings of changes in legal, fiscal and political conditions are not predictable and therefore not quantifiable. There are no significant lawsuits pending.

**Income taxes**

24	1999	1998
	m CHF	m CHF
Current taxes	33.7	29.4
Deferred taxes	-2.4	-1.7
<b>Total income taxes</b>	<b>31.3</b>	<b>27.7</b>

Current taxes represent amounts paid or payable to tax authorities based on the current year's income as determined by the rules and regulations applicable in each country. Forbo Holding SA is resident in Switzerland, but the Group carries out most of its commercial activities in countries with differing tax regulations and tax rates. A significant portion of the income before taxes of the Group is generated outside Switzerland. Thus the effective tax rate and tax provisions change each year, according to the geographical distribution of the taxable income.

The income taxes for 1999 of CHF 31.3 million on the Group's pre-tax profit before specific provisions of CHF 117.4 million differs from the theoretical amount that would arise using the maximum tax rate of Eglisau/Zurich, Switzerland of 28% as follows:

	1999	1998
	m CHF	m CHF
Tax at the applicable tax rate of 28% for Eglisau/Zurich, Switzerland	32.9	29.2
Effect of different tax rates in other countries	4.6	6.3
Effect of uncapitalized tax credits from tax loss carry forwards	-1.7	-7.5
Other	-4.5	-0.3
<b>Total income taxes (effective)</b>	<b>31.3</b>	<b>27.7</b>

The tax loss carry forwards of the Group amount to about CHF 190 million. Tax loss carry forwards totalling CHF 37 million will expire within the next seven years if they are not used. The remaining amount of CHF 153 million has no expiry date.

Deferred income tax assets and liabilities are offset when they relate to the same fiscal authority. The following amounts are shown in the balance sheet:

	1999	1998
	m CHF	m CHF
Deferred tax assets	27.3	24.8
Deferred tax liabilities	-4.0	-5.2
<b>Deferred tax assets, net</b>	<b>23.3</b>	<b>19.6</b>

Deferred tax assets and liabilities and deferred tax charges and credits are attributable to the following items:

Deferred tax assets	Inventories m CHF	Tangible assets m CHF	Provisions m CHF	Tax loss carry forwards m CHF	Other m CHF	Total m CHF
<b>At 31.12.1998</b>	<b>11.1</b>	<b>0.0</b>	<b>8.0</b>	<b>13.7</b>	<b>1.2</b>	<b>34.0</b>
Credited (+), charged (-)						
to the income statement	0.4	0.0	-0.2	5.5	-0.6	5.1
Translation differences	0.1	0.0	0.2	0.9	0.0	1.2
<b>At 31.12.1999</b>	<b>11.6</b>	<b>0.0</b>	<b>8.0</b>	<b>20.1</b>	<b>0.6</b>	<b>40.3</b>

Deferred tax liabilities	Inventories m CHF	Tangible assets m CHF	Provisions m CHF	Tax loss carry forwards m CHF	Other m CHF	Total m CHF
<b>At 31.12.1998</b>	<b>-5.7</b>	<b>-6.7</b>	<b>-0.9</b>	<b>0.0</b>	<b>-1.1</b>	<b>-14.4</b>
Credited (+), charged (-)						
to the income statement	-0.1	-3.4	-0.2	0.0	1.0	-2.7
Translation differences	0.0	0.0	0.1	0.0	0.0	0.1
<b>At 31.12.1999</b>	<b>-5.8</b>	<b>-10.1</b>	<b>-1.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>-17.0</b>
Deferred tax assets at 31.12.1998, net	5.4	-6.7	7.1	13.7	0.1	19.6
Deferred tax assets at 31.12.1999, net	5.8	-10.1	7.0	20.1	0.5	23.3

The deferred tax assets of about CHF 23 million resulting from the specific provisions for restructuring measures and valuation adjustments have been offset directly against the provision.

**Statement of added value**

25

	1999	1998
	m CHF	m CHF
<b>Gross added value</b>	<b>699.7</b>	<b>674.8</b>
Depreciation and amortization expense	-105.5	-101.3
<b>Net added value</b>	<b>594.2</b>	<b>573.5</b>
<b>Distribution of added value</b>		
Employees	470.9	461.3
Public sector	31.3	27.7
Creditors	5.9	7.8
Investors	32.4	27.8
Specific provisions	70.0	0.0
Retained in the Group	-16.3	48.9
<b>Total</b>	<b>594.2</b>	<b>573.5</b>
Net added value per employee (CHF)	87,345	82,926

**Acquisitions/divestments**

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There were no acquisitions and divestments in the reporting year. The net decrease in assets through divestments was as follows:

	1999	1998
	m CHF	m CHF
Current assets (excluding cash and marketable securities)	0.0	-8.1
Tangible assets	0.0	-7.7
Liabilities and provisions	0.0	3.6
<b>Total</b>	<b>0.0</b>	<b>-12.2</b>

## Segment information

27

Segment results 1998*	Flooring m CHF	Industry Specialties m CHF	Group consolidation m CHF	Total Group m CHF
Gross sales	1,066.0	766.2		1,832.2
Net sales	977.2	737.3		1,714.5
Operating profit before depreciation, interest and taxes (EBDIT)	155.7	73.7	-15.9	213.5
Operating profit before interest and taxes (EBIT)	97.1	35.7	-20.6	112.2
Operating assets	745.3	630.0	36.7	1,412.0
Number of employees	3,371	3,376	34	6,781

\*Formerly under Flooring reported values for wallcoverings have been reclassified and transferred to Industry Specialties  
EBDIT and EBIT include the non-operating net expenses

Segment results 1999	Flooring m CHF	Industry Specialties m CHF	Group consolidation m CHF	Total Group m CHF
Gross sales	1,088.3	786.1		1,874.4
Net sales	994.4	760.1		1,754.5
Operating profit before depreciation, interest and taxes (EBDIT)*	163.6	85.2	-20.3	228.5
Operating profit before interest and taxes (EBIT)*	103.5	44.5	-25.0	123.0
Operating assets	777.3	685.2	41.0	1,503.5
Number of employees	3,334	3,462	33	6,829

\*Before specific provisions of CHF 70 million

Further segment information is presented in the general part of the Annual Report.

## Changes in gross sales by businesses

28

Gross sales 1998	Total change on previous year m CHF	Of which due to exchange rate changes m CHF	Due to change in scope of consolidation m CHF	Due to volume and price changes m CHF
Flooring*	-39.5	-17.0	-5.3	-17.2
Industry Specialties	-156.3	-12.8	-179.8	36.3
<b>Total</b>	<b>-195.8</b>	<b>-29.8</b>	<b>-185.1</b>	<b>19.1</b>

\*also contains wallcoverings

Gross sales 1999	Total change on previous year m CHF	Of which due to exchange rate changes m CHF	Due to change in scope of consolidation m CHF	Due to volume and price changes m CHF
Flooring	22.3	-3.7	-2.6	28.6
Industry Specialties	19.9	13.9	-15.0	21.0
<b>Total</b>	<b>42.2</b>	<b>10.2</b>	<b>-17.6</b>	<b>49.6</b>

The change that took place in 1999 includes the impact of the sale of Forbo Parquet SA in 1998 as well as the impact of the restructuring of the wallcoverings business at Forbo Lancaster Ltd.

## Translation of foreign currencies

29

Currency	1999			1998			
	Income statement (average rates for the year)			Balance sheet (year-end rates)			
	CHF	CHF	Change %	CHF	CHF	Change %	
Euro Countries	EUR 1	1.6011		1.6060	1.6036	0	
Germany	DEM 100	81.86	82.19	0	82.11	82.52	0
Netherlands	NLG 100	72.66	72.96	0	72.87	73.23	0
France	FRF 100	24.42	24.49	0	24.48	24.60	0
Austria	ATS 100	11.63	11.70	-1	11.67	11.73	0
Sweden	SEK 100	18.18	18.21	0	18.76	17.00	10
United Kingdom	GBP 1	2.49	2.35	6	2.58	2.28	13
USA	USD 1	1.55	1.39	12	1.59	1.38	15
Canada	CAD 1	1.01	0.98	3	1.10	0.90	22
Japan	JPY 100	1.33	1.10	21	1.56	1.21	29

## Financial risk management

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In its international operations and financial activities the Forbo Group is exposed to various types of financial risk. These are managed by means of an appropriate financial policy. The Group's central treasury department monitors group-wide risk exposures and undertakes hedging transactions as required. Details of the Group's management of interest rate, currency and credit risks are given below.

### Currency risk

Risks arising from short-term currency exposures created by purchases and sales of goods and services and from investment of cash in foreign currency positions (transaction risks) are identified and selective hedging strategies are implemented in the light of an ongoing assessment of exchange rate movements.

These hedging transactions resulted in the following open positions at year-end:

	1999	1998	31.12.99	31.12.98
	Gross value hedged <sup>1)</sup> m CHF	Gross value hedged <sup>1)</sup> m CHF	Market value m CHF	Market value m CHF
Forward transactions	4.5	6.1	4.5	6.4
Options	0.1	1.4	0.0	0.0

<sup>1)</sup> Gross value hedged at year-end value

As a rule, the terms of these instruments are less than 12 months. Since exposures relate to varying proportions of production and sales, in particular in the United Kingdom and Scandinavia, a considerable number of the hedging transactions are conducted in GBP and Scandinavian currencies.

Furthermore, the Group has in place an appropriate funding policy to take proper account of the risks associated with the conversion of assets and liabilities denominated in foreign currencies (translation risks). Translation differences arising from exchange rate fluctuations are taken to equity (see 'Accounting policies', page 5).

### Interest rate risk

The market values of interest-bearing assets and liabilities change whenever interest rates move up or down. Forbo makes use of financial derivatives in order to hedge against rising interest rates and to manage interest rate sensitivity.

These actions resulted in the following open positions at year-end:

	1999	1998	31.12.1999	31.12.1998
	Gross value hedged m CHF	Gross value hedged m CHF	Unrealized gain/loss m CHF	Unrealized gain/loss m CHF
Interest rate swaps <sup>1)</sup>	59.8	63.3	-0.7	-2.6
Options	0.0	0.0	0.0	0.0
Futures <sup>2)</sup>	0.0	0.0	0.0	0.0

<sup>1)</sup> Present value of discounted future cash flows

<sup>2)</sup> Sales of futures; changes in value are continually entered in the income statement

Contract duration is generally less than five years. Given that much of the Group's borrowing is in CHF, the bulk of its hedging activity is in CHF interest rate instruments.

### Credit risk

The Group uses only first-rate banks for depositing cash and securities and for effecting transactions in financial derivatives. Their financial standing is assessed on the basis of leading credit agency ratings.

# Report of the Group Auditors



Report of the Group Auditors  
to the General Meeting of  
Forbo Holding SA, Eglisau

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in shareholders' equity, statement of cash flows and notes to the consolidated financial statements) on pages 2 to 20 of Forbo Holding SA for the year ended 31 December 1999.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Accounting Standards (IAS), and comply with the law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

A handwritten signature in dark ink, appearing to read 'L. Monn'.

L. Monn

A handwritten signature in dark ink, appearing to read 'S. Räbsamen'.

S. Räbsamen

Zurich, 7 March 2000

# Consolidated Income Statements 1995–1999

	1999	1998	1997	1996	1995
	m CHF	m CHF	m CHF	m CHF	m CHF
<b>Gross sales</b>	<b>1,874.4</b>	<b>1,832.2</b>	<b>2,028.0</b>	<b>1,918.8</b>	<b>1,901.4</b>
Deductions from sales	-119.9	-117.7	-123.0	-118.0	-115.0
<b>Net sales</b>	<b>1,754.5</b>	<b>1,714.5</b>	<b>1,905.0</b>	<b>1,800.8</b>	<b>1,786.4</b>
Cost of goods sold	-1,125.1	-1,092.3	-1,249.1	-1,176.0	-1,180.8
<b>Gross profit</b>	<b>629.4</b>	<b>622.2</b>	<b>655.9</b>	<b>624.8</b>	<b>605.6</b>
Development costs	-30.2	-31.2	-34.6	-33.8	-32.2
Marketing and distribution costs	-335.2	-333.0	-375.0	-359.3	-328.8
Administrative costs	-122.3	-120.0	-133.9	-126.9	-130.7
Other operating expenses	-18.7	-25.8	-16.1	-18.8	-22.4
<b>Operating profit before specific provisions</b>	<b>123.0</b>	<b>112.2</b>	<b>96.3</b>	<b>86.0</b>	<b>91.5</b>
Specific provisions	-70.0		-21.0*	-30.0*	
<b>Operating profit after specific provisions</b>	<b>53.0</b>	<b>112.2</b>	<b>75.3</b>	<b>56.0</b>	<b>91.5</b>
Financial income	13.8	12.8	15.5	30.5	16.6
Financial expenses	-19.4	-20.6	-22.1	-31.0	-27.3
<b>Profit before taxes</b>	<b>47.4</b>	<b>104.4</b>	<b>68.7</b>	<b>55.5</b>	<b>80.8</b>
Taxes	-31.3	-27.7	-27.6	-24.5	-25.2
<b>Net profit for the year</b>	<b>16.1</b>	<b>76.7</b>	<b>41.1</b>	<b>31.0</b>	<b>55.6</b>

Presentation was adapted to IAS 1 (revised)

\* Divestment costs



# Consolidated Balance Sheets 1995–1999

	1999	1998	1997	1996	1995
	m CHF	m CHF	m CHF	m CHF	m CHF
<b>Assets</b>					
<b>Long-term assets</b>	<b>866.9</b>	<b>828.9</b>	<b>770.1</b>	<b>794.4</b>	<b>730.3</b>
Tangible assets	813.1	781.3	742.3	758.5	690.5
Intangible assets	24.0	20.3	25.3	28.1	31.5
Investments in associates	2.5	2.5	2.5	7.8	8.3
Deferred taxes	27.3	24.8			
<b>Current assets</b>	<b>860.5</b>	<b>751.4</b>	<b>847.9</b>	<b>938.4</b>	<b>784.9</b>
Inventories	306.2	291.4	295.1	350.2	304.7
Trade receivables	282.1	247.1	259.3	280.5	262.4
Other receivables	31.1	33.4	35.8	33.3	20.1
Prepaid expenses and deferred charges	19.6	18.9	20.6	18.2	13.1
Marketable securities	73.6	71.6	97.3	73.2	83.5
Cash	147.9	89.0	139.8	183.0	101.1
<b>Total assets</b>	<b>1,727.4</b>	<b>1,580.3</b>	<b>1,618.0</b>	<b>1,732.8</b>	<b>1,515.2</b>
	1999	1998	1997	1996	1995
<b>Shareholders' equity and liabilities</b>					
	m CHF	m CHF	m CHF	m CHF	m CHF
<b>Shareholders' equity</b>	<b>794.8</b>	<b>798.3</b>	<b>761.1</b>	<b>765.4</b>	<b>684.8</b>
Share capital	75.7	75.7	75.7	75.6	75.6
Own shares, nominal (issued, not outstanding)	-2.0	-2.0	-2.0	-2.3	-2.3
Reserves and retained earnings	721.1	724.6	687.4	692.1	611.5
<b>Long-term liabilities</b>	<b>458.6</b>	<b>372.5</b>	<b>416.2</b>	<b>484.9</b>	<b>352.4</b>
Deferred taxes	4.0	5.2	8.4	10.0	13.1
Employee benefit obligations	91.8	67.1	59.5	81.2	56.4
Other provisions	115.5	48.5	62.3	62.5	38.3
Bond issues	175.0	175.0	175.0	255.0	155.0
Long-term bank loans and mortgages	72.3	76.7	111.0	76.2	89.6
<b>Current liabilities</b>	<b>474.0</b>	<b>409.5</b>	<b>440.7</b>	<b>482.5</b>	<b>478.0</b>
Trade payables	139.6	120.5	119.8	161.4	158.1
Other payables	50.1	42.0	47.9	68.1	56.0
Accrued expenses	105.0	93.4	95.6	95.9	103.1
Bank loans and overdrafts	179.3	153.6	177.4	157.1	160.8
<b>Total shareholders' equity and liabilities</b>	<b>1,727.4</b>	<b>1,580.3</b>	<b>1,618.0</b>	<b>1,732.8</b>	<b>1,515.2</b>

Presentation was adapted to IAS 1 (revised)



# Financial Statements of Forbo Holding SA

# Income Statement of Forbo Holding SA

		1999	1998	
		CHF	CHF	
<b>Income</b>				
	Commentary			
<b>Income</b>				
	from investments in and advances to group companies	1	52,013,174	45,367,704
	from securities and short-term investments	2	8,479,609	7,953,359
	Income from services and other sources	3	1,974,700	529,050
	<b>Total income</b>		<b>62,467,483</b>	<b>53,850,113</b>
<b>Expenses</b>				
	Commentary			
	Administrative expenses	4	2,155,635	1,853,294
	Financial expenses	5	4,000,000	4,000,000
	Taxes	6	1,005,785	1,039,450
	Valuation adjustments on investments and advances	7	21,771,311	13,921,118
	<b>Total expenses</b>		<b>28,932,731</b>	<b>20,813,862</b>
	<b>Net profit for the year</b>		<b>33,534,752</b>	<b>33,036,251</b>

See page 29 for commentary on the income statement

# Balance Sheet of Forbo Holding SA (before appropriation of available earnings)

		31.12.1999	31.12.1998
Assets			
	Commentary	CHF	CHF
<b>Long-term assets</b>		<b>462,505,175</b>	<b>472,752,881</b>
Investments in group companies	8	311,539,119	327,951,597
Advances to group companies	9	150,966,056	144,801,284
<b>Current assets</b>		<b>108,526,866</b>	<b>98,239,956</b>
Other receivables from group companies	10	2,142,323	8,697,526
Other receivables from third parties	11	1,407,327	884,296
Prepaid expenses and deferred charges	12	715,829	828,745
Marketable securities	13	67,282,167	55,662,724
Cash	14	36,979,220	32,166,665
<b>Total assets</b>		<b>571,032,041</b>	<b>570,992,837</b>
		31.12.1999	31.12.1998
Shareholders' equity and liabilities			
	Commentary	CHF	CHF
<b>Shareholders' equity</b>		<b>439,146,392</b>	<b>438,026,793</b>
Share capital	15	75,677,500	75,677,500
Statutory reserves			
General reserves		15,600,000	15,600,000
Reserve for own shares	16	7,794,460	12,349,152
Other reserves	17	279,571,456	275,016,765
Available earnings			
Profit carried forward		26,968,224	26,347,125
Net profit for the year		33,534,752	33,036,251
<b>Liabilities</b>		<b>131,885,649</b>	<b>132,966,044</b>
Long-term provisions	18	28,000,000	28,000,000
Bond issues	19	100,000,000	100,000,000
Other current liabilities to third parties		69,869	67,920
Accrued expenses	20	3,815,780	4,898,124
<b>Total shareholders' equity and liabilities</b>		<b>571,032,041</b>	<b>570,992,837</b>

See pages 29 and 30 for commentary on the balance sheet

# Notes to the Financial Statements of Forbo Holding SA

## Contingent liabilities

Guarantees and letters of support issued to third parties in favour of group companies amount to CHF 146.8 million (1998: CHF 179.3 million), of which CHF 96.7 million (1998: CHF 105.9 million) are utilized.

## Bonds

CHF 100.0 million bond issue 1996–2001 at 4% coupon; due for redemption on 11.6.2001.

## Investments in group companies

See list of group companies on pages 34–36.

## Own shares

	Value CHF	No. of registered shares Nom. value CHF 50
Total at 1.1.99	12,349,152	58,726
Change	-4,554,692	-8,698
Total at 31.12.99*	7,794,460	50,028

\*Including 40,134 registered shares without voting and dividend rights valued at a nominal value of CHF 2,006,700

## Conditional capital increase

CHF 8,500,000 of conditional capital reserved for the exercise of shareholder options and warrants in connection with a with-warrants bond issue was created by resolution of the Annual General Meeting of Shareholders held on April 27, 1994. Following the exercise of options and warrants in 1994, 1995 and 1997 the conditional capital at 31.12.1999 was unchanged on the previous year-end total at CHF 8,322,500 (see commentary 15 'Share capital').

No further information is required by law to satisfy Art. 663b of the Swiss Code of Obligations.

## Commentary on the Income Statement

### Income from investments in and advances to group companies

- 1 Income from investments in and advances to group companies amounted to CHF 52.0 million and consisted exclusively of interest and dividend income.

### Income from securities and short-term investments

- 2 Income from securities and short-term investments amounted to CHF 8.5 million, an increase of CHF 0.5 million on the previous year. This increase is attributable to slightly higher securities holdings and money market positions.

### Income from services and other sources

- 3 Income from services and other sources was CHF 2.0 million, which is CHF 1.5 million above the previous year. This increase is due to higher income from other sources.

### Administrative expenses

- 4 Administrative expenses totalled CHF 2.2 million, CHF 0.3 million more than in the previous year.

### Financial expenses

- 5 The amount of CHF 4.0 million shown under 'Financial expenses' relates to the 4% bond issue of CHF 100.0 million.

### Taxes

- 6 Taxes totalled CHF 1.0 million and are on previous year's level.

### Valuation adjustments on investments and advances

- 7 Valuation adjustments on investments in and advances to group companies totalled CHF 21.8 million (previous year: CHF 13.9 million). This item reflects for the most part the business development of individual group companies.

## Commentary on the Balance Sheet

### Investments in group companies

- 8 The net decrease on the previous year shown under 'Investments in group companies' was CHF 16.4 million and includes a capital increase at Forbo Beteiligungen GmbH as well as appropriate valuation adjustments for some group companies.

### Advances to group companies

- 9 Advances to group companies are denominated in Swiss francs and foreign currencies. There was a CHF 6.2 million increase over the previous year's figure.

### Other receivables from group companies

- 10 Other receivables from group companies comprise interest due and other short-term receivables. The CHF 6.6 million decrease on the previous year was mainly due to lower interest receivables.

### Other receivables from third parties

- 11 Other receivables from third parties principally consist of withholding taxes receivable.

### **Prepaid expenses and deferred charges**

**12** This item covers the usual accrued and deferred items at year-end.

### **Marketable securities**

**13** At CHF 67.3 million marketable securities were CHF 11.6 million above the previous year. This item is largely made up of marketable bonds and shares, which are valued at the lower of cost or market value.

### **Cash**

**14** The cash position increased by CHF 4.8 million. It is largely made up of deposits in Swiss francs.

### **Share capital**

**15** The Company's share capital amounts to CHF 75,677,500 and is divided into 1,513,550 registered shares with a nominal value of CHF 50 each. Of these, 40,134 registered shares without voting and dividend rights are at the disposition of the Board of Directors. Accordingly, 1,473,416 registered shares carried voting and dividend rights in the 1999 financial year. The shares are listed on the Swiss Stock Exchange. The conditional share capital at 31.12.1999 amounted to CHF 8,322,500 (see notes to the financial statements).

### **Reserve for own shares**

**16** The CHF 7.8 million included under 'Reserve for own shares' refer to shares of the Company held by group companies valued at cost.

### **Other reserves**

**17** Other reserves showed a year-on-year increase of CHF 4.6 million, attributable to a transfer from 'Reserve for own shares'.

### **Long-term provisions**

**18** The CHF 28.0 million stated under this heading serve as a precautionary provision against general risks.

### **Bond issues**

**19** The 4% bond issue of CHF 100.0 million has a maturity of 5 years and is due for redemption on 11.6.2001.

### **Accrued expenses**

**20** This item covers the usual accrued expenses and is mainly composed of accumulated interest payable on the bond issue.



# Proposal for Appropriation of Available Earnings Forbo Holding SA

The Board of Directors proposes to the Annual General Meeting of Shareholders that the available earnings, consisting of

	1999	1998
	CHF	CHF
Net profit for the year	33,534,752	33,036,251
Profit carried forward from the previous year	26,968,224	26,347,125
<b>Total available earnings</b>	<b>60,502,976</b>	<b>59,383,376</b>

	1999	1998
	CHF	CHF
be appropriated as follows: Dividends on outstanding shares		
1,473,416 registered shares at CHF 22.- (1998: CHF 22.-)	32,415,152	32,415,152
To be carried forward to the following year	28,087,824	26,968,224
<b>Total</b>	<b>60,502,976</b>	<b>59,383,376</b>

	1999	1998
	CHF	CHF
Upon approval of this proposal the dividend payment per share for the 1999 business year will be as follows:		
<b>Gross dividend</b>	<b>22.00</b>	<b>22.00</b>
less 35% federal withholding tax	7.70	7.70
<b>Net dividend payment</b>	<b>14.30</b>	<b>14.30</b>

# Report of the Statutory Auditors



Report of the Statutory Auditors  
to the General Meeting of  
Forbo Holding SA, Eglisau

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes) on pages 26 to 28 of Forbo Holding SA for the year ended 31 December 1999.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualifications and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with the law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

A handwritten signature in cursive script, appearing to read 'L. Monn'.

L. Monn

A handwritten signature in cursive script, appearing to read 'S. Räbsamen'.

S. Räbsamen

Zurich, 7 March 2000

## **Additional Information**

# Group Companies (January 2000)

Company	Place	General management		Share capital		Flooring	Industry Specialties	Holding/Services
<b>Australia</b>								
Forbo Floorcoverings PTY. Ltd.	Chester Hill N.S.W.	Ross Angus	D	AUD 1 400 000		S		
Siegling Australia PTY. Ltd.	Auburn N.S.W.	Bernard Coates		AUD 1 000 000		S		
<b>Austria</b>								
Forbo Contel Handelsges.m.b.H.	Vienna	Franz Kahr		ATS 1 000 000		S		
Forbo Industrieprodukte Ges.m.b.H.	Steyr/St. Ulrich	Walter A. Schmid		ATS 1 000 000		S		
Forbo Teppich Ges.m.b.H.	Vienna	F. Horinek/P. Wolfsgruber	D	ATS 40 685 000		S		
Siegling Austria Ges.m.b.H.	Vienna	Erich Knoll		ATS 4 500 000		S		
<b>Belgium</b>								
Forbo Decor S.A.	Braine-L'Alleud	Geneviève Moreels		BEF 70 000 000		S		
Forbo Krommenie S.A.	Brussels	Danny De Bondt (ai)		BEF 10 000 000		S		
Forbo Tapijt N.V.	Antwerp	Wil A. S. Staffhorst		BEF 1 250 000		S		
<b>Brazil</b>								
Siegling Brasil Ltda.	Itapevi-SP	Raul E. A. Gollmann	PN	BRL 306 000		MS		
<b>Canada</b>								
Forbo Resilients Inc.	Toronto	Bruce W. Heazel		CAD 500 000		S		
Siegling Canada Ltd.	Mississauga	Rick Zingel		CAD 501 411		S		
<b>Czech Republic</b>								
Forbo s.r.o.	Brno	Gijsbertus A. Zoons		CZK 500 000				H
<b>Denmark</b>								
Forbo Forshaga A/S	Glostrup	Jens-Christian Holm Iversen		DKK 500 000		S		
Siegling Danmark A/S	Brøndby	Ib Petersen		DKK 1 000 000		MS		
<b>Finland</b>								
Forbo Forshaga Oy AB	Helsinki	Jörgen Michelsson		FIM 200 000		S		
<b>France</b>								
Forbo Helmitin SA	Surbourg	Pierre Lux		FRF 20 000 000		MS		
Forbo Murs SA	Marne-la-Vallée	Hans Peter Zimmermann		FRF 10 000 000		S		
Forbo Participations SA	Surbourg	Francis Bischwiller	D	FRF 75 460 000				H
Forbo Sarlino SA	Reims	Alain Réquillart		FRF 40 000 000		MS		
Forbo Tapis S.à.r.l.	Reims	Frank Vermeiren		FRF 1 000 000		S		
CIT Systems SA	Lomme	Marc Douez		FRF 2 400 000		S		
Siegling France SA	Lomme	Marc Douez		FRF 5 250 000		S		
<b>Germany</b>								
Forbo Beteiligungen GmbH	Waldshut-Tiengen	Gerold A. Zenger	D	DEM 30 000 000				H
Forbo Erfurt GmbH	Erfurt	Dietmar Wiegand		DEM 4 000 000		MS		
Forbo Glawo GmbH	Wermelskirchen	Manfred Kirchherr		DEM 3 000 000		MS		
Forbo Helmitin GmbH	Pirmasens	Karl Nohr		DEM 10 000 000		MS		
Forbo Novilon GmbH	Frankfurt/Main	Hans-Heinrich Kuhn		DEM 2 000 000		S		
Forbo Uli-Chemie GmbH	Schenklengsfeld	Gerhard Groesch		DEM 200 000				H
Forbo Werke GmbH	Paderborn	Dr. Benjamin J. Fuchs		DEM 6 000 000		MS		
Design-Tuft DT GmbH	Bad Hersfeld	Dr. Benjamin J. Fuchs		DEM 250 000		MS		
Nairn Bodenbelag GmbH	Frankfurt/Main	Margit Bräutigam		DEM 100 000		S		
Siegling GmbH	Hanover	Dr. Hans-Bernd Pillkahn		DEM 20 000 000		MS		

N Not included in the 1999 consolidation  
 MS Manufacturing and Sales  
 S Sales  
 H Holding/Services

D Direct participations of Forbo Holding SA  
 P Participations which are not held at 100%

Company	Place	General management	Share capital		Flooring	Industry Specialties	Holding/Services
<b>Hungary</b>							
Forbo Padloburkolatok Kft.	Budapest	Franz Horinek	HUF 5 000 000		S		
<b>Ireland</b>							
Forbo Ireland Ltd.	Dublin	Derek F. Byrne	IEP 100 000		S		
<b>Italy</b>							
Forbo Resilienti S.r.l.	Milan	Dr. Pierluigi Pacini	ITL 99 000 000		S		
Siegling Italia S.p.a.	Paderno Dugnano	Ezio Tommasi	ITL 200 000 000		S		
<b>Japan</b>							
Siegling (Japan) Ltd.	Yokohama	Kazuya Togashi	JPY 330 000 000		MS		
<b>Jersey, C.I.</b>							
Forbo Invest Ltd.	St. Helier	Marc Ait-Hocine	D GBP 25 000				H
<b>Mexico</b>							
Siegling Mexico S.A. de C.V.	Tlalnepantla	Hans Joerg Stege	MXN 17 974 664		MS		
<b>Netherlands</b>							
Forbo Bonaparte B.V.	Goirle	Drs. Hans A. M. van den Berg	NLG 1 000 000		S		
Forbo Genderen B.V.	Genderen	Toon A. T. Burghouts	NLG 60 000		S		
Forbo Krommenie B.V.	Krommenie	Willem I. Verzijl	D NLG 25 000 000		MS		
Forbo NL Holding B.V.	Soest	Maarten Waasdorp	NLG 30 000 000				H
Forbo Novilon produktiebedrijven bv	Coevorden	Drs. Cornelis van Oostenrijk	NLG 8 000 000		MS		
Forbo Parade Tapijt B.V.	Soest	Dick B. Kraima	NLG 1 000 000		S		
Forbo Tapijt B.V.	Goirle	Anton H. W. Janus	NLG 8 000 000		MS		
B.V. Tapijtveredelingsindustrie	Goirle	Bastiaan van der Hee	NLG 100 000		MS		
Corepro B.V.	Coevorden	Maarten Waasdorp	NLG 40 000		MS		
Eurocol B.V.	Wormerveer	Ruud A. Kuypers	NLG 1 000 000		MS		
Nairn Floors Benelux B.V.	Coevorden	Jules Bries	NLG 500 000		S		
Siegling Nederland B.V.	Spankeren-Dieren	Egbert J. van Heerikhuizen	NLG 250 000		S		
<b>Norway</b>							
Forbo Forshaga A/S	Vetvre	Dag Ekner	D NOK 1 000 000		S		
<b>People's Republic of China</b>							
Forbo Siegling (Shenyang)							
Belting Co. Ltd.	Shenyang	Rolf Fischer	CNY 49 780 000		MS		
<b>Poland</b>							
Forbo Techniki Budowlane Polska Sp. z o. o.	Warszawa	Ruud A. Kuypers	PLZ 100 000		S		
<b>Portugal</b>							
Forbo Pergol Revestimentos S.A.	Porto	Henrique M. Santos Jr.	PTE 15 000 000		S		

N Not included in the 1999 consolidation  
MS Manufacturing and Sales  
S Sales  
H Holding/Services

D Direct participations of Forbo Holding SA  
P Participations which are not held at 100%

Company	Place	General management	Share capital		Flooring	Industry Specialties	Holding/Services
<b>Singapore</b>							
Forbo Siegling Singapore Pte Ltd.	Singapore	Frank Klohr	SGD 500 000		S		
<b>Spain</b>							
Forbo Pavimentos S.A.	Barcelona	Agustin Matamoros	ESP 10 000 000		S		
Siegling Iberica S.A.	Montcada i Reixac	Gottfried Pfaffeneder	ESP 255 000 000		S		
<b>Sweden</b>							
Forbo Forshaga AB	Gothenburg	Lars Ivar Norén	D SEK 50 000 000		MS		
GD-Golvdepån i Sverige AB	Jönköping	Peter Körner	SEK 700 000		S		
Siegling Svenska AB	Kålleröd	Roger Olsson	SEK 1 000 000		S		
<b>Switzerland</b>							
Forbo CTU SA	Schönenwerd	Peter Haubner	D CHF 10 000 000		MS		
Forbo Finanz SA	Eglisau	Gerold A. Zenger	D CHF 5 000 000				H
Forbo Giubiasco SA	Giubiasco	Frank P. Gross	D CHF 10 000 000		MS		
Forbo Immob SA	Eglisau	Andreas P. Lerch	CHF 1 700 000				H
Forbo International SA	Eglisau	Werner Kummer	D CHF 100 000				H
Forbo Repoxit SA	Winterthur	Jürg D. Wettstein	CHF 100 000		MS		
Forbo Stamoid SA	Eglisau	Patrick M. Lindt	D CHF 4 000 000		MS		
Forbo Stamtex SA	Wallbach	Peter J. Bachmann	D CHF 1 000 000		S		
Forbo Teppichwerke SA	Ennenda	Dr. Benjamin J. Fuchs	D CHF 15 000 000		MS		
Immobilien Emmenau SA	Hasle-Rüegsau	Andreas P. Lerch	CHF 1 000 000				H
Mesotex SA	Lachen	Ronald J.C. de Heer	CHF 100 000		S		
Siegling (Schweiz) SA	Wallbach	Peter Pauli	D CHF 500 000		MS		
Swifloor SA	Giubiasco	Frank P. Gross	CHF 50 000		S		
<b>United Kingdom</b>							
Forbo CP Ltd.	Cramlington	Martin G. Kellaway	GBP 10 000 000		MS		
Forbo Nairn Ltd.	Kirkcaldy	R. Pemberton/P. M. Gunn	GBP 8 000 000		MS		
Forbo UK Ltd.	Cramlington	Shaun Hastings	D GBP 22 500 000				H
Novilon Ltd.	Watford	Dennis Prior	GBP 160 000		S		
<b>United States</b>							
Forbo America Inc.	Wilmington, DE	Eugene Chace	D USD 20 000 000				H
Forbo CP Inc.	Swedesboro, NJ	Eugene Chace	USD 3 755 000		S		
Forbo Industries Inc.	Hazleton, PA	Dennis Darragh	USD 3 517 000		S		
Siegling America Inc.	Huntersville, NC	Wayne Hoffman	USD 16 455 000		MS		

**N** Not included in the 1999 consolidation

**MS** Manufacturing and Sales

**S** Sales

**H** Holding/Services

**D** Direct participations of Forbo Holding SA

**P** Participations which are not held at 100%

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