

FINANCIAL REPORT

2000



forbo

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Forbo Group consolidated financial statements

Management discussion and analysis

Summary of financial results

	2000	1999	
	m CHF	m CHF	% change on previous year
Net sales of continued operations	1,599.4	1,541.6	+3.7
Net sales of divested operations	177.4	212.9	-16.7
Group net sales	1,776.8	1,754.5	+1.3
Operating profit before depreciation			
of continued operations*	229.9	214.5	+7.2
of divested operations	4.6	14.0	-67.1
Operating profit (1999 before specific provisions)			
of continued operations*	138.1	122.8	+12.5
of divested operations	-7.5	0.2	-
Net profit for the year	90.7	16.1	+463.4
EVA® (Economic Value Added)	20.8	18.5	+12.4

*including corporate

Focusing on core activities

The financial year 2000 was characterized by the continued implementation of the Group's strategy and focusing on core activities. In the second half year Forbo sold its Extruded Profiles, Decorative Films and Coated Textiles Businesses. These Businesses had sales of CHF 177.4 million in the year under review, up to the date of their divestment, and an operating profit, which was clearly negative with CHF -7.5 million. Continued operations recorded sales of CHF 1,599.4 million, an increase by 3.7%. Operating profit before depreciation rose by CHF 15.4 million or 7.2% to CHF 229.9 million. As a result the ROS gross (EBDIT on Sales) rose from 13.9% to 14.4%. The increase of this key figure would have been markedly higher without the raw material price increases during the year under review. The target figure for the year 2004 is 16%. The operating profit after depreciation showed a more than proportional increase compared with sales, reaching CHF 138.1 million corresponding with a rise by CHF 15.3 million or 12.5%. Operating profit as a percentage of capital employed (ROA, EBIT on Operating Assets) of continued operations is now 11.0% (previous year: 9.5%). We are therefore on course to reach our goal of 15% by the year 2004.

Net financial expenses declined by CHF 1.1 million against the previous year. Financial expenses rose by CHF 1.9 million, whilst financial income rose by CHF 3.0 million. This was mainly the result of capital gains made with marketable securities.

Net profit for the year rose by CHF 74.6 million compared with the previous year, or by CHF 4.6 million adjusted by the specific provisions of CHF 70.0 million (after tax) made at the end of 1999.

Balance sheet summary

	31.12.2000	31.12.1999	
	m CHF	m CHF	change m CHF
Longer-term assets	778.9	866.9	-88.0
Current assets (excluding cash and marketable securities)	564.6	639.0	-74.4
Cash and marketable securities	183.1	221.5	-38.4
Total assets	1,526.6	1,727.4	-200.8
Shareholders' equity	813.9	794.8	+19.1
Financial debt	339.8	426.6	-86.8
Other liabilities and provisions	372.9	506.0	-133.1
Total shareholders' equity and liabilities	1,526.6	1,727.4	-200.8

Balance sheet development

The balance sheet total declined by CHF 200.8 million to CHF 1,526.6 million compared with the previous year-end.

This decrease is due to the strategic divestment of non-core activities on the one hand, and lower investments in fixed assets and the effective management of current assets on the other hand. In addition the on average lower exchange rates at the end of the year resulted in a CHF 51.0 million decrease.

The investments in fixed assets reached CHF 68.3 million, or CHF 57.2 million less than in the previous year. Investments were mainly concentrated on core businesses. Investments started in the previous years accounted for CHF 20.1 million, whilst investments in new projects totaled CHF 48.2 million.

Furthermore, longer-term assets include CHF 17.0 million receivables from buyers of divested activities.

Current assets of the continued operations were only slightly above previous year's end despite of higher sales.

Financial situation

The repayment of the bond of CHF 75.0 million made in August 2000 was partly covered by the reduction of cash and marketable securities. The favorable development of the free cash flow of continued operations resulted in a decrease of net liabilities by CHF 48.4 million at year end compared with the end of the previous year. The equity ratio (shareholders' equity in % of total assets) rose from 46.0% (end of the previous year) to 53.3% mainly due to divestments and the efficient use of resources.

Provisions

Of the specific provisions made in 1999 totaling CHF 70 million (after taxes), a total of CHF 52.1 million was utilized, of which CHF 45.1 million can be attributed to the divestment of the Decorative Films Business. Of the restructuring costs associated with Synthetic Belting and Carpets, CHF 3.2 million and CHF 3.8 million respectively were also charged to the specific provisions. The remaining restructuring costs of CHF 9.5 million were absorbed by provisions formed at an earlier stage. Specific provisions amounting to

CHF 17.9 million still available at the end of 2000 can be used as the Group continues to implement its strategy. The divestment of the Group's Extruded Profiles and Coated Textiles Businesses did not affect the specific provisions, since valuation adjustments and provisions had been made earlier for these measures (see 'Notes to the Consolidated Financial Statements', page 23).

Free cash flow

The free cash flow (before dividend) of CHF 85.7 million results from the cash flow from operating activities less cash flow from investment activities. Positive effects on the free cash flow resulted from considerably lower investments of CHF 57.2 million compared to previous year and from the divested activities (CHF 6.1 million) which will bring an additional cash-inflow of CHF 4.4 million in the year 2001 and another CHF 17.0 million in the following years. Negative effects came from the cash-effective restructuring and divestment costs of CHF 9.7 million as well as from the reduction of trade and other payables by CHF 16.4 million of the continued operations.

Earnings per share

The earnings per share rose by 6.1% to CHF 61.98 (previous year: CHF 58.44 before specific provisions) related to the average number of outstanding shares.

Share price development

The development of the Forbo share price in the year under review was inconsistent. Starting from the level of CHF 750 at the end of 1999 the price was initially declining during the first half year. Among the reasons were profit-taking by Anglo-Saxon investors and the fact that at that time companies of the New Economy were favored by investors. Besides, blue chips were again becoming more interesting to investors. The Forbo share could recover some lost ground in the second half year. However, it is unlikely that the price of CHF 730 at the end of the year 2000 is already a reflection of the expectations of the new strategy.

Consolidated income statement

		2000	1999
	Notes	m CHF	m CHF
Net sales	1/2	1,776.8	1,754.5
Cost of goods sold		-1,143.2	-1,125.1
Gross profit		633.6	629.4
Development costs	3	-29.8	-30.2
Marketing and distribution costs		-333.6	-335.2
Administrative costs	4	-129.8	-122.3
Other operating expenses	5	-9.8	-18.7
Operating profit before specific provisions		130.6	123.0
Specific provisions			-70.0
Operating profit after specific provisions		130.6	53.0
Financial income	7	16.8	13.8
Financial expenses	8	-21.3	-19.4
Profit before taxes		126.1	47.4
Taxes	24	-35.4	-31.3
Net profit for the year		90.7	16.1

		2000	1999
	Notes	CHF	CHF
Earnings per share (1999 before specific provisions)	9	61.98	58.44
Earnings per share (1999 after specific provisions)	9	61.98	10.93

Consolidated balance sheet

		31.12.2000	31.12.1999
Assets	Notes	m CHF	m CHF
Long-term assets		778.9	866.9
Tangible assets	10	675.0	813.1
Intangible assets	11	19.4	24.0
Deferred taxes	24	65.1	27.3
Investments in associates and other long-term assets	11	19.4	2.5
Current assets		747.7	860.5
Inventories	12	260.7	306.2
Trade receivables	13	243.4	282.1
Other receivables		41.3	31.1
Prepaid expenses and deferred charges		19.2	19.6
Marketable securities	14	45.5	73.6
Cash and cash equivalents		137.6	147.9
Total assets		1,526.6	1,727.4

		31.12.2000	31.12.1999
Shareholders' equity and liabilities	Notes	m CHF	m CHF
Shareholders' equity		813.9	794.8
Share capital	15	75.7	75.7
Treasury shares	15	-8.2	-2.0
Reserves and retained earnings		746.4	721.1
Long-term liabilities		275.2	458.6
Deferred taxes	24	2.9	4.0
Employee benefit obligations	16	88.0	91.8
Provisions	17	39.2	115.5
Bond issues	18	100.0	175.0
Long-term bank loans and mortgages	19	45.1	72.3
Current liabilities		437.5	474.0
Trade payables	20	90.2	139.6
Other payables		47.9	50.1
Accrued expenses	21	104.7	105.0
Bank loans and overdrafts	22	194.7	179.3
Total shareholders' equity and liabilities		1,526.6	1,727.4

Consolidated cash flow statement

	2000	1999
Cash flow from operating activities		
	m CHF	m CHF
Net profit for the year	90.7	16.1
Depreciation of tangible assets	99.3	100.7
Amortization of intangible assets	4.6	4.8
Increase (+)/decrease (–) in deferred income taxes and other provisions	–19.8	63.3
Increase (+)/decrease (–) in current liabilities (bank loans/overdrafts not included)	–16.4	20.5
Increase (–)/decrease (+) in current assets ¹⁾	–12.1	–18.3
Total cash flow from operating activities	146.3	187.1
Cash flow from investing/divesting activities		
	m CHF	m CHF
Cash flow from divestments	6.1	0.0
Cash drain from restructuring and divestment cost	–9.7	0.0
Increase (–) in long-term assets	–68.3	–125.5
Decrease (+) in long-term assets	11.3	6.1
Total cash flow from investing activities (before securities)	–60.6	–119.4
Increase (–)/decrease (+) in marketable securities	22.3	–2.0
Total cash flow from investing activities	–38.3	–121.4
Cash flow from financing activities		
	m CHF	m CHF
Increase (+)/decrease (–) in long-term bank loans and mortgages	–100.8	–7.9
Increase (+)/decrease (–) in employee benefit obligations	1.4	7.0
Increase (+)/decrease (–) in short-term bank loans/overdrafts	16.9	20.5
Change in treasury shares	–1.8	0.0
Dividend paid	–32.4	–32.4
Total cash flow from financing activities	–116.7	–12.8
Change in cash and cash equivalents		
	m CHF	m CHF
Increase (+)/decrease (–) in cash and cash equivalents	–8.7	52.9
Translation differences	–1.6	6.0
Cash and cash equivalents at the beginning of the year	147.9	89.0
Cash and cash equivalents at the end of the year	137.6	147.9
Change in net debt		
	m CHF	m CHF
Increase (–)/decrease (+) in cash and cash equivalents	8.7	–52.9
Increase (–)/decrease (+) in marketable securities	22.3	–2.0
Increase (+)/decrease (–) in debt	–83.9	12.6
Translation differences	4.5	2.7
Net debt at the beginning of the year	205.1	244.7
Net debt at the end of the year	156.7	205.1

¹⁾excluding cash and marketable securities

The changes in balance sheet positions are based on values exclusive of translation differences.

Consolidated statement of changes in shareholders' equity

1999	Shareholders' equity m CHF	Treasury shares m CHF	Reserves and retained earn. m CHF	Translation differences m CHF	Total m CHF
At 1.1.1999	75.7	-2.0	784.5	-59.9	798.3
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 paid			-32.4		-32.4
At 31.12.1999	75.7	-2.0	751.7	-30.6	794.8

2000	Shareholders' equity m CHF	Treasury shares m CHF	Reserves and retained earn. m CHF	Translation differences m CHF	Total m CHF
At 1.1.2000	75.7	-2.0	751.7	-30.6	794.8
Change in accounting policies (SIC 16)		-5.8			-5.8
Net profit for the year			90.7		90.7
Translation differences				-31.6	-31.6
Change in treasury shares		-0.4	-1.4		-1.8
Dividend paid			-32.4		-32.4
At 31.12.2000	75.7	-8.2	808.6	-62.2	813.9

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

Accounting policies

Basis of consolidation

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

As of January 1, 1999 the Group has implemented IAS 19 (revised) on Employee Benefits and accounted for the transitional liability by adjusting retained earnings at January 1, 1999.

With effect from January 1, 2000 the Group has implemented interpretation 16 of the IAS Standing Interpretations Committee (SIC) on Share Capital – Reacquired Own Equity Instruments (Treasury Shares). The difference resulting from the initial adoption of the Interpretation was accounted for by adjusting retained earnings at January 1, 2000. Prior year figures have not been restated for practical reasons. Furthermore, the Group has implemented International Accounting Standards IAS 36 on Impairment of Assets and IAS 37 on Provisions, Contingent Liabilities and Contingent Assets as of January 1, 2000. These new standards did not have a material impact on the consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 40–42). 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. Where an indication of impairment exists, the carrying amount is written down to the recoverable amount.

Foreign currency translation

The assets and liabilities of Group companies which do not report in Swiss francs as their reporting 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. On the disposal of a company, the cumulative amount of these exchange differences is recognised in the income statement together with the disposal gain or loss.

Exchange gains and losses arising in group companies from transactions in foreign currencies are taken to the income statement.

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 thirty years for buildings and over a period of three to ten years for machinery, equipment and other tangible assets. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The same depreciation rules apply 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 and long-term loans, depending on their due date. The interest element of the financing is charged to the income statement over the lease period.

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 twenty years). The value of the net capitalized balance is reviewed at the end of the year, and allowance 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 cost 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 allowance 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 allowance for doubtful receivables. Allowance is made for individual receivables positions for which recovery is doubtful. A general allowance 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.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. This position is readily convertible to known amounts of cash.

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 gains and losses exceeding 10% of the greater of the employee benefit obligation and the plan assets are amortized over the average remaining service lives of employees. 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. The capitalization of surpluses of funded plans is limited to the net total of any unrecognized 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.

Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Warranties

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

Treasury shares

The Group's holding in its own equity instruments are recorded as a deduction from equity. The original cost of acquisition, consideration received for subsequent resale of these instruments and other movements are reported as changes in equity.

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. All costs incurred in connection with sales are appropriately accrued.

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.

Derivative financial instruments

Gains and losses from forward exchange contracts, options and interest swaps used to hedge potential interest rate exposures are deferred and then offset against losses and gains on the specific transactions being hedged.

Change of scope of consolidation

There has been a significant change in the scope of consolidation as a result of the sale of Forbo CP Ltd. (Cramlington, United Kingdom), Forbo Murs SA (Marne-la-Vallée, France), Forbo Decor S.A. (Braine-L'Alleud, Belgium), Forbo CP Inc. (Swedesboro, USA) as of November 23, 2000 and Forbo Stamoid AG (Eglisau, Switzerland) as of December 29, 2000. Furthermore, Forbo Helmitin GmbH (Pirmasens, Germany) sold its plastics profile business as of September 1, 2000.

77 group companies were included in the consolidated financial statements as of December 31, 2000 (82 group companies as of December 31, 1999).

Description of terms

Free cash flow

Cash flow from operating activities less cash flow used for investing activities before securities.

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 7.0% (1999: 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 1999 for restructuring measures and valuation adjustments in connection with the Group's strategic renewal program.

Operating assets

Total of tangible and intangible assets, inventories, trade receivables, other receivables, prepaid expenses and deferred charges.

Notes to the consolidated financial statements

Segment Information

1

By business segments 2000

	Flooring m CHF	Adhesives m CHF	Belting m CHF	Divested activities m CHF	Corporate and Consolidation m CHF	Total m CHF
Net sales	1,009.9	206.3	383.2	177.4	0.0	1,776.8
EBDIT	168.0	26.4	51.3	4.6	-15.8	234.5
Depreciation and amortization	-57.5	-6.8	-23.1	-12.1	-4.4	-103.9
EBIT	110.5	19.6	28.2	-7.5	-20.2	130.6
Operating assets	696.5	108.5	375.5	0.0	78.5	1,259.0
Capital investments	41.7	7.4	16.3	1.8	1.1	68.3
Number of employees	3,323	691	1,779	0	39	5,832

By business segments 1999

	Flooring m CHF	Adhesives m CHF	Belting m CHF	Divested activities m CHF	Corporate and Consolidation m CHF	Total m CHF
Net sales	997.0	209.3	335.3	212.9	0.0	1 754.5
EBDIT*	163.6	30.5	40.7	14.0	-20.3	228.5
Depreciation and amortization	-60.1	-6.6	-20.3	-13.8	-4.7	-105.5
EBIT*	103.5	23.9	20.4	0.2	-25.0	123.0
Operating assets	763.2	100.8	386.6	185.4	40.1	1,476.1
Capital investments	75.9	8.6	33.0	7.4	0.6	125.5
Number of employees	3,334	667	1,732	1,063	33	6,829

* Before specific provisions of CHF 70.0 million

By geographical segments 2000

	Europe (Eurozone) m CHF	Switzerland m CHF	Rest of Europe m CHF	Americas m CHF	Asia/ Africa m CHF	Total m CHF
Net sales	892.9	105.6	386.6	238.0	153.7	1 776.8
Operating assets	669.7	172.9	206.6	104.1	105.7	1,259.0
Capital investments	41.7	9.0	12.0	2.0	3.6	68.3
Number of employees	3,355	516	995	538	428	5,832

By geographical segments 1999

	Europe (Eurozone) m CHF	Switzerland m CHF	Rest of Europe m CHF	Americas m CHF	Asia/ Africa m CHF	Total m CHF
Net sales	939.9	114.5	378.1	192.7	129.3	1 754.5
Operating assets	746.8	213.4	311.4	95.3	109.2	1,476.1
Capital investments	84.9	15.4	16.6	3.7	4.9	125.5
Number of employees	3,532	649	1,748	504	396	6,829

Net sales are based on the country in which the customer is located.

Changes in net sales by businesses

Net sales	2000		1999		
			Total change	Of which due to exchange rate changes	Due to volume and price changes
	m CHF	m CHF	m CHF	m CHF	m CHF
Flooring	1,009.9	997.0	12.9	-12.8	25.7
Adhesives	206.3	209.3	-3.0	-4.4	1.4
Belting	383.2	335.3	47.9	22.2	25.7
Total (excluding divested activities)	1,599.4	1,541.6	57.8	5.0	52.8

Development and production overheads

- 3 Development costs relate for the most part to design activities and amounted to CHF 29.8 million (1999: CHF 30.2 million).
Production overheads totaled CHF 185.8 million (1999: CHF 184.5 million) and are included in 'Cost of goods sold'.

Administrative costs

- 4 This item consists of the usual expenses related to administrative activities. The Group has no significant costs for licence fees or royalties.

Other operating expenses

	2000	1999
	m CHF	m CHF
Current costs and projects	1.9	8.0
Other expenses	7.9	10.7
Total other operating expenses	9.8	18.7

Other operating expenses include all costs which can not be clearly allocated to the other categories.

Personnel expenses

	2000	1999
	m CHF	m CHF
Salaries and wages	389.9	383.6
Employer's social security contributions	88.8	87.3
Total personnel expenses	478.7	470.9

The Group's headcount at 31.12.2000 was 5,832 (1999: 6,829). The average headcount over the year was 6,660 (1999: 6,803). The divestments resulted in a reduction of 1,023 employees.

Financial income

	2000	1999
	m CHF	m CHF
Interest income	5.0	2.8
Securities and exchange gains and other financial income	11.8	11.0
Total financial income	16.8	13.8

Financial expenses

	2000	1999
	m CHF	m CHF
Interest on debt	19.0	17.7
Securities and exchange losses and other financial expense	2.3	1.7
Total financial expenses	21.3	19.4

The average interest rate on interest-bearing debt (bond issues, long- and short-term bank loans, mortgages and discounted bills) in 2000 was 4.8% (1999: 4.2%).

Earnings per share

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

	2000	1999
Net profit for the year (m CHF)	90.7	16.1
Weighted average number of shares outstanding	1,463,266	1,473,416
Earnings per share (net profit) (CHF)	61.98	10.93*

*Earnings per share before specific provisions amounted to CHF 58.44 in 1999.

At 31.12.2000 and at 31.12.1999 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.

Tangible assets

10 The tangible assets also include leased assets with a net book value of CHF 5.9 million (1999: CHF 5.5 million).

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
At 31.12.1998, gross	529.0	836.1	144.2	111.6	1,620.9
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
At 31.12.1999, gross	577.9	921.2	165.1	82.5	1,746.7
Additions	3.4	26.0	14.9	24.0	68.3
Reductions through divestments	-28.4	-160.5	-10.6	-0.5	-200.0
Disposals	-25.5	-22.0	-9.7	-0.3	-57.5
Transfers	-10.1	19.6	1.8	-11.3	0.0
Translation differences	-17.7	-33.8	-6.4	-3.8	-61.7
At 31.12.2000, gross	499.6	750.5	155.1	90.6	1,495.8

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
At 31.12.1998, gross	159.8	561.1	118.2	0.5	839.6
Depreciation	16.9	64.2	16.2	3.4	100.7
Disposals	-4.7	-21.0	-9.6	0.0	-35.3
Transfers	12.0	-8.1	-5.6	-0.2	-1.9
Translation differences	4.8	22.7	3.0	0.0	30.5
At 31.12.1999, gross	188.8	618.9	122.2	3.7	933.6
Depreciation	18.4	59.8	16.9	4.2	99.3
Reductions through divestments	-14.5	-110.5	-9.8	-0.2	-135.0
Disposals	-14.4	-18.7	-8.3	0.0	-41.4
Transfers	0.0	0.1	-0.1	0.0	0.0
Translation differences	-6.7	-23.8	-4.9	-0.3	-35.7
At 31.12.2000, gross	171.6	525.8	116.0	7.4	820.8
Total tangible assets at 31.12.1999, net	389.1	302.3	42.9	78.8	813.1
Total tangible assets at 31.12.2000, net	328.0	224.7	39.1	83.2	675.0

The fire insurance value of buildings, machinery and factory equipment of CHF 2,395 million (1999: CHF 2,427 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 34.2 million (1999: CHF 28.4 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 entirely of operational assets.

Intangible assets and investments in associates

11

Cost

	Intangible assets				
	Goodwill m CHF	Trademarks/ patents m CHF	Investments in associates m CHF	Long-term receivables m CHF	Total m CHF
At 31.12.1998, gross	11.9	29.0	2.5	0.0	43.4
Additions	1.2	0.0	0.0	0.0	1.2
Disposals	-0.2	0.0	0.0	0.0	-0.2
Transfers	8.6	0.0	0.0	0.0	8.6
Translation differences	3.1	0.0	0.0	0.0	3.1
At 31.12.1999, gross	24.6	29.0	2.5	0.0	56.1
Additions	0.0	0.0	0.0	17.0	17.0
Reduction through divestments	-0.1	0.0	0.0	0.0	-0.1
Disposals	-2.3	0.0	0.0	0.0	-2.3
Translation differences	0.0	0.0	-0.1	0.0	-0.1
At 31.12.2000, gross	22.2	29.0	2.4	17.0	70.6

Accumulated amortization

	Intangible assets				
	Goodwill m CHF	Trademarks/ patents m CHF	Investments in associates m CHF	Long-term receivables m CHF	Total m CHF
At 31.12.1998, gross	6.9	13.7	0.0	0.0	20.6
Amortization	1.9	2.9	0.0	0.0	4.8
Transfers	3.1	0.0	0.0	0.0	3.1
Translation differences	1.1	0.0	0.0	0.0	1.1
At 31.12.1999, gross	13.0	16.6	0.0	0.0	29.6
Amortization	1.7	2.9	0.0	0.0	4.6
Reduction through divestments	-0.1	0.0	0.0	0.0	-0.1
Disposals	-2.3	0.0	0.0	0.0	-2.3
Translation differences	0.0	0.0	0.0	0.0	0.0
At 31.12.2000, gross	12.3	19.5	0.0	0.0	31.8
Total other long-term assets at 31.12.1999, net	11.6	12.4	2.5	0.0	26.5
Total other long-term assets at 31.12.2000, net	9.9	9.5	2.4	17.0	38.8

Inventories

	2000	1999
	m CHF	m CHF
12 Raw materials and supplies	56.1	65.2
Work in progress	95.1	99.6
Finished goods	122.5	159.8
Allowance for product risks	-13.0	-18.4
Total inventories	260.7	306.2

Trade receivables

	2000	1999
	m CHF	m CHF
13 Accounts receivable	229.3	264.9
Notes receivable	34.2	37.0
Allowance for doubtful receivables	-20.1	-19.8
Total trade receivables	243.4	282.1

Marketable securities

14 The market value of the Group's portfolio of marketable securities was CHF 45.5 million (1999: CHF 82.5 million). Book value: CHF 45.5 million (1999: CHF 73.6 million).

	2000	1999
	m CHF	m CHF
Breakdown of marketable securities by type		
Equities ¹⁾	45.5	50.9
Bonds ²⁾	0.0	31.6
Total marketable securities (market values)	45.5	82.5

¹⁾ Shares, equity fund units, etc.

²⁾ Incl. bonds with warrants and convertible bonds

	2000	1999
	m CHF	m CHF
Breakdown of bonds by residual maturity		
0-1 year	0.0	4.4
over 1 year	0.0	27.2
Total bonds	0.0	31.6

Share capital

¹⁵ 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 2000 financial year. Changes in outstanding shares were as follows:

Changes in outstanding shares	1.1.2000	Change	31.12.2000
	Number	Number	Number
Total shares	1,513,550		1,513,550
Treasury shares			
Shares with dividend right	9,894	512	10,406
Shares without dividend right	40,134	–	40,134
Total treasury shares	50,028	512	50,540
Total outstanding shares	1,463,522	–512	1,463,010

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 employee benefit obligations of the Swiss Group companies are insured by insurance contracts. These insured benefits have been treated as a defined contribution plan as the Group does not retain any obligations further to the payment of the insurance premiums. The expense for contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 9.2 million (1999: CHF 8.5 million).

Details of the pension expense related to the major defined benefit plans are as follows:

	2000	1999
	m CHF	m CHF
Current service cost	13.3	11.3
Interest on obligation	24.8	24.6
Expected return on plan assets	–33.4	–29.4
Net periodic pension cost	4.7	6.5
Increase of unrecognized assets (limit under IAS 19 para. 58b)	2.0	7.6
Translation differences on unrecognized assets	3.1	–3.3
Total pension expenses as included in personnel expenses	9.8	10.8

The actual return on plan assets was CHF 9.0 million in 2000 (1999: CHF 49.5 million).

The amounts recognized in the balance sheet are as follows:

	2000	1999
	m CHF	m CHF
Present value of unfunded obligations	39.6	42.4
Present value of wholly or partly funded obligations	433.7	466.8
Fair value of plan assets	-518.3	-538.1
Unrecognised actuarial gains, net	34.2	21.9
Unrecognised assets (limit under IAS 19 para. 58b)	64.8	62.8
Net liability in the balance sheet	54.0	55.8

The employee benefit obligations of CHF 88.0 million (1999: CHF 91.8 million) also include provisions for early retirement and other benefits of about CHF 34 million.

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

	2000	1999
	m CHF	m CHF
Net liability at the beginning of the year	55.8	49.6
Total pension expenses as included in personnel expenses	9.8	10.8
Employer contributions	-7.6	-8.7
Reductions through divestments	-0.6	0.0
Translation differences	-3.4	4.1
Net liability at the end of the year	54.0	55.8

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

	2000	1999
	%	%
Discount rate	5.5	5.2
Expected return on plan assets	6.3	6.3
Future salary increases	3.2	3.1

Provisions

17

	Specific provisions 1999 m CHF	Warranty provisions m CHF	Restructuring provisions m CHF	Other provisions m CHF	Total provisions m CHF
At 31.12.1999	70.0	9.1	11.1	25.3	115.5
Charges to the income statement	0.0	1.7	0.0	0.0	1.7
Utilised during the year	-52.1	-1.2	-9.5	-13.5	-76.3
Translation differences	0.0	-0.4	0.0	-1.3	-1.7
At 31.12.2000	17.9	9.2	1.6	10.5	39.2

CHF 52.1 million (after taxes) were debited to the specific provisions. Of this, CHF 45.1 million relate to the divestment of the Decorative Films Business, CHF 3.2 million to the restructuring of the Synthetic Belting Business and CHF 3.8 million to the restructuring of the Carpet Business. Previously set up provisions of CHF 9.5 could be utilized for the remaining restructuring cost. 'Other provisions' were debited with CHF 13.5 million in connection with the divestment of the Plastic Profile Business and the Coated Textiles Business and other locally charged items.

Bond issues

18

	2000	1999
	m CHF	m CHF
3% Bond with warrants 1994–2000	0.0	75.0
4% Bond 1996–2001	100.0	100.0
Total bond issues	100.0	175.0

3% Bond with warrants 1994–2000

The exercise period for the warrants was until 8.8.1997. A total of 8,080 warrants was exercised in exchange for 1,616 Forbo Holding SA registered shares at a price of CHF 640 each. The bond was repaid on 8.8.2000.

4% Bond 1996–2001

The bond's duration is from 11.6.1996 to 11.6.2001. There is no early redemption clause. The Group intends to refinance this bond on a long-term basis.

Long-term bank loans and mortgages

19	2000	1999
	m CHF	m CHF
Unsecured bank loans	99.1	95.0
Secured bank loans*	43.6	35.9
Lease obligations	0.7	5.5
Sub-total	143.4	136.4
Less current portion	-98.3	-64.1
Total	45.1	72.3
*of which loans without fixed maturity date secured by property	23.7	35.9

Maturities of long-term bank loans and mortgages	2000	1999
	m CHF	m CHF
after 1 year	25.4	50.2
after 2 years	1.0	1.5
after 3 years	6.0	1.1
after 4 years	10.0	6.1
after 5 and more years	2.7	13.4
Total	45.1	72.3

Secured bank loans are covered by property of the Group (book value CHF 78.0 million).
For interest charges, see 'Financial expenses' (8).

Trade payables

20	2000	1999
	m CHF	m CHF
Accounts payable	80.8	124.6
Notes payable	9.4	15.0
Total trade payables	90.2	139.6

Accrued expenses

21	2000	1999
	m CHF	m CHF
Current taxes	16.0	18.3
Accrued personnel expenses	26.8	25.9
Other accruals	61.9	60.8
Total accrued expenses	104.7	105.0

Other accruals comprise accrued volume rebates, commissions, premiums, interest and accrued warranty cost and similar items.

Short-term bank loans and overdrafts

	2000	1999
	m CHF	m CHF
Bank loans and overdrafts	96.4	115.2
plus current portion of long-term bank loans	98.3	64.1
Total short-term bank loans and overdrafts	194.7	179.3

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

Commitments and contingent liabilities

	2000	1999
	m CHF	m CHF
Commitments and contingent liabilities	3.4	6.0

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

	2000	1999
	m CHF	m CHF
Current taxes	38.2	33.7
Deferred taxes	-2.8	-2.4
Total income taxes	35.4	31.3

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 2000 of CHF 35.4 million (1999: CHF 31.3 million) on the Group's pre-tax profit of CHF 126.1 million (1999: CHF 117.4 million before specific provisions) differ from the theoretical amount that would arise using the maximum tax rate of Eglisau/Zurich, Switzerland of 28% as follows:

	2000	1999
	m CHF	m CHF
Tax at the applicable tax rate of 28% for Eglisau/Zurich, Switzerland	35.3	32.9
Effect of different tax rates in other countries	2.5	4.6
Utilisation of previously unrecognized tax losses	-2.4	-1.7
Other	0.0	-4.5
Total income taxes (effective)	35.4	31.3

The tax loss carry forwards of the Group amount to about CHF 250 million. Tax loss carry forwards totaling CHF 75 million will expire within the next seven years if they are not used. The remaining amount of CHF 175 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:

	2000	1999
	m CHF	m CHF
Deferred tax assets	65.1	27.3
Deferred tax liabilities	-2.9	-4.0
Deferred tax assets, net	62.2	23.3

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
At 31.12.1999	11.6	0.0	8.0	20.1	0.6	40.3
Credited (+), charged (-)						
to the income statement	-0.4	0.1	-0.4	-1.8	-0.2	-2.7
Impact of divestments	0.0	0.0	-1.5	36.1	0.0	34.6
Translation differences	-0.3	0.0	1.0	-0.3	0.0	0.4
At 31.12.2000	10.9	0.1	7.1	54.1	0.4	72.6

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
At 31.12.1999	-5.8	-10.1	-1.0	0.0	-0.1	-17.0
Credited (+), charged (-)						
to the income statement	1.4	4.2	0.0	0.0	-0.1	5.5
Translation differences	0.0	0.1	1.0	0.0	0.0	1.1
At 31.12.2000	-4.4	-5.8	0.0	0.0	-0.2	-10.4
Deferred tax assets at 31.12.1999, net	5.8	-10.1	7.0	20.1	0.5	23.3
Deferred tax assets at 31.12.2000, net	6.5	-5.7	7.1	54.1	0.2	62.2

Statement of added value

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	2000	1999
	m CHF	m CHF
Gross added value	713.1	699.7
Depreciation and amortization expense	-103.9	-105.5
Net added value	609.2	594.2
Distribution of added value		
Employees	478.7	470.9
Public sector	35.3	31.3
Creditors	4.5	5.9
Investors	32.4	32.4
Specific provisions	0.0	70.0
Retained in the Group	58.3	-16.3
Total	609.2	594.2
Net added value per employee (CHF)	91,475	87,345

Translation of foreign currencies

26

Currency	2000			1999			2000			1999		
	Income statement (average rates for the year)						Balance sheet (year-end rates)					
		CHF	CHF	Change %		CHF	CHF	Change %				
Euro Countries	EUR	1	1.5591	1.6011	-3	1.5296	1.6060	-5				
Sweden	SEK	100	18.45	18.18	1	17.25	18.76	-8				
United Kingdom	GBP	1	2.56	2.49	3	2.46	2.58	-5				
USA	USD	1	1.69	1.55	9	1.65	1.59	4				
Canada	CAD	1	1.14	1.01	13	1.09	1.10	-1				
Japan	JPY	100	1.57	1.33	18	1.44	1.56	-8				

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:

	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	Gross value hedged m CHF	Gross value hedged m CHF	Market value m CHF	Market value m CHF
Forward transactions	27.6	4.5	1.6	4.5
Options	25.2	0.1	-1.4	0.0
Total currency instruments	52.8	4.6	0.2	4.5

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 11).

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:

	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	Gross value hedged m CHF	Gross value hedged m CHF	Unrealized gain/loss m CHF	Unrealized gain/loss m CHF
Interest rate swaps ¹⁾	98.0	59.8	-2.8	-0.7
Options	30.0	0.0	0.1	0.0
Total interest rate instruments	128.0	59.8	-2.7	-0.7

¹⁾ Present value of discounted future cash flows

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.

Divestments

28 The net decrease in assets through divestments was as follows:

	2000	1999
	m CHF	m CHF
Current assets (excluding cash and cash equivalents)	-66.2	0.0
Tangible assets	-65.0	0.0
Liabilities	36.3	0.0
Total	-94.9	0.0

Events after balance sheet date

29 On March 8, 2001 the Board of Directors of Forbo Holding SA decided to buy back own shares in the amount of up to CHF 200.0 million. The Board of Directors will submit a respective proposal to the Annual General Meeting of Shareholders on April 24, 2001.

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 (consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and notes to the consolidated financial statements) on pages 6 to 28 of Forbo Holding SA for the year ended December 31, 2000.

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 Swiss 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 Swiss law.

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

PricewaterhouseCoopers AG

Handwritten signature of L. Monn in black ink.

L. Monn

Handwritten signature of S. Räbsamen in black ink.

S. Räbsamen

Zurich, March 8, 2001

Consolidated income statements 1996–2000

	2000	1999	1998	1997	1996
	m CHF	m CHF	m CHF	m CHF	m CHF
Net sales	1,776.8	1,754.5	1,714.5	1,905.0	1,800.8
Cost of goods sold	-1,143.2	-1,125.1	-1,092.3	-1,249.1	-1,176.0
Gross profit	633.6	629.4	622.2	655.9	624.8
Development costs	-29.8	-30.2	-31.2	-34.6	-33.8
Marketing and distribution costs	-333.6	-335.2	-333.0	-375.0	-359.3
Administrative costs	-129.8	-122.3	-120.0	-133.9	-126.9
Other operating expenses	-9.8	-18.7	-25.8	-16.1	-18.8
Operating profit before specific provisions	130.6	123.0	112.2	96.3	86.0
Specific provisions		-70.0		-21.0*	-30.0*
Operating profit after specific provisions	130.6	53.0	112.2	75.3	56.0
Financial income	16.8	13.8	12.8	15.5	30.5
Financial expenses	-21.3	-19.4	-20.6	-22.1	-31.0
Profit before taxes	126.1	47.4	104.4	68.7	55.5
Taxes	-35.4	-31.3	-27.7	-27.6	-24.5
Net profit for the year	90.7	16.1	76.7	41.1	31.0

* Divestment cost

Consolidated balance sheets 1996–2000

	2000	1999	1998	1997	1996
Assets					
	m CHF	m CHF	m CHF	m CHF	m CHF
Long-term assets	778.9	866.9	828.9	770.1	794.4
Tangible assets	675.0	813.1	781.3	742.3	758.5
Intangible assets	19.4	24.0	20.3	25.3	28.1
Deferred taxes	65.1	27.3	24.8		
Investments in associates and other long-term assets	19.4	2.5	2.5	2.5	7.8
Current assets	747.7	860.5	751.4	847.9	938.4
Inventories	260.7	306.2	291.4	295.1	350.2
Trade receivables	243.4	282.1	247.1	259.3	280.5
Other receivables	41.3	31.1	33.4	35.8	33.3
Prepaid expenses and deferred charges	19.2	19.6	18.9	20.6	18.2
Marketable securities	45.5	73.6	71.6	97.3	73.2
Cash and cash equivalents	137.6	147.9	89.0	139.8	183.0
Total assets	1,526.6	1,727.4	1,580.3	1,618.0	1,732.8
	2000	1999	1998	1997	1996
Shareholders' equity and liabilities					
	m CHF	m CHF	m CHF	m CHF	m CHF
Shareholders' equity	813.9	794.8	798.3	761.1	765.4
Share capital	75.7	75.7	75.7	75.7	75.6
Treasury shares	-8.2	-2.0	-2.0	-2.0	-2.3
Reserves and retained earnings	746.4	721.1	724.6	687.4	692.1
Long-term liabilities	275.2	458.6	372.5	416.2	484.9
Deferred taxes	2.9	4.0	5.2	8.4	10.0
Employee benefit obligations	88.0	91.8	67.1	59.5	81.2
Provisions	39.2	115.5	48.5	62.3	62.5
Bond issues	100.0	175.0	175.0	175.0	255.0
Long-term bank loans and mortgages	45.1	72.3	76.7	111.0	76.2
Current liabilities	437.5	474.0	409.5	440.7	482.5
Trade payables	90.2	139.6	120.5	119.8	161.4
Other payables	47.9	50.1	42.0	47.9	68.1
Accrued expenses	104.7	105.0	93.4	95.6	95.9
Bank loans and overdrafts	194.7	179.3	153.6	177.4	157.1
Total shareholders' equity and liabilities	1,526.6	1,727.4	1,580.3	1,618.0	1,732.8

Financial statements of Forbo Holding SA

Income statement of Forbo Holding SA

		2000	1999
Income			
	Notes	CHF	CHF
Income			
from investments in and advances to group companies	1	65,415,775	52,013,174
from securities and short-term investments	2	12,136,279	8,479,609
Income from services and other sources		898,102	1,974,700
Total income		78,450,156	62,467,483
		2000	1999
Expenses			
	Notes	CHF	CHF
Expenses			
Administrative expenses		2,315,631	2,155,635
Financial expenses	3	4,000,000	4,000,000
Taxes		705,591	1,005,785
Valuation adjustments on investments and advances	4	36,017,416	21,771,311
Total expenses		43,038,638	28,932,731
Net profit for the year		35,411,518	33,534,752

Balance sheet of Forbo Holding SA (before appropriation of available earnings)

		31.12.2000	31.12.1999
Assets			
	Notes	CHF	CHF
Long-term assets		422,256,519	462,505,175
Investments in group companies	5	320,149,662	311,539,119
Advances to group companies	6	102,106,857	150,966,056
Current assets		151,288,585	108,526,866
Other receivables from group companies		3,796,806	2,142,323
Other receivables from third parties		2,011,672	1,407,327
Prepaid expenses and deferred charges		79,882	715,829
Marketable securities	7	44,885,533	67,282,167
Cash	8	100,514,692	36,979,220
Total assets		573,545,104	571,032,041

		31.12.2000	31.12.1999
Shareholders' equity and liabilities			
	Notes	CHF	CHF
Shareholders' equity		442,142,759	439,146,392
Share capital	9/10	75,677,500	75,677,500
Statutory reserves			
General reserves		15,600,000	15,600,000
Reserve for own shares	11	8,156,796	7,794,460
Other reserves	12	279,209,121	279,571,456
Available earnings			
Profit carried forward		28,087,824	26,968,224
Net profit for the year		35,411,518	33,534,752
Liabilities		131,402,345	131,885,649
Long-term provisions	13	28,000,000	28,000,000
Bond issues	14	100,000,000	100,000,000
Other current liabilities to third parties		68,271	69,869
Accrued expenses		3,334,074	3,815,780
Total shareholders' equity and liabilities		573,545,104	571,032,041

Notes to the financial statements of Forbo Holding SA

Income from investments in and advances to group companies

- 1 Income from investments in and advances to group companies amounted to CHF 65.4 million (1999: CHF 52.0 million) and consisted exclusively of interest and dividend income.

Income from securities and short-term investments

- 2 The increase of income from securities and short-term investments from CHF 8.5 million to CHF 12.1 million is attributable to slightly higher securities holdings and money market positions and the realisation of valuation reserves.

Financial expenses

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

Valuation adjustments on investments and advances

- 4 Valuation adjustments on investments in and advances to group companies of CHF 36.0 million (previous year: CHF 21.8 million) reflect the business development of individual group companies. The increase compared to the previous year relates for the most part to the divestment of certain activities. (See 'Change of scope of consolidation', page 13).

Investments in group companies

- 5 See list of group companies on pages 40–42.
The net increase of CHF 8.6 million compared to the previous year includes the disposal of group companies, a capital increase at Forbo Beteiligungen GmbH and a capital redemption at Forbo America Inc.

Advances to group companies

- 6 Advances to group companies are denominated in Swiss francs and foreign currencies. There was a CHF 48.9 million decrease over the previous year's figure.

Marketable securities

- 7 Marketable securities include marketable bonds and shares, which are valued at the lower of cost or market value.

Cash

- 8 This item consists of cash and cash equivalents with original maturities of three months or less.

Share capital

- 9 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 2000 financial year. The shares are listed on the Swiss Stock Exchange.

Conditional capital increase

- 10 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 31.12.2000 was unchanged on the previous year-end total at CHF 8,322,500.

Reserve for own shares

- 11 The CHF 8.2 million included under 'Reserve for own shares' refer to shares of the Company held by group companies valued at cost. Details of own shares are as follows:

Own shares

	Cost CHF	No. of registered shares Nom. value CHF 50
Total at 1.1.2000	7,794,460	50,028
Change	362,336	512
Total at 31.12.2000	8,156,796	50,540

Other reserves

- 12 Other reserves showed a year-on-year decrease of CHF 0.4 million, attributable to a transfer to 'Reserve for own shares'.

Long-term provisions

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

Bond issues

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

Contingent liabilities

- 15 Guarantees and letters of support issued to third parties in favour of group companies amount to CHF 4.8 million (1999: CHF 146.8 million), of which CHF 4.1 million (1999: CHF 96.7) are utilized.

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:

	2000	1999
	CHF	CHF
Net profit for the year	35,411,518	33,534,752
Profit carried forward from the previous year	28,087,824	26,968,224
Total available earnings	63,499,342	60,502,976

	2000	1999
	CHF	CHF
be appropriated as follows: Dividends on outstanding shares:		
1,473,416 registered shares at CHF 22.– (1999: CHF 22.–)	32,415,152	32,415,152
To be carried forward to the following year	31,084,190	28,087,824
Total	63,499,342	60,502,976

	2000	1999
	CHF	CHF
Upon approval of this proposal the dividend payment per share for the 2000 business year will be as follows:		
Gross dividend	22.00	22.00
less 35 % federal withholding tax	7.70	7.70
Net dividend payment	14.30	14.30

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 34 to 37 of Forbo Holding SA for the year ended December 31, 2000.

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 Swiss 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 Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Two handwritten signatures in black ink. The first signature is 'L. Monn' and the second is 'S. Räbsamen'.

L. Monn

S. Räbsamen

Zurich, March 8, 2001

Group companies (January 2001)

Company	Place	General management	Share capital	Flooring	Industry/Specialties	Holding/Services
Australia						
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	
Austria						
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.	Pottendorf	F. Horinek/P. Wolfsgruber	D ATS 40 685 000	S		
Siegling Austria Ges.m.b.H.	Vienna	Erich Knoll	ATS 4 500 000		S	
Belgium						
Forbo Krommenie S.A.	Brussels	Lieven Messiaen	BEF 10 000 000	S		
Forbo Tapijt N.V.	Antwerp	Wil A. S. Staffhorst	BEF 1 250 000	S		
N.V. Forbo Novilon S.A.	Brussels	Frank F. Kruisheer	EUR 100 000	S		
Brazil						
Siegling Brasil Ltda.	Itapevi-SP	Raul E. A. Gollmann	PN BRL 306 000		MS	
Canada						
Forbo Linoleum Inc.	Toronto	Bruce W. Heazel	CAD 500 000	S		
Siegling Canada Ltd.	Mississauga	Rick Zingel	CAD 501 411		S	
Czech Republic						
Forbo s.r.o.	Brno	Gijsbertus A. Zoons	CZK 500 000	S		
Denmark						
Forbo Linoleum A/S	Glostrup	Jens-Christian Holm Iversen	DKK 500 000	S		
Siegling Danmark A/S	Brøndby	Roger Olsson	DKK 1 000 000		MS	
Finland						
Forbo Linoleum Oy AB	Helsinki	Vacant	FIM 200 000	S		
France						
Forbo Helmitin SA	Surbourg	Pierre Lux	FRF 20 000 000		MS	
Forbo Participations SA	Surbourg	Francis Bischwiller	D FRF 75 460 000			H
Forbo Sarlino SA	Reims	Alain Réquillart	FRF 40 000 000	S		
Forbo Tapis S.à.r.l.	Reims	Frank Vermeiren	FRF 1 000 000	S		
Siegling France SA	Lomme	Egbert J. van Heerikhuizen	FRF 5 250 000		S	
Sté. de Production de Sols Textiles - P.S.T.	Reims	Dominique Carpentier	FRF 20 610 000	MS		
Sté. de Production de Sols Vinyles - P.S.V.	Reims	Alain Réquillart	FRF 22 980 000	MS		
Germany						
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 Helmitin GmbH	Pirmasens	Karl Nohr	DEM 10 000 000		MS	
Forbo Linoleum GmbH	Paderborn	Karl-Heinz Gerlitz	EUR 50 000	S		
Forbo Novilon GmbH	Frankfurt am Main	Hans-Heinrich Kuhn	DEM 2 000 000	S		
Forbo Werke GmbH	Paderborn	Dr. Benjamin J. Fuchs	EUR 3 100 000	MS		
Design Tuft DT GmbH	Bad Hersfeld	Dr. Benjamin J. Fuchs	DEM 250 000	MS		
Nairn Bodenbelag GmbH	Frankfurt am Main	Hans-Heinrich Kuhn	DEM 100 000	S		
Siegling GmbH	Hanover	Dr. Jan Lipton	DEM 20 000 000		MS	

Company	Place	General management	Share capital	Flooring	Industry Specialties	Holding/Services
Hungary						
Forbo Padloburkolatok Kft.	Budapest	Franz Horinek	HUF 5 000 000	S		
Ireland						
Forbo Ireland Ltd.	Dublin	Derek F. Byrne	IEP 100 000	S		
Italy						
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		
Japan						
Siegling (Japan) Ltd.	Yokohama	Kazuya Togashi	JPY 330 000 000		MS	
Jersey, C.I.						
Forbo Invest Ltd.	St. Helier	Marc Ait-Hocine	D GBP 25 000			H
Mexico						
Siegling Mexico S.A. de C.V.	Tlalnepantla	Antonio Cillero	MXN 17 974 664		MS	
Netherlands						
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	Ir. Marien A. G. Weijenberg	D NLG 25 000 000		MS	
Forbo NL Holding B.V.	Soest	Maarten Waasdorp	NLG 30 000 000			H
Forbo Novilon B.V.	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	Drs. Antonie J. Pluijmert	NLG 40 000		MS	
Eurocol B.V.	Wormerveer	Jos H. den Ronden	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	
Norway						
Forbo Linoleum A/S	Vetvre	Dag Ekner	D NOK 1 000 000	S		
People's Republic of China						
Forbo Siegling (Shenyang)						
Belting Co. Ltd.	Shenyang	Rolf Fischer	CNY 66 337 000		MS	
Poland						
Forbo Techniki Budowlane Polska Sp. z o. o.	Warszawa	Jos H. den Ronden	PLZ 2 100 000		S	
Portugal						
Forbo Pergol Revestimentos S.A.	Porto	Henrique M. Santos Jr.	PTE 15 000 000	S		

N Not included in the 2000 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
Singapore						
Forbo Siegling Singapore Pte Ltd.	Singapore	Frank Klohr	SGD 500 000		S	
Spain						
Forbo Pavimentos S.A.	Barcelona	Agustin Matamoros	ESP 10 000 000		S	
Siegling Iberica S.A.	Montcada i Reixac	Dr. Norbert Stradmann	ESP 255 000 000		S	
Sweden						
Forbo Linoleum AB	Gothenburg	Lars Ivar Norén	SEK 100 000		S	
Forbo Parquet AB	Tibro	Christer Engelbrektsson	SEK 20 000 000		MS	
Forbo Project Vinyl AB	Gothenburg	Christer Engelbrektsson	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	
Switzerland						
Forbo CTU SA	Schönenwerd	Dietmar Meyer	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 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
Siegling (Schweiz) SA	Wallbach	Kurt Schuler	D CHF 500 000		MS	
Swifloor SA	Giubiasco	Frank P. Gross	CHF 50 000		S	
United Kingdom						
Forbo Nairn Ltd.	Kirkcaldy	R. Pemberton/P. M. Gunn	GBP 8 000 000		MS	
Forbo UK Ltd.	Cramlington	Rankin McKee	D GBP 22 500 000			H
Novilon Ltd.	Watford	Dennis Prior	GBP 160 000		S	
USA						
Forbo America Inc.	Wilmington, DE	Eugene Chace	D USD 20 000 000			H
Forbo America Services Inc.	Wilmington, DE	Eugene Chace	USD 50 000			H
Forbo Linoleum Inc.	Hazelton, 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 2000 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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