

Forbo Holding AG

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FINANCIAL REPORT 2002

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Forbo Group consolidated financial statements

Financial review and analysis

Summary of financial results

	2002	2001	
	m CHF	m CHF	% change on previous year
Net sales of continued operations	1,531.1	1,354.3	13.1
Net sales of divested activities		130.8	
Group net sales	1,531.1	1,485.1	3.1
Operating profit before depreciation and amortization			
of continued operations*	180.1	169.8	6.1
of divested activities		9.6	
Operating profit			
of continued operations*	88.4	85.7	3.2
of divested activities		3.2	
Net profit for the year	42.6	51.8	-17.8
EVA® (Economic Value Added)	4.3	-2.1	

*including Headquarters

Comment on the financial result development

The business year 2002 continued to be characterized by difficult trading conditions and the acquisition of the Swift adhesives activities. Group total sales reached CHF 1,531.1 million, with the Swift adhesives business acquired as per April 19, 2002 contributing CHF 246.9 million. Thus, Group sales (excluding the Carpet Business divested in October 2001) were CHF 176.8 million higher than in the previous year, corresponding with an increase of 13.1 % in Swiss Francs. In local currencies, Group sales were up 16.7 %.

The operating profit before depreciation and amortization (EBITDA) was CHF 180.1 million, CHF 10.3 million higher than in the previous year (excluding the Carpet Business divested in October 2001). Swift's contribution was CHF 28.9 million. The negative influence of unfavorable exchange rates is CHF 6.6 million. As a consequence, return on sales (ROS gross, EBITDA/Sales) decreased from 12.5 % in the previous year to 11.8 %. At CHF 88.4 million, the operating profit after depreciation and amortization is CHF 2.7 million higher than in the previous year. This includes the Swift business with CHF 16.9 million after deduction of CHF 5.8 million amortization of goodwill and acquired trademarks. This means that Swift made a higher than expected contribution to the Group's operating profit. The operating profit before amortization (EBITA), adjusted to an entire Swift business year, results in a return on operating assets employed (EBITA/Operating Assets) of 8.2 % (previous year 7.9 %).

Excluding the Swift business, the continued operations reached net sales of CHF 1,284.2 million, 5.2% and 1.6% lower than in the previous year in Swiss Francs and local currencies, respectively. Operating results (EBIT) decreased by CHF 14.2 million, CHF 3.9 million of which as a result of currency translation differences. The quarterly results in the year under review, except for the fourth quarter, were consecutively better than the previous ones, and the operating result in the third quarter was clearly above the previous year on a comparable basis. The Linoleum sales development that was below the expectations in the fourth quarter, and the pronounced weakening of the dollar resulted in a clearly lower operating profit (EBIT) on a comparable basis, for both the fourth quarter and the entire year (CHF -14.2 million). The Flooring Business accounted for the majority of the decrease (CHF 15.0 million or -19.1%). Despite a clear sales decrease of 11.3%, half of which was due to unfavorable exchange rates, the Belting Business reached an EBIT result of CHF 10.9 million (previous year: CHF 14.4 million). As opposed, the Adhesives Business (excluding acquisitions) recorded a sales plus of 8.2% in local currencies and 5.4% in Swiss Francs, and operating profits of CHF 20.7 million, 24.7% up on the previous year. This means that also the former Forbo Adhesives Business performed well under difficult conditions. The operating result of continued activities (excluding the acquisitions) as a percentage of the assets employed (ROA, EBIT/Operating Assets) is now at 7.1%, slightly lower than in the previous year (7.9%).

Net financial expenses of CHF 24.2 million are CHF 8.2 million higher than in the previous year. The increase is mainly the result of the acquisition of the Swift activities financed with borrowed capital. Pre-tax profit of CHF 63.5 million is CHF 9.4 million down on the previous year, while taxes of CHF 20.9 million were nearly on the previous year's level (CHF 21.1 million). The higher tax rate of 32.9% (previous year: 28.9%) is the result of a regionally less favorable profit mix and partly non tax-deductible goodwill amortization.

Thus, the Group net profit with CHF 42.6 million was 17.8% below the previous year, resulting from a slightly lower operating profit, higher financial expenses, a higher tax rate, and weaker exchange rates compared to the Swiss Franc.

Balance sheet summary

	31.12.2002	31.12.2001	
	m CHF	m CHF	Change m CHF
Long-term assets	875.1	716.4	158.7
Current assets (excluding cash and marketable securities)	573.1	488.7	84.4
Cash and marketable securities	152.4	126.5	25.9
Total assets	1,600.6	1,331.6	269.0
Shareholders' equity	590.6	652.2	-61.6
Financial debt	637.8	361.7	276.1
Other liabilities and provisions	372.2	317.7	54.5
Total shareholders' equity and liabilities	1,600.6	1,331.6	269.0

Balance sheet development

The balance sheet total rose by CHF 269.0 million to CHF 1,600.6 million compared with the previous year-end. This is mainly due to the inclusion of the operating assets of the Swift adhesives business of CHF 379.0 million. Of these asset additions, CHF 170.3 million are accounted for by goodwill and acquired trademarks. In addition, cash and securities increased by CHF 25.9 million to CHF 152.4 million. This contrasts with lower working capital, on a comparable basis and excluding securities and cash, of CHF 573.1 million. Furthermore, investments in long-term assets of CHF 45.2 million are clearly below the previous year's level (CHF 66.4 million) and depreciation during the year under review. Of the total investment volume, CHF 22.6 million relate to the Flooring Business, CHF 10.4 million to the Adhesives Business, and CHF 10.9 million to the Belting Business. The weaker exchange rates, against the Swiss Franc, particularly of the Dollar-based currencies, decreased assets by some CHF 80 million.

Financial situation

Net debt rose by CHF 250.2 million compared with the previous year-end. The increase is mainly the result of the Swift acquisition, which was financed by debt, and the dividend payment. On the other hand, free cash flow of CHF 108.8 million led to a substantial reduction of net debt. Of the total financial debt of CHF 637.8 million, CHF 382.3 million are accounted for by a US private placement with maturities between five and ten years, a Swiss Franc bond of 150.0 million (due in 2006), and bank debt of CHF 105.5 million. This means that the long-term debt financing rests on three pillars.

Compared with the end of the previous year, the equity capital decreased to CHF 590.6 million especially as a result of unfavorable exchange rates and the dividend distribution. This corresponds with 36.9% of the balance sheet total at year-end 2002. This key figure decreased compared with the previous year (49.0%) mainly as a result of the acquisition of the Swift adhesives business. With this equity capital basis, a gearing of 82.2% (net debt in percent of equity capital), and high liquidity, the Group continues to be on a solid financial basis.

Free cash flow

The free cash flow (before dividend) of CHF 108.8 million is calculated on the basis of the cash flow from operating activities reduced by investments in long-term assets (net). This amount does not include the purchase and sale of business activities. The increase in the free cash flow by CHF 35.1 million is mainly due to lower investments in fixed assets of CHF 45.2 million (previous year: CHF 66.4 million) and a higher cash inflow from disposals (CHF 16.2 million).

Earnings per share

Related to the average number of outstanding shares, the 2002 earnings per share is CHF 32.65 compared with CHF 37.84 in the previous year, corresponding with a 13.7% decrease. This means that the earnings per share decrease is somewhat less than the Group's profit decline (-17.8%) resulting from the effect of the share buy-back program in 2001.

Share price development

Also the SWX Swiss Exchange suffered losses in the worldwide baisse of financial markets. The Forbo share could not escape this general trend, although the losses on an annual basis were slightly smaller than the decline of the SPI. In view of the good cash generation and the distribution policy aimed at continuity, the current market capitalization of about CHF 500 million seems to be very low. Through restructuring and acquisitions, Forbo has created the preconditions for achieving higher company profits should the economy recover. Whether or not the ambitious targets can be achieved depends to a large extent, however, on the future development of the general economic situation. Even rising company profits can only be expected to generate improved share performance if the equity market stabilizes and the geopolitical situation calms down.

Economic Value Added (EVA®)

Forbo's objective is to enhance the value of the company. Value is only created when the returns on the capital employed exceed the weighted average cost of capital. Despite an increase in the capital employed and a slightly lower operating profit after tax (NOPAT, Net Operating Profit After Tax), a positive EVA® value of CHF 4.3 million (previous year: negative value of CHF 2.1 million) could be recorded in the year under review. This was possible thanks to a reduction of the cost of capital to 5.5% (previous year: 7.3%). The reduction of the cost of capital is mainly due to a higher percentage of borrowed capital at lower interest rates.

	2002	2001
	m CHF	m CHF
EVA®-calculation		
Net operating profit after taxes (NOPAT)	67.5	67.8
Invested capital (IC)	1,144.9	957.2
Average interest rate after taxes	3.0%	3.8%
Cost of equity capital	8.4%	9.1%
Weighted Average Cost of Capital (WACC)	5.5%	7.3%
Economic Value Added (EVA®)	4.3	-2.1

Consolidated income statement

		2002	2001
	Notes	m CHF	m CHF
Net sales	1/2	1,531.1	1,485.1
Cost of goods sold		-1,017.4	-962.7
Gross profit		513.7	522.4
Development costs	3	-24.2	-22.0
Marketing and distribution costs		-277.2	-288.6
Administrative costs	4	-119.6	-116.6
Other operating expenses, net	5	-4.3	-6.3
Operating profit		88.4	88.9
Financial income	7	5.0	3.4
Financial expenses	8	-29.2	-19.4
Share of results of associated companies	12	-0.7	-
Profit before taxes		63.5	72.9
Taxes	24	-20.9	-21.1
Net profit for the year		42.6	51.8
		2002	2001
	Notes	CHF	CHF
Earnings per share (basic)	9	32.65	37.84
Earnings per share (diluted)	9	32.35	37.70

Consolidated balance sheet

		31.12.2002	31.12.2001
Assets	Notes	m CHF	m CHF
Long-term assets		875.1	716.4
Tangible assets	10	586.9	576.1
Intangible assets	11	178.6	23.2
Deferred taxes	24	65.6	72.7
Investments in associates and other long-term assets	12	44.0	44.4
Current assets		725.5	615.2
Inventories	13	255.9	227.0
Trade receivables	14	254.8	202.6
Other receivables		27.0	30.1
Prepaid expenses and deferred charges		35.4	29.0
Marketable securities	15	23.9	33.8
Cash and cash equivalents		128.5	92.7
Total assets		1,600.6	1,331.6

		31.12.2002	31.12.2001
Shareholders' equity and liabilities	Notes	m CHF	m CHF
Shareholders' equity		590.6	652.2
Share capital	16	67.8	75.7
Treasury shares (2001 incl. share buy-back program)	16	-11.7	-155.2
Reserves and retained earnings		534.5	731.7
Long-term liabilities		638.6	252.8
Long-term financial debt	17	539.3	164.5
Employee benefit obligations	18	68.9	69.8
Provisions	19	22.6	16.4
Deferred taxes	24	7.8	2.1
Current liabilities		371.4	426.6
Trade payables	20	107.3	79.4
Accrued expenses	21	116.7	95.0
Short-term financial debt	22	98.5	197.2
Other current liabilities		48.9	55.0
Total shareholders' equity and liabilities		1,600.6	1,331.6

Consolidated cash flow statement

	2002	2001
Cash flow from operating activities		
	m CHF	m CHF
Net profit for the year	42.6	51.8
Depreciation of tangible assets	80.5	85.9
Amortization of intangible assets	11.2	4.5
Share of results of associated companies	0.7	0.0
Adjustment for net financial expenses	24.2	16.0
Interest paid	-25.4	-16.4
Interest received	3.9	2.7
Dividends received	0.6	0.7
Adjustment for tax expense	20.9	21.1
Taxes paid	-17.0	-33.7
Increase (+)/decrease (-) in provisions	-6.7	-4.5
Increase (+)/decrease (-) in current liabilities (excl. short-term debt)	-9.5	2.5
Increase (-)/decrease (+) in current assets ¹⁾	11.8	4.8
Total cash flow from operating activities	137.8	135.4
Cash flow from investing/divesting activities		
	m CHF	m CHF
Cash flow from divestments (incl. costs) ²⁾	0.0	56.7
Cash used for acquisitions	-335.8	-15.3
Increase (-) in long-term assets	-45.2	-66.4
Decrease (+) in long-term assets	16.2	4.7
Total cash flow from investing activities (before securities)	-364.8	-20.3
Increase (-)/decrease (+) in marketable securities	0.0	3.9
Total cash flow from investing activities	-364.8	-16.4
Cash flow from financing activities		
	m CHF	m CHF
Share buy-back 2001 (incl. costs)	0.0	-149.2
Increase (+)/decrease (-) in long-term financial debt	395.2	21.8
Increase (+)/decrease (-) in employee benefit obligations	-2.0	-8.5
Increase (+)/decrease (-) in short-term financial debt	-96.4	5.1
Change in treasury shares	-2.0	-0.3
Dividend paid	-29.0	-32.4
Total cash flow from financing activities	265.8	-163.5
Change in cash and cash equivalents		
	m CHF	m CHF
Increase (+)/decrease (-) in cash and cash equivalents	38.8	-44.5
Translation differences	-3.0	-0.4
Cash and cash equivalents at the beginning of the year	92.7	137.6
Cash and cash equivalents at the end of the year	128.5	92.7

¹⁾excluding cash and marketable securities

²⁾change in net debt

Consolidated statement of changes in shareholders' equity

2001

	Share capital m CHF	Treasury shares m CHF	Reserves m CHF	Translation differences m CHF	Total m CHF
At 1.1.2001	75.7	-8.2	808.6	-62.2	813.9
Change in accounting policies (IAS 39)			-1.8		-1.8
Net profit for the year			51.8		51.8
Share buy-back (incl. costs)		-146.7	-2.5		-149.2
Other changes in treasury shares		-0.3			-0.3
Fair value adjustments:					
Marketable securities			-7.7		-7.7
Cash flow hedges			-0.9		-0.9
Translation differences				-20.1	-20.1
Realization due to divestments				-1.1	-1.1
Dividend paid			-32.4		-32.4
At 31.12.2001	75.7	-155.2	815.1	-83.4	652.2

2002

	Share capital m CHF	Treasury shares m CHF	Reserves m CHF	Translation-differences m CHF	Total m CHF
At 1.1.2002	75.7	-155.2	815.1	-83.4	652.2
Net profit for the year			42.6		42.6
Elimination of own shares from share buy-back 2001	-7.9	146.7	-138.8		0.0
Other changes in treasury shares		-3.2	1.2		-2.0
Fair value adjustments:					
Marketable securities			-9.8		-9.8
Cash flow hedges			5.8		5.8
Translation differences				-69.2	-69.2
Dividend paid			-29.0		-29.0
At 31.12.2002	67.8	-11.7	687.1	-152.6	590.6

Accounting policies

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with the historical cost convention and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Swiss law.

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 AG and all subsidiaries over which the Group exercises 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 44–46). Companies in which the Group has a minority interest between 20% and 50% are included in the consolidated financial statements using the equity method of accounting and are presented as investments in associates. Investments below 20% are valued at their fair 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 recognized 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 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 financial debt, 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 mainly 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

The Group classifies its marketable securities as available-for-sale. Available-for-sale marketable securities are initially recorded at cost and subsequently carried at fair value, with all changes in fair value recorded in equity. When available-for-sale marketable securities are sold, the cumulative gains and losses previously recognized in equity are included in financial income or expense for the current period.

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. 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 recognized 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

Derivative financial instruments held to hedge the Group's exposure to financial risks are initially recognized at cost and subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge of the fair value of a forecasted transaction or of a firm commitment (cash flow hedge). Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognized in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

Changes in the scope of consolidation

Due to acquisitions during the year under review, the scope of consolidation increased by the following companies:

As from April 1, 2002:

SABA Klebstoff- und Abdichtungssysteme GmbH, Germany

As from April 19, 2002:

Forbo Adhesives L.L.C., USA

Forbo Adhesives (Canada) Ltd., Canada

Forbo Swift Adhesives SA, France

Heitz Alsacol Indus SA, France

Forbo Costenaro Mino S.p.a., Italy

Forbo Swift Adhesives Ltd., United Kingdom

Swift Adhesives B.V., the Netherlands

Oy Forbo Swift AB, Finland

Swift Adhesifs S.A., Spain

Forbo Swift Adhesives Greece S.A.I.C., Greece

Forbo Swift Sweden AB, Sweden

Waller & Wickham Ltd., Ireland

Swift Adhesives Poland Sp. z o.o., Poland

Swift Hungary Kft., Hungary

As from September 1, 2002:

Balco Chemie Benelux BVBA, Belgium

As from October 1, 2002:
Stephens Miraclo Extremultus Ltd., United Kingdom
Blacum Ltd., Ireland

Description of terms

Free cash flow

Cash flow from operating activities less cash flow used for investments in long-term assets, net (excl. marketable 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 5.5% (2001: 7.3%).

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

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

Operating assets

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

Operating liabilities

Total of trade payables, accrued expenses, other current liabilities, employee benefit obligations and provisions.

Notes to the consolidated financial statements

Segment information

1

By business segments 2002

	Flooring m CHF	Adhesives m CHF	Belting m CHF	Corporate and consolidation m CHF	Total m CHF
Net sales	736.1	486.6	308.4		1,531.1
EBITDA	107.7	57.2	32.7	-17.5	180.1
Depreciation and amortization	-44.1	-19.6	-21.8	-6.2	-91.7
EBIT	63.6	37.6	10.9	-23.7	88.4
Operating assets	530.1	459.1	305.9	43.5	1,338.6
Operating liabilities	171.6	100.4	49.9	42.5	364.4
ROS, gross (EBITDA/Net sales)	14.6%	11.8%	10.6%		11.8%
ROS, net (EBIT/Net sales)	8.6%	7.7%	3.5%		5.8%
ROA (EBIT/Operating assets)	12.0%	8.2%	3.6%		6.6%
Capital investments	22.6	10.4	10.9	1.3	45.2
Number of employees (at 31.12.)	2,611	1,377	1,684	43	5,715

By business segments 2001

	Flooring m CHF	Adhesives m CHF	Belting m CHF	Divested activities m CHF	Corporate and consolidation m CHF	Total m CHF
Net sales	787.4	219.4	347.5	130.8		1,485.1
EBITDA	123.5	24.3	39.9	9.6	-17.9	179.4
Depreciation and amortization	-44.9	-7.7	-25.5	-6.4	-6.0	-90.5
EBIT	78.6	16.6	14.4	3.2	-23.9	88.9
Operating assets	567.9	131.2	339.0		49.9	1,088.0
Operating liabilities	186.4	44.3	53.8		31.1	315.6
ROS, gross (EBITDA/Net sales)	15.7%	11.1%	11.5%			12.1%
ROS, net (EBIT/Net sales)	9.9%	7.6%	4.1%			6.0%
ROA (EBIT/Operating assets)	13.8%	12.7%	4.2%			8.2%
Capital investments	43.5	8.2	9.7	2.2	2.8	66.4
Number of employees (at 31.12.)	2,723	755	1,622		45	5,145

By geographical segments 2002

	Europe (Eurozone) m CHF	Switzerland m CHF	Rest of Europe m CHF	Americas m CHF	Asia/ Africa m CHF	Total m CHF
Net sales	680.4	66.9	309.5	346.2	128.1	1,531.1
Operating assets	713.4	138.4	199.2	222.3	65.3	1,338.6
Capital investments	27.5	4.1	5.1	6.4	2.1	45.2
Number of employees (at 31.12.)	3,065	413	1,057	815	365	5,715

By geographical segments 2001

	Europe (Eurozone) m CHF	Switzerland m CHF	Rest of Europe m CHF	Americas m CHF	Asia/ Africa m CHF	Total m CHF
Net sales	774.8	86.9	297.0	200.7	125.7	1,485.1
Operating assets	567.7	151.5	192.1	94.3	82.4	1,088.0
Capital investments	46.9	8.0	7.2	2.6	1.7	66.4
Number of employees (at 31.12.)	2,881	457	970	490	347	5,145

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

Changes in net sales by businesses

2

Net sales	2002		2001		Total change m CHF	Of which due to exchange rate changes m CHF	Due to volume an price changes m CHF	Changes in scope of consolidation m CHF
	m CHF	m CHF	m CHF	m CHF				
Flooring (2001 excluding divested activities)	736.1	787.4	-51.3	-23.3	-28.0	0.0		
Adhesives	486.6	219.4	267.2	-6.2	18.2	255.2		
Belting	308.4	347.5	-39.1	-19.9	-19.2	0.0		
Total	1,531.1	1,354.3	176.8	-49.4	-29.0	255.2		

Development and production overhead costs

3

Development costs include product development as well as design activities and amounted to CHF 24.2 million (2001: CHF 22.0 million). Production overhead costs totaled CHF 159.7 million (2001: CHF 147.2 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 license fees or royalties.

Other operating expenses, net

5

	2002	2001
	m CHF	m CHF
Current costs and projects	0.0	2.1
Other expenses	19.9	18.7
Other income	-15.6	-14.5
Total other operating expenses, net	4.3	6.3

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

Personnel expenses

6

	2002	2001
	m CHF	m CHF
Salaries and wages	329.9	323.2
Employer's social security contributions	76.2	75.8
Total personnel expenses	406.1	399.0

The Group's headcount at December 31, 2002 was 5,715 (2001: 5,145). This includes 728 employees of the acquired activities. The average headcount over the year was 5,508 (2001: 5,656).

About 120 managers participate in a bonus plan, which is linked to the achievement of financial targets by the Group as well as individually determined objectives. Up to 30% of the bonus payment consists of shares of Forbo Holding AG. The participants can dispose of these shares after a period of at least three years.

Call options are issued to the Board of Directors and the Group Executive Board within the framework of a stock option plan. Until December 31, 2002 the following options were granted:

Year allotted	Number	Term	Frozen until	Subscription ratio	Exercise price CHF
2000	2015	10.04.01-09.05.05	09.05.03	1:1	670
2001	5297	08.05.01-07.05.06	07.05.04	1:1	741
2002	6942	07.05.02-07.05.07	06.05.05	1:1	518

No charge is made to personnel expenses in connection with share options.

For details please see Annual Report (general part, page 42: Compensation of governing bodies).

Financial income

	2002	2001
	m CHF	m CHF
Interest income	4.4	2.7
Dividend income	0.6	0.7
Total financial income	5.0	3.4

Financial expenses

	2002	2001
	m CHF	m CHF
Interest expense	27.5	17.9
Amortization of issuance costs of bonds and private placements	0.4	0.2
Foreign exchange losses, net	1.3	1.3
Total financial expenses	29.2	19.4

The average interest rate on interest-bearing debt (bonds, private placements, long- and short-term bank loans) in 2002 was 4.5% (2001: 4.7%).

Earnings per share

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of shares outstanding.

	2002	2001
Net profit for the year (m CHF)	42.6	51.8
Weighted average number of shares outstanding	1,305,619	1,368,948
Basic earnings per share (net profit) (CHF)	32.65	37.84

Diluted earnings per share in addition takes into account the potential dilution effects which would result if all share options were exercised.

	2002	2001
Net profit for the year (m CHF)	42.6	51.8
Weighted average number of shares for diluted earnings per share	1,317,559	1,373,823
Diluted earnings per share (net profit) (CHF)	32.35	37.70

Tangible assets

10 The tangible assets also include leased assets with a net book value of CHF 2.5 million (2001: CHF 4.2 million) as well as non-operating property with a net book value of CHF 15,8 million (2001: CHF 40,0 million). The net book value of the non-operating property roughly equals its fair value.

Cost	Land and buildings m CHF	Machinery and equipment m CHF	Other tangible assets m CHF	Assets under construction m CHF	Total tangible assets m CHF
At 31.12.2000, gross	499.6	750.5	155.1	90.6	1,495.8
Changes in scope of consolidation	-57.3	-76.8	-14.6	-1.9	-150.6
Additions	5.7	31.1	11.3	18.2	66.3
Disposals	-5.1	-12.9	-13.2	-1.6	-32.8
Transfers	15.1	45.3	7.8	-68.2	0.0
Translation differences	-11.5	-21.0	-4.5	-1.8	-38.8
At 31.12.2001, gross	446.5	716.2	141.9	35.3	1,339.9
Changes in scope of consolidation	69.1	122.5	14.1	3.5	209.2
Additions	3.0	21.4	15.1	5.1	44.6
Disposals	-18.5	-16.6	-8.5	-0.9	-44.5
Transfers	-2.9	15.5	2.6	-18.3	-3.1
Translation differences	-23.2	-41.0	-5.6	-1.5	-71.3
At 31.12.2002, gross	474.0	818.0	159.6	23.2	1,474.8

Accumulated depreciation	Land and buildings m CHF	Machinery and equipment m CHF	Other- tangible assets m CHF	Assets under construction m CHF	Total tangible assets m CHF
At 31.12.2000, gross	171.6	525.8	116.0	7.4	820.8
Depreciation	15.2	54.6	15.5	0.6	85.9
Impairments	0.0	8.5	0.0	0.0	8.5
Changes in scope of consolidation	-30.7	-57.7	-12.2	0.0	-100.6
Disposals	-0.8	-14.3	-13.0	0.0	-28.1
Transfers	-0.7	7.2	0.6	-7.1	0.0
Translation differences	-4.1	-15.2	-3.3	-0.1	-22.7
At 31.12.2001, gross	150.5	508.9	103.6	0.8	763.8
Depreciation	15.8	50.2	14.3	0.2	80.5
Changes in scope of consolidation	25.6	76.9	9.3	0.0	111.8
Disposals	-5.6	-15.3	-7.4	-0.2	-28.5
Transfers	0.1	0.4	-0.3	-0.4	-0.2
Translation differences	-7.9	-27.5	-3.9	-0.2	-39.5
At 31.12.2002, gross	178.5	593.6	115.6	0.2	887.9
Total tangible assets at 31.12.2001, net	296.0	207.3	38.3	34.5	576.1
Total tangible assets at 31.12.2002, net	295.5	224.4	44.0	23.0	586.9

The fire insurance value of buildings, machinery and factory equipment of CHF 1,969 million (2001: CHF 1,842 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 29.9 million (2001: CHF 28.4 million). The depreciation expense is included in 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs' and 'Administrative costs'.

Intangible assets

11

Cost

	Goodwill m CHF	Trademarks/ patents m CHF	Other intangible assets m CHF	Total m CHF
At 31.12.2000, gross	21.6	29.0	0.6	51.2
Changes in scope of consolidation	7.9	0.1	0.0	8.0
Additions	0.0	0.0	0.1	0.1
Translation differences	0.3	0.0	0.0	0.3
At 31.12.2001, gross	29.8	29.1	0.7	59.6
Changes in scope of consolidation	149.4	25.0	2.1	176.5
Additions	0.0	0.0	0.6	0.6
Disposals	-0.2	0.0	0.0	-0.2
Transfers	0.0	0.0	3.1	3.1
Translation differences	-14.9	0.0	-0.1	-15.0
At 31.12.2002, gross	164.1	54.1	6.4	224.6

Accumulated amortization

	Goodwill m CHF	Trademarks/ patents m CHF	Other intangible assets m CHF	Total m CHF
At 31.12.2000, gross	12.0	19.5	0.3	31.8
Amortization	1.5	2.9	0.1	4.5
Translation differences	0.0	0.1	0.0	0.1
At 31.12.2001, gross	13.5	22.5	0.4	36.4
Amortization	6.7	3.8	0.7	11.2
Transfers	0.0	0.0	0.2	0.2
Translation differences	-1.9	0.0	0.1	-1.8
At 31.12.2002, gross	18.3	26.3	1.4	46.0
Total intangible assets at 31.12.2001, net	16.3	6.6	0.3	23.2
Total intangible assets at 31.12.2002, net	145.8	27.8	5.0	178.6

Investments in associates and other long-term assets

12

	2002	2001
	m CHF	m CHF
Investments in associated companies	4.1	4.8
Other investments	2.9	2.4
Loans to associated companies	19.0	19.0
Other long-term receivables	18.0	18.2
Total investments in associates and other long-term assets	44.0	44.4

As of October 1, 2001 the Carpet Business was sold to its management. Forbo has granted a loan of CHF 19.0 million to the newly created group and holds a 25% investment in Enia Carpet Group AG, Ennenda/Switzerland, the parent company of the group. The valuation of the investment is based on the equity method and resulted in a decrease of CHF 0.7 million. (See also page 30, transactions with related parties.)

Inventories

	2002	2001
	m CHF	m CHF
Raw materials and supplies	66.0	47.4
Work in progress	70.0	80.1
Finished goods	131.2	111.3
Allowance for product risks	-11.3	-11.8
Total inventories	255.9	227.0

Trade receivables

	2002	2001
	m CHF	m CHF
Accounts receivable	252.3	196.5
Notes receivable	22.6	26.7
Allowance for doubtful receivables	-20.1	-20.6
Total trade receivables	254.8	202.6

Marketable securities

15 Marketable securities at December 31, 2002 and December 31, 2001 consist entirely of shares; primarily shares included in the SPI (Swiss Performance Index). They have been classified as available-for-sale.

Share capital

16 The share capital of Forbo Holding AG amounts to CHF 67,828,800 and is divided into 1,356,576 registered shares with a nominal value of CHF 50 each. Of these, 25,880 registered shares without voting and dividend rights are at the disposition of the Board of Directors. In the context of a share buy-back program, 156,974 registered shares were repurchased in 2001 and eliminated in 2002. Consequently, 1,330,696 registered shares carry dividend rights for the 2002 financial year. Changes in shares outstanding were as follows:

	1.1.2002	Change	31.12.2002
	Number	Number	Number
Changes in shares outstanding			
Total shares	1,513,550	-156,974	1,356,576
Treasury shares			
Shares with dividend right	11,390	14,099	25,489
Shares without dividend right	40,134	-14,254	25,880
Share buy-back 2001	156,974	-156,974	-
Total treasury shares	208,498	-157,129	51,369
Total shares outstanding	1,305,052	155	1,305,207

Long-term financial debt

17

	2002	2001
	m CHF	m CHF
Outstanding bonds	150.0	150.0
Outstanding private placements	382.3	0.0
Unamortized issuance cost	-5.4	-1.6
Total outstanding bonds and private placements	526.9	148.4
Unsecured bank loans	6.9	90.2
Secured bank loans*	11.0	20.2
Lease obligations	2.2	2.8
Less current portion	-7.7	-97.1
Total long-term financial debt	539.3	164.5
* of which loans without fixed maturity date secured by property	0.0	7.2

Secured bank loans are covered by property of the Group (book value CHF 41.4 million).

Maturities of long-term financial debt	2002	2001
	m CHF	m CHF
after 1 year	1.6	1.7
after 2 years	1.5	1.6
after 3 years	151.4	1.5
after 4 years	144.6	151.5
after 5 and more years	245.6	9.8
Unamortized issuance cost of bonds and private placements	-5.4	-1.6
Total	539.3	164.5

The issuance costs of bonds and private placements are amortized over the respective terms.

Outstanding bonds and private placements at 31.12.2002

Company	Currency	m	Term	Interest rate
Forbo Holding AG	CHF	150.0	2001-2006	4.125 %
Forbo NL Holding B.V. (guaranteed by Forbo Holding AG)	USD	103.0	2002-2007	5.120 %
Forbo NL Holding B.V. (guaranteed by Forbo Holding AG)	USD	122.0	2002-2009	5.790 %
Forbo NL Holding B.V. (guaranteed by Forbo Holding AG)	USD	50.0	2002-2012	6.290 %

The bonds and private placements have no early redemption clause.

Employee benefit obligations

18

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 8.1 million (2001: CHF 8.4 million). Details of the pension expense related to the major defined benefit plans are as follows:

	2002	2001
	m CHF	m CHF
Current service cost	11.5	11.0
Interest on obligation	26.9	26.2
Expected return on plan assets	-28.3	-32.0
Effect of partial settlements	0.0	-3.8
Recognised actuarial losses (+) and gains (-)	0.1	-0.1
Net periodic pension cost	10.2	1.3
Change of unrecognized assets (limit under IAS 19 para. 58b)	0.5	-1.7
Translation differences on unrecognized assets	3.2	1.4
Total pension expenses	13.9	1.0

The actual return on plan assets was CHF -42.0 million (2001: CHF -39.8 million).

The amounts recognized in the balance sheet are as follows:

	2002	2001
	m CHF	m CHF
Present value of obligations	475.5	467.2
Fair value of plan assets	-397.8	-453.0
Unrecognised actuarial losses	-102.8	-39.4
Unrecognised assets (limit under IAS 19 para. 58b)	63.6	63.1
Net liability in the balance sheet	38.5	37.9

The employee benefit obligations of CHF 68.9 million (2001: CHF 69.8 million) also include provisions for early retirement and other benefits of about CHF 30 million.

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

	2002	2001
	m CHF	m CHF
Net liability at the beginning of the year	37.9	54.0
Total pension expenses as included in personnel expenses	13.9	1.0
Employer contributions	-14.9	-6.6
Changes in scope of consolidation	2.8	-7.8
Translation differences	-1.2	-2.7
Net liability at the end of the year	38.5	37.9

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

	2002	2001
	%	%
Discount rate	5.4	5.5
Expected return on plan assets	6.3	6.3
Future salary increases	3.1	3.4

Provisions

19

	Warranty provisions m CHF	Restructuring provisions m CHF	Other provisions m CHF	Total provisions m CHF
At 31.12.2001	7.0	0.0	9.4	16.4
Changes in scope of consolidation	0.0	14.3	6.3	20.6
Charges to the income statement	1.3	0.0	1.7	3.0
Utilized during the year	-1.2	-7.3	-5.5	-14.0
Transfers	0.0	0.0	-3.1	-3.1
Translation differences	-0.1	0.0	-0.2	-0.3
At 31.12.2002	7.0	7.0	8.6	22.6

Warranty provisions are made in connection with the sale of products and are based on past experience. The restructuring provisions relate to the acquisitions made during the year. The transfers reflect reclassifications to accrued expenses.

Trade payables

20

	2002	2001
	m CHF	m CHF
Accounts payable	100.5	72.7
Notes payable	6.8	6.7
Total trade payables	107.3	79.4

Accrued expenses	2002	2001
	m CHF	m CHF
Current taxes	14.0	14.1
Accrued personnel expenses	24.9	19.4
Other accruals	77.8	61.5
Total accrued expenses	116.7	95.0

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

Short-term financial debt	2002	2001
	m CHF	m CHF
Short-term bank loans and overdrafts	90.8	100.1
plus current portion of long-term debt	7.7	97.1
Total short-term financial debt	98.5	197.2

Commitments and contingent liabilities	2002	2001
	m CHF	m CHF
Commitments and contingent liabilities	0.9	2.2

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	2002	2001
	m CHF	m CHF
Current taxes	16.9	31.8
Deferred taxes	4.0	-10.7
Total income taxes	20.9	21.1

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 AG 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 2002 of CHF 20.9 million (2001: CHF 21.1 million) on the Group's pre-tax profit of CHF 63.5 million (2001: CHF 72.9 million) differ from the theoretical amount that would arise using the maximum tax rate of Eglisau/Zurich, Switzerland of 25 % as follows:

	2002	2001
	m CHF	m CHF
Tax at the applicable tax rate of 25 % for Eglisau/Zurich, Switzerland	15.7	18.4
Effect of different tax rates in other countries	5.2	2.7
Total income taxes (effective)	20.9	21.1

The tax loss carry forwards of the Group amount to about CHF 184 million. Tax loss carry forwards totaling CHF 43 million will expire within the next ten years if they are not used. The remaining amount of CHF 141 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:

	2002	2001
	m CHF	m CHF
Deferred tax assets	65.6	72.7
Deferred tax liabilities	-7.8	-2.1
Deferred tax assets, net	57.8	70.6

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 31.12.2001	9.9	2.0	5.3	63.4	2.2	82.8
Credited (+), charged (-)						
to the income statement	-0.6	-0.4	-0.6	-2.9	0.9	-3.6
Changes in scope of consolidation	0.3	0.6	0.2	0.0	0.0	1.1
Translation differences	-0.5	0.0	-0.1	-5.1	-0.2	-5.9
At 31.12.2002	9.1	2.2	4.8	55.4	2.9	74.4

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 31.12.2001	-4.3	-5.4	-1.6	0.0	-0.9	-12.2
Credited (+), charged (-)						
to the income statement	0.1	-0.4	1.4	0.0	-1.5	-0.4
Changes in scope of consolidation	0.0	-4.3	0.0	0.0	0.0	-4.3
Translation differences	0.1	0.0	0.2	0.0	0.0	0.3
At 31.12.2002	-4.1	-10.1	0.0	0.0	-2.4	-16.6
Deferred tax assets at 31.12.2001, net	5.6	-3.4	3.7	63.4	1.3	70.6
Deferred tax assets at 31.12.2002, net	5.0	-7.9	4.8	55.4	0.5	57.8

Statement of added value

25

	2002	2001
	m CHF	m CHF
Gross added value	585.5	578.3
Depreciation and amortization expense	-91.7	-90.4
Net added value	493.8	487.9
Distribution of added value		
Employees	406.1	399.0
Public sector	20.9	21.1
Creditors	24.2	16.0
Investors	29.0	32.4
Retained in the Group	13.6	19.4
Total	493.8	487.9
Net added value per employee (CHF)	89,651	86,262

Translation of foreign currencies

26

Currency	2002			2001			2002			2001		
	Income statement (average rates for the year)						Balance sheet (year-end rates)					
			CHF	CHF	Change %			CHF	CHF	Change %		
Euro countries	EUR	1	1.47	1.51	-3			1.46	1.48	-1		
Sweden	SEK	100	16.01	16.35	-2			15.83	15.83	-		
United Kingdom	GBP	1	2.33	2.43	-4			2.23	2.43	-8		
USA	USD	1	1.56	1.69	-8			1.39	1.68	-17		
Canada	CAD	1	0.99	1.09	-9			0.88	1.05	-16		
Japan	JPY	100	1.24	1.39	-11			1.17	1.28	-9		

Financial Risk Management

27

In its international operations and financial activities the Forbo Group is exposed to various types of financial risks. In order to steer potential risks and benefits arising from fluctuations in both exchange rates of foreign currencies and interest rates the Group selectively uses derivative instruments. The various risks involved in existing assets and liabilities, planned transactions and expected transactions are monitored and managed centrally – taking into account the consolidated risk exposure of the Group. In adherence to the Group's financial risk management policy (established through the issuance of written guidelines and policies) Corporate Treasury continuously monitors both the risk exposure and the effectiveness of the applied hedging instruments. Also, Corporate Treasury advises the Finance Managers of the Group companies on the management of identified risks and recommends both the extent of a potential hedge transaction and the appropriate type of financial instrument. The Group's financial risk management policy allows the use of derivative instruments neither for trading nor for speculation. The counterparties of derivative transactions are cautiously selected and thus hedging transactions are concluded with strong financial institutions only, based on the assessments of the leading rating agencies.

All concluded derivative instruments are related to either management of currency risks or management of interest rate risks (or a combination of both).

Management of currency risks

Risks arising from short-term currency exposures created by purchases and sales of goods and services (transaction risks) are identified and selective hedging strategies are implemented in the light of an ongoing assessment of exchange rate movements. As a rule, the Group uses forward and option contracts with maturities of up to twelve months only.

These hedging transactions resulted in the following open positions at December 31, 2002:

Financial derivatives		Gross value hedged	Unrealized gain/loss
Instrument	Number of contracts	31.12.2002 m CHF	31.12.2002 m CHF
Forward contracts	12	4.0	0.0

In accordance with IAS 39 the above instruments are recognized in the balance sheet at fair value at December 31, 2002. The accumulated fair value (total of all negative and positive market values) at December 31, 2002 amounts to CHF 0.0 million (CHF -0.1 million at December 31, 2001).

Furthermore, risks associated with the conversion of assets and liabilities denominated in foreign currencies (translation risks) are taken into account by establishing an appropriate financing structure.

Management of interest rate risks

The market values of interest-bearing assets and liabilities are subject to fluctuations of interest rates. The Group makes use of financial derivatives in order to steer potential risks and benefits arising from interest rate movements and in order to manage the duration of the interest rate fixings. As a rule, the Group uses interest rate swaps and cross-currency interest rate swaps with maturities of up to seven years only. These hedging transactions resulted in the following open positions at December 31, 2002:

Financial derivatives		Gross value hedged	Unrealized gain/loss
Instrument	Number of contracts	31.12.2002 m CHF	31.12.2002 m CHF
Interest rate swaps and cross-currency interest rate swaps	17	384.7	-15.3

In accordance with IAS 39 the above instruments are recognized in the balance sheet at fair value at December 31, 2002. The accumulated fair value (total of all negative and positive market values) at December 31, 2002 amounts to CHF -15.3 million (CHF -3.2 million at December 31, 2001).

Acquisitions

28 Changes in the scope of consolidation are set out on page 14. Details of acquired assets and liabilities as well as the cash used for acquisitions are as follows:

	2002
	m CHF
Tangible assets	97.4
Inventories	40.1
Receivables and other current assets	80.4
Cash and cash equivalents	4.0
Employee benefit obligations	-2.8
Provisions	-13.2
Deferred tax liabilities, net	-3.2
Trade payables and other liabilities	-38.6
Fair value of acquired net assets (excluding intangible assets)	164.1
Goodwill	149.4
Trademarks/patents	25.0
Other intangible assets	2.1
Subtotal	340.6
Less acquired cash	-4.0
Less already owned 25% investment in Stephens Miraclo Extremultus Ltd.	-0.8
Total cash used for acquisitions	335.8

Net sales of the acquired companies since the acquisition amounted to CHF 255.2 million. Operating profit before depreciation and amortization (EBITDA) was CHF 29.1 million.

Related party transactions

29 The Group owns 25% of Enia Carpet Group and granted a loan of CHF 19.0 million (see page 21, Investments in associates and other long-term assets). The interest rate is 4.5% and interest income amounted to CHF 0.9 million (2001: CHF 0.1 million). In 2002 the Group purchased products for CHF 7.1 million from Enia Carpet Group, whereas Enia Carpet Group purchased products for CHF 5.1 million from Forbo Group. These sales occurred at arms' length.

Events after balance sheet date

30 With effect January 1, 2003 Repoxit AG, Winterthur/Switzerland was sold to the management of the company. In 2002 the company achieved net sales of CHF 16 million with 68 employees.

Report of the Group Auditors

PRICEWATERHOUSECOOPERS 

Report of the Group Auditors
to the General Meeting
of Forbo Holding AG, 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 7 to 30 of Forbo Holding AG for the year ended December 31, 2002.

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, 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 Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers AG



S. Räbsamen



L. Monn

Zurich, March 6, 2003

Consolidated income statements 1998–2002

	2002	2001	2000	1999	1998
	m CHF	m CHF	m CHF	m CHF	m CHF
Net sales	1,531.1	1,485.1	1,776.8	1,754.5	1,714.5
Cost of goods sold	-1,017.4	-962.7	-1,143.2	-1,125.1	-1,092.3
Gross profit	513.7	522.4	633.6	629.4	622.2
Development costs	-24.2	-22.0	-29.8	-30.2	-31.2
Marketing and distribution costs	-277.2	-288.6	-333.6	-335.2	-333.0
Administrative costs	-119.6	-116.6	-129.8	-122.3	-120.0
Other operating expenses, net	-4.3	-6.3	-9.8	-18.7	-25.8
Operating profit before specific provisions	88.4	88.9	130.6	123.0	112.2
Specific provisions				-70.0	
Operating profit after specific provisions	88.4	88.9	130.6	53.0	112.2
Financial income	5.0	3.4	16.8	13.8	12.8
Financial expenses	-29.2	-19.4	-21.3	-19.4	-20.6
Share of results of associated companies	-0.7				
Profit before taxes	63.5	72.9	126.1	47.4	104.4
Taxes	-20.9	-21.1	-35.4	-31.3	-27.7
Net profit for the year	42.6	51.8	90.7	16.1	76.7

Consolidated balance sheets 1998–2002

	2002	2001	2000	1999	1998
Assets					
	m CHF	m CHF	m CHF	m CHF	m CHF
Long-term assets	875.1	716.4	778.9	866.9	828.9
Tangible assets	586.9	576.1	675.0	813.1	781.3
Intangible assets	178.6	23.2	19.4	24.0	20.3
Deferred taxes	65.6	72.7	65.1	27.3	24.8
Investments in associates and other					
long-term assets	44.0	44.4	19.4	2.5	2.5
Current assets	725.5	615.2	747.7	860.5	751.4
Inventories	255.9	227.0	260.7	306.2	291.4
Trade receivables	254.8	202.6	243.4	282.1	247.1
Other receivables	27.0	30.1	41.3	31.1	33.4
Prepaid expenses and deferred charges	35.4	29.0	19.2	19.6	18.9
Marketable securities	23.9	33.8	45.5	73.6	71.6
Cash and cash equivalents	128.5	92.7	137.6	147.9	89.0
Total assets	1,600.6	1,331.6	1,526.6	1,727.4	1,580.3
Shareholders' equity and liabilities					
	m CHF	m CHF	m CHF	m CHF	m CHF
Shareholders' equity	590.6	652.2	813.9	794.8	798.3
Share capital	67.8	75.7	75.7	75.7	75.7
Treasury shares	-11.7	-155.2	-8.2	-2.0	-2.0
Reserves and retained earnings	534.5	731.7	746.4	721.1	724.6
Long-term liabilities	638.6	252.8	275.2	458.6	372.5
Long-term financial debt	539.3	164.5	145.1	247.3	251.7
Employee benefit obligations	68.9	69.8	88.0	91.8	67.1
Provisions	22.6	16.4	39.2	115.5	48.5
Deferred taxes	7.8	2.1	2.9	4.0	5.2
Current liabilities	371.4	426.6	437.5	474.0	409.5
Trade payables	107.3	79.4	90.2	139.6	120.5
Accrued expenses	116.7	95.0	104.7	105.0	93.4
Short-term financial debt	98.5	197.2	194.7	179.3	153.6
Other current liabilities	48.9	55.0	47.9	50.1	42.0
Total shareholders' equity and liabilities	1,600.6	1,331.6	1,526.6	1,727.4	1,580.3

Financial statements of Forbo Holding AG

Income statement of Forbo Holding AG

		2002	2001
Income			
	Notes	CHF	CHF
Income			
from investments in and advances to Group companies	1	161,083,326	64,737,770
from securities and short-term investments	2	992,326	258,098
Income from services and other sources		677,191	7,008
Total income		162,752,843	65,002,876
		2002	2001
Expenses			
	Notes	CHF	CHF
Expenses			
Administrative expenses	3	3,206,921	4,834,583
Financial expenses	4	11,080,638	5,432,771
Taxes		349,876	394,650
Valuation adjustments	5	117,769,878	24,121,064
Total expenses		132,407,313	34,783,068
Net profit for the year		30,345,530	30,219,808

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

		31. 12. 2002	31. 12. 2001
Assets			
	Notes	CHF	CHF
Long-term assets		437,285,710	390,695,850
Investments in Group companies	6	265,126,811	306,013,834
Advances to Group companies	7	172,158,899	84,682,016
Own shares (from share buy-back program 2001)	8	0	146,673,690
Current assets		45,069,972	85,289,489
Other receivables from Group companies		830,639	1,899,379
Other receivables from third parties		1,242,255	1,860,637
Prepaid expenses and deferred charges	9	1,278,769	1,597,333
Marketable securities	10	24,167,536	33,581,555
Cash	11	17,550,773	46,350,585
Total assets		482,355,682	622,659,029
Shareholders' equity and liabilities			
	Notes	CHF	CHF
Shareholders' equity		300,055,067	439,947,414
Share capital	12/13	67,828,800	75,677,500
Statutory reserves:			
General reserves		15,600,000	15,600,000
Reserve for own shares	14	13,866,720	155,238,428
Other reserves	15	140,071,743	132,127,488
Available earnings:			
Profit carried forward		32,342,274	31,084,190
Net profit for the year		30,345,530	30,219,808
Liabilities		182,300,615	182,711,615
Long-term provisions	16	28,000,000	28,000,000
Bond issues	17	150,000,000	150,000,000
Other current liabilities to third parties		51,098	68,911
Accrued expenses		4,249,517	4,642,704
Total shareholders' equity and liabilities		482,355,682	622,659,029

Notes to the financial statements of Forbo Holding AG

Income from investments in and advances to Group companies

- ¹ Income from investments in and advances to Group companies amount to CHF 161.1 million (previous year: CHF 64.7 million) and consist of interest and dividend income. The amount includes a special distribution from Forbo America Inc. of CHF 111.6 million in the context of a group internal refinancing.

Income from securities and short-term investments

- ² This item includes income from short-term investments of CHF 0.4 million (previous year: CHF 1.8 million) as well as realized gains from securities of CHF 0.6 million (previous year: realized losses of CHF 1.5 million).

Administrative expenses

- ³ Administrative expenses amount to CHF 3.2 million. This is CHF 1.6 million less than in the previous year which included nonrecurring costs in connection with the share buy-back.

Financial expenses

- ⁴ Financial expenses of CHF 11.1 million relate to the 4 1/8% bond issue 2001–2006 of CHF 150.0 million and the amortization of capitalized issuance costs. Furthermore, interest expenses arose in connection with the bridge financing of the acquisition of the Swift adhesives activities.

Valuation adjustments

- ⁵ Increased valuation adjustments of CHF 117.8 million (previous year: CHF 24.1 million) relate mainly to investments in and loans to Group companies and take into account the uncertainty of economic and currency trends. In addition, they include unrealized valuation losses (net) on securities and exchange losses on foreign currency items.

Investments in Group companies

- ⁶ See list of Group companies on pages 44–46. The net decrease compared to the previous year amounts to CHF 40.9 million and is mainly attributable to valuation adjustments. Furthermore, an additional capital injection was made to Forbo Beteiligungen GmbH. In addition, Forbo Linoleum BV was transferred at book value to Forbo Finanz AG.

Advances to Group companies

- ⁷ Advances to Group companies are denominated in Swiss Francs and foreign currencies. There was a CHF 87.5 million increase over the previous year's figure.

Own shares (from share buy-back program 2001)

- ⁸ In the context of the share buy-back program of the previous year, 156,974 registered shares were repurchased for CHF 146.7 million. In accordance with the resolution of the Annual General Meeting of Shareholders 2002 these shares have been eliminated and the share capital has been reduced accordingly.

Prepaid expenses and deferred charges

- ⁹ Prepaid expenses and deferred charges include, besides the usual items, capitalized costs of CHF 1.2 million incurred in connection with the issuance of the 4 1/8% bond issue 2001–2006 which are amortized over 5 years.

Marketable securities

- ¹⁰ Marketable securities include marketable bonds and shares, which are valued at market value.

Cash

- ¹¹ This item consists of cash and cash equivalents with original maturities of three months or less.

Share capital

- ¹² At the end of 2002 the Company's share capital amounts to CHF 67,828,800 and is divided into 1,356,576 registered shares with a nominal value of CHF 50 each. In the context of the share buy-back program 156,974 shares have been eliminated. In the year under review the Board of Directors put 14,254 reserve shares into circulation (out of a total of 40,134) and deposited them to secure the Stock Option Plan for the Board of Directors and the Executive Board. Thus, 25,880 shares without voting and dividend rights are still at the disposition of the Board of Directors. Accordingly, 1,330,696 registered shares carry dividend rights for the 2002 financial year. The shares are listed on the SWX Swiss Exchange.

Conditional capital increase

- ¹³ 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 December 31, 2002 was unchanged on the previous year-end total at CHF 8,322,500.

Reserve for own shares

- ¹⁴ The CHF 13.9 million included at year end under 'Reserve for own shares' refer to own shares held by Forbo Holding AG and its subsidiaries valued at cost. Details of own shares are as follows:

Own shares

	Cost CHF	No. of registered shares nom. value CHF 50
Total at 1.1.2002	155,238,428	208,498
Changes: due to share buy-back program 2001	-146,673,690	-156,974
additions	690,862	1,500
disposals	-840,392	-1,655
additional paid-in capital of reserve shares put in circulation *	5,451,512	
Total at 31.12.2002	13,866,720	51,369

* 14,254 registered shares deposited (see 12 Share capital)

Other reserves

- 15 Other reserves showed a year-on-year increase of CHF 7.9 million, attributable to a transfer from 'Reserve for own shares'.

Long-term provisions

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

Bond issues

- 17 The 4 $\frac{1}{8}$ % bond issue 2001–2006 of CHF 150.0 million is due for redemption on June 8, 2006.

Contingent liabilities

- 18 Guarantees and letters of support issued to third parties in favor of Group companies amount to CHF 439.3 million at year end, of which CHF 387.2 million (previous year CHF 0.0 million) are utilized. Most of this relates to guarantees to investors in connection with funds raised by a Group company in the form of a US private placement (CHF 382.3 million).

Proposal for appropriation of available earnings Forbo Holding AG

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

	2002	2001
	CHF	CHF
Net profit for the year	30,345,530	30,219,808
Profit carried forward from the previous year	32,342,274	31,084,190
Total available earnings	62,687,804	61,303,998
	2002	2001
be appropriated as follows:		
Dividends on shares with dividend right:	CHF	CHF
2001: 1,316,442 shares at CHF 22.00	–	28,961,724
To be carried forward to the following year	62,687,804	32,342,274
Total	62,687,804	61,303,998

Instead of a dividend, a nominal value repayment of CHF 22.00 per share is proposed.

Report of the Statutory Auditors

PRICEWATERHOUSECOOPERS 

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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes) on pages 36 to 40 of Forbo Holding AG for the year ended December 31, 2002.

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, 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



S. Räbsamen



L. Monn

Zurich, March 6, 2003

Group companies (December 31, 2002)

Company	Registered office	General management		Share capital	Equity interest in %	Flooring	Adhesives	Belting	Holding/Services
Australia									
Forbo Floorcoverings PTY. Ltd.	Chester Hill N.S.W.	Derek F. Byrne	D	AUD 1,400,000	100%	S			
Siegling Australia PTY. Ltd.	Auburn N.S.W.	Simon Coates		AUD 1,000,000	100%		S		
Austria									
Forbo Contel Handelsges.m.b.H.	Vienna	Franz Kahr		EUR 73,000	100%	S			
Forbo Industrieprodukte Ges.m.b.H.	Steyr/St. Ulrich	Walter A. Schmid		EUR 73,000	100%		S		
Siegling Austria Ges.m.b.H.	Vienna	Erich Knoll		EUR 327,000	100%			S	
Belgium									
Balco Chemie Benelux BVBA	Dendermonde	Toon Burghouts		EUR 20,000	100%		S		
N.V. Forbo Linoleum S.A.	Groot-Bijgaarden	Lieven Messiaen		EUR 250,000	100%	S			
Brazil									
Forbo Linoleum Ltda.	Itapevi-SP	Walter Gianfaldoni		BRL 10,000	100%	S			
Siegling Brasil Ltda.	Itapevi-SP	Raul E. A. Gollmann	N	BRL 306,000	50%			MS	
Canada									
Forbo Adhesives (Canada) Ltd.	St. John	Jack L. Chambers		CAD 3,500,157	100%			MS	
Forbo Linoleum Inc.	Toronto	Denis P. Darragh		CAD 500,000	100%	S			
Siegling Canada Ltd.	Toronto	Rick Zingel		CAD 501,000	100%			S	
Czech Republic									
Forbo s.r.o.	Brno	Tomás Kudera		CZK 500,000	100%	S			
Denmark									
Forbo Linoleum A/S	Glostrup	Jens-Christian Holm Iversen		DKK 500,000	100%	S	S		
Siegling Danmark A/S	Brøndby	Roger Olsson		DKK 1,000,000	100%			MS	
Finland									
Forbo Flooring AB Finland	Helsinki	Anne Takala		EUR 34,000	100%	S			
Oy Forbo Swift AB	Espoo	Jukka Koskinen		EUR 25,253	100%			MS	
France									
Forbo Helmitin SAS	Surbourg	Francis Bischwiller		EUR 3,050,000	100%			MS	
Forbo Participations SAS	Surbourg	Francis Bischwiller	D	EUR 11,524,800	100%				H
Forbo Sarlino SAS	Reims	Alain Réquillart		EUR 6,400,000	100%	S			
Forbo Swift Adhesives SA	Blois	Christian Barreau		EUR 800,000	100%			MS	
Heitz Alsacol Indus SA	Blois	Christian Barreau		EUR 344,000	100%		S		
Siegling France SAS	Lomme	Egbert J. van Heerikhuizen		EUR 825,000	100%			S	
Sté. de Production de Sols Textiles-P.S.T.	Reims	Dominique Carpentier		EUR 3,092,000	100%			MS	
Sté. de Production de Sols Vinyles-P.S.V.	Reims	Alain Réquillart		EUR 3,447,000	100%			MS	
Germany									
Forbo Beteiligungen GmbH	Waldshut-Tiengen	Gerold A. Zenger	D	EUR 15,400,000	100%				H
Forbo Erfurt GmbH	Erfurt	Rüdiger Beez		EUR 2,050,000	100%			MS	
Forbo Helmitin GmbH	Pirmasens	Dietmar Meyer		EUR 5,120,000	100%			MS	
Forbo Linoleum GmbH	Paderborn	Karl-Heinz Gerlitz		EUR 500,000	100%	S			
Forbo Novilon GmbH	Frankfurt on the Main	Hans-Heinrich Kuhn		EUR 1,030,000	100%	S			
Paul Heinicke GmbH & Co KG	Pirmasens	Peter Kraft	D	EUR 1,023,000	100%				H
Realbelt GmbH	Velen	Friedrich Konrad		EUR 100,000	100%			S	
SABA Klebstoff- und									
Abdichtungssysteme GmbH	Mannheim	Peter Kraft		EUR 26,000	100%			MS	
Siegling GmbH	Hanover	Dr. Jan Lipton		EUR 10,230,000	100%			MS	

Company	Registered office	General management	Share capital		Equity interest in %	Flooring	Adhesives	Belting	Holding/Services
Greece									
Forbo Swift Adhesives Greece S.A.I.C.	Athens	Peter Garyfallou	EUR	896,000	100%		MS		
Hungary									
Siegling Hungária Kft.	Budapest	Miklós Cserkaszkzy	HUF	30,000,000	100%		S		
Swift Hungary Kft.	Budapest	András Mádi	HUF	3,000,000	100%		S		
Ireland									
Blacum Ltd.	Dublin	John Siddle	EUR	25,395	100%		S		
Forbo Ireland Ltd.	Dublin	Derek F. Byrne	EUR	127,000	100%	S			
Waller & Wickham Ltd.	Dublin	Kevin Wickham	EUR	2,520	100%		S		
Italy									
Forbo Costenaro Mino S.p.a.	Pianezza (Vicenza)	Eros Mori	EUR	416,000	100%		MS		
Forbo Resilienti S.r.l.	Milano	Sergio de Conto	EUR	51,000	100%	S			
Siegling Italia S.p.a.	Paderno Dugnano	Dr. Marco Tommasi	EUR	104,000	100%		S		
Japan									
Siegling (Japan) Ltd.	Yokohama	Marco A. Crivelli	JPY	330,000,000	100%		MS		
Jersey, C. I.									
Forbo Invest Ltd.	St. Helier	Denise Turpin	D	GBP	25,000	100%			H
Malaysia									
Siegling Malaysia SDN. BHD.	Johor Bahru	Marco A. Crivelli	MYR	2,500,000	100%		S		
Mexico									
Siegling Mexico S.A. de C.V.	Tlalnepantla	Antonio Cillero	MXP	16,495,000	100%	S	MS		
Netherlands									
Eurocol B.V.	Zaanstad	Jos H. den Ronden	EUR	454,000	100%		MS		
Forbo Genderen B.V.	Genderen	Toon A.T. Burghouts	EUR	27,000	100%		S		
Forbo Linoleum B.V.	Krommenie	Jeroen Tak	EUR	11,345,000	100%	MS			
Forbo NL Holding B.V.	Krommenie	Drs. Pieter Hartog	EUR	13,500,000	100%				H
Forbo Novilon B.V.	Coevorden	Geurt Stuurman	EUR	3,630,000	100%	MS			
Siegling Nederland B.V.	Spankeren-Dieren	Egbert J. van Heerikhuizen	EUR	113,000	100%		S		
Swift Adhesives B.V.	Naaldwijk	Joris Grimbergen	EUR	65,000	100%		MS		
Norway									
Forbo Linoleum A/S	Vettnes	Morten Aarhus	D	NOK	1,000,000	100%	S		
People's Republic of China									
Forbo Siegling (Shenyang)									
Belting Co. Ltd.	Shenyang	Marco A. Crivelli	CNY	146,391,000	100%		MS		
Poland									
Forbo Techniki Budowlane Polska Sp. z o.o.	Warszawa	Jos H. den Ronden	PLZ	2,100,000	100%		S		
Swift Adhesives Poland Sp. z o.o.	Warszawa	Andrzej Trojecki	PLZ	5,000	100%		S		
Portugal									
Forbo Pergol Revestimentos S.A.	Porto	Henrique M. Santos Jr.	EUR	75,000	100%	S			
Siegling (Portugal) Lda.	Gemunde (Maia)	José A. Pereira de Azevedo	EUR	235,000	100%		S		
Romania									
Forbo Helmitin Romania S.R.L.	Oradea	Peter Kraft	ROL	70,770,000	100%		S		

Company	Registered office	General management	Share capital			Equity interest in %	Flooring	Adhesives	Belting	Holding/Services
Russia										
Siegling (ZAO)	St. Petersburg	Alexander Petrakovski	RUB	504,000	51%				S	
Spain										
Forbo Adhesives Spain S.L.	Mos (Pontevedra)	José Castillo	D	EUR	5,006	100%		MS		
Forbo Pavimentos S.A.	Barcelona	Agustin Matamoros		EUR	60,000	100%	S			
Siegling Iberica S.A.	Montcada i Reixac	José Flor Garre		EUR	1,533,000	100%			S	
Swift Adhesifs S.A.	Rubi	José Castillo		EUR	60,121	100%		S		
Sweden										
Forbo Flooring AB	Gothenburg	Lars Ivar Norén	D	SEK	100,000	100%	S			
Forbo Parquet AB	Tibro	Christer Engelbrektsson		SEK	20,000,000	100%		MS		
Forbo Project Vinyl AB	Gothenburg	Christer Engelbrektsson	D	SEK	50,000,000	100%		MS		
Forbo Swift Sweden AB	Gothenburg	Mark McDonnell		SEK	100,000	100%			S	
GD-Golvdepån i Sverige AB	Jönköping	Peter Körner		SEK	700,000	100%		S		
Siegling Svenska AB	Mölnadal	Roger Olsson		SEK	1,000,000	100%				S
Switzerland										
Enia Carpet Group AG	Ennenda	Dr. Benjamin J. Fuchs	N	CHF	3,000,000	25%				H
FJK Carpet D GmbH	Ennenda	Dr. Benjamin J. Fuchs	N	CHF	20,000	25%				H
Forbo CTU AG	Schönenwerd	Dietmar Meyer	D	CHF	10,000,000	100%		MS		
Forbo Finanz AG	Eglisau	Gerold A. Zenger	D	CHF	10,000,000	100%				H
Forbo Giubiasco SA	Giubiasco	Dr. S. Krummenacher/ D. Ferretti	D	CHF	10,000,000	100%		MS		
Forbo Immob AG	Eglisau	Andreas P. Lerch		CHF	1,700,000	100%				H
Forbo International SA	Eglisau	Werner Kummer	D	CHF	100,000	100%				H
Forbo Repoxit AG	Winterthur	Jürg D. Wettstein		CHF	100,000	100%		MS		
Immobilien Emmenau AG	Hasle bei Burgdorf	Andreas P. Lerch		CHF	1,000,000	100%				H
Siegling (Schweiz) AG	Wallbach	Walter Nehls	D	CHF	500,000	100%			MS	
Swifloor SA	Giubiasco	Daniele Ferretti		CHF	100,000	100%		S		
United Kingdom										
Forbo Nairn Ltd.	London	Brian Paterson		GBP	8,000,000	100%		MS		
Forbo Swift Adhesives Ltd.	Chatteris	Mark McDonnell		GBP	100	100%		MS		
Forbo UK Ltd.	London	Rankin McKee	D	GBP	22,500,000	100%				H
Stephens Miraclo Extremultus Ltd.	Dukinfield	Kevin Richardson		GBP	163,000	100%				S
USA										
Forbo Adhesives L.L.C.	Durham, NC	Jack L. Chambers		USD	100	100%		MS		
Forbo America Inc.	Wilmington, DE	Eugene Chace	D	USD	19,957,258	100%				H
Forbo America Services Inc.	Wilmington, DE	Eugene Chace		USD	50,000	100%				H
Forbo Finance Inc.	Wilmington, DE	Eugene Chace		USD	100,000	100%				H
Forbo Linoleum Inc.	Hazleton, PA	Denis P. Darragh		USD	3,517,000	100%		S		
Siegling America L.L.C.	Huntersville, NC	Wayne Hoffman		USD	15,455,100	100%				MS

S Sales
MS Manufacturing and Sales
H Holding Services
N Not included in the 2002 consolidation
D Direct participations of Forbo Holding AG

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