

## Positive development of sales and operating profit

### Dear shareholders

In the first half-year 2000, the company with the two divisions flooring and industry specialties recorded sales of CHF 916.6 million, 6.4% more than in the previous year. There was a more than proportional increase in both operating profit and group profit. The first six months of 2000 were characterized by the implementation of the new company strategy strongly focusing on the four strategic businesses, with the core products linoleum, vinyls, belting and adhesives. The initiatives and measures taken have shown first effects.

### Income development

Both flooring and industry specialties contributed to the continued improvement of the operative result. The considerable increase in raw material prices could be largely compensated by continued rationalization. As a result of the investments in large-scale plants in previous years, depreciation rose by CHF 2.4 million to CHF 55.0 million. Nevertheless, the operating profit after depreciation (EBIT) was improved by 12.1% to CHF 64.0 million.

Compared with the previous year, consolidated profit rose by 14.2% to CHF 44.1 million, not least because of a strong financial result. Special provisions of CHF 70.0 million after tax made in the previous year have not been touched yet.

#### Summary of income statement<sup>1)</sup>

	First six months		% change on 1999
	2000 m CHF	1999 m CHF	
Net sales	916.6	861.8	6.4
Operating profit before depreciation (EBDIT)	119.0	109.7	8.5
Operating profit (EBIT)	64.0	57.1	12.1
Consolidated profit	44.1	38.6	14.2

<sup>1)</sup> unaudited

### Financial position

Compared with end of June 1999, net debt decreased by CHF 54.5 million. Investments concentrated on the strategic core business and were slightly below last year's level with CHF 33.5 million in the first half-year 2000. Operating current assets showed a less than proportional increase compared with sales.

The all in all improved group liquidity allows the repayment of the bond with warrants of CHF 75.0 million expiring on 8.8.2000 without incurring new debt. The shareholders' equity ratio as per end of June 2000 is 45.6%.

#### Summary of balance sheet

	30.6.2000 <sup>1)</sup> m CHF	30.6.1999 <sup>1)</sup> m CHF	31.12.1999 m CHF
<b>Assets</b>	<b>1,722.6</b>	<b>1,663.5</b>	<b>1,727.4</b>
<b>Long-term assets</b>	<b>821.9</b>	<b>827.0</b>	<b>866.9</b>
<b>Current assets</b>	<b>900.7</b>	<b>836.5</b>	<b>860.5</b>
Inventories	321.5	323.3	306.2
Receivables and others	383.1	367.0	332.8
Marketable securities and cash	196.1	146.2	221.5
<b>Shareholders' equity and liabilities</b>	<b>1,722.6</b>	<b>1,663.5</b>	<b>1,727.4</b>
<b>Shareholders' equity</b>	<b>785.4</b>	<b>818.1</b>	<b>794.8</b>
<b>Liabilities</b>	<b>937.2</b>	<b>845.4</b>	<b>932.6</b>
Financial debts	430.3	434.9	426.5
Other	390.6	361.9	386.6
Provisions	116.3	48.6	119.5

<sup>1)</sup> unaudited

#### Sales development by product groups

With CHF 916.6 million and a 6.4% increase, group sales in the first half-year 2000 showed a favorable trend, with a positive contribution from exchange rate movements. The business development was particularly dynamic in North America (+22.5%) and in Asia (+33.7%).

In the flooring business, net sales of the core product linoleum rose by 5.2%. The more than average increase – especially in the USA, Asia, Germany, the Netherlands and Great Britain – was the result of well-targeted marketing campaigns. As opposed, sales in Switzerland and Scandinavia have not yet met the expectations so far.

Market conditions in the vinyl floorcoverings – another core business – continued to be difficult. In a stagnating market, sales of CHF 177.7 million were marginally higher than in the previous year. A positive development could be observed in the USA, Asia and Scandinavia, and also the export business to Eastern Europe was picking up. Resulting from unfavorable exchange rate movements, business of the production site Nairn, Great Britain, was not satisfactory.

Business development was as expected in the other flooring activities. Carpets showed strong sales in France and Benelux, whereas business performance in Switzerland was not satisfactory. The Scandinavian parquet flooring activities continued their strong sales growth (+33.3%).

#### Net sales flooring

	First six months		% change on 1999
	2000 m CHF	1999 m CHF	
<b>Total</b>	<b>514.3</b>	<b>494.0</b>	<b>4.1</b>
Linoleum	205.1	194.9	5.2
Vinyls	177.7	172.8	2.8
Carpets	110.7	110.7	0.0
Parquet Flooring	20.8	15.6	33.3

Among industry specialties, the core products of conveyor and drive belts made from synthetic materials had buoyant demand on all continents. The strong demand from industries such as food, logistics and producers of fitness equipment made a particular contribution to the positive development.

Sales of the core product adhesives were up 4.7%, i.e. a rather subdued first half year. Demand is expected to pick up in the remaining months of the year.

The sales of coated textiles were encouraging thanks to newly developed fields of application. The business development was not satisfactory in the field of extruded profiles and decorative films. The continued increase in sales of films to industrial customers could not compensate for the – partly deliberate – decrease of wall coverings and self-adhesive decorative films.

Net sales industry specialties	First six months		% change on 1999
	2000 m CHF	1999 m CHF	
<b>Total</b>	<b>402.3</b>	<b>367.8</b>	<b>9.4</b>
Belting	188.2	157.5	19.5
Adhesives	107.3	102.5	4.7
Coated Textiles/Extruded Profiles/Decorative Films	106.8	107.8	–0.9

### Strategy Implementation

At the beginning of 2000, the management positions of the four strategic business units were filled. By 1.1.2001 at the latest, the organizations within the business units will be aligned with a clear market focus as a priority. Intensive efforts are made to enhance Forbo's presence in the Internet.

In the linoleum business, the product development was intensified apart from selective marketing initiatives. In the field of vinyls, new product development is also underway at full speed at the new production plant in Coevorden, the Netherlands. The market launches of the first new products will take place in the first quarter of 2001.

The positive sales development of belting calls for the provision of additional capacities. Therefore the speedy conclusion of commissioning the new installation in Hanover for producing 4.5 meter wide belting material has high priority. The well-targeted coverage of attractive customer segments is starting to pay off especially in the USA. First steps to rationalize the European finishing and dispatch centers, which will lead to personnel and financial savings, are being taken.

Adhesives will in the future be split up in the marketing organizations floor/wall and industrial applications. Preparations for opening up new markets are underway.

In the other business units, good progress with restructuring initiatives to higher profitability has been made especially with carpets. The sales organizations for Germany, Switzerland, Austria, South and Eastern Europe have been integrated under a joint management. The coordination of production on the European level will result in improved plant utilization and elimination of redundancies. In this context the needlefelt production site in Wermelskirchen, Germany, will be closed on October 31, 2000. Needlefelt floor coverings will, in the future, be produced exclusively at Forbo-Sarlino in Reims, France. This move will have a positive impact on costs.

By the end of 2000, parts of the special provisions of CHF 70.0 million will be used in connection with the closure of the Wermelskirchen site and other measures.

## Employees

On 30.6.2000 Forbo had 6872 employees, 43 more than at the end of 1999. The increase by regions is the USA (+12), Asia (+14) and Europe (+17). The jobs lost as a result of restructuring initiatives were partly compensated by growth in other areas.

## Outlook

Based on the positive economic outlook in our major markets and the increasing impact of the strategy implementation and restructuring programs, we are expecting a continuation of the positive sales and profit development.

The higher operative cash-flow combined with the moderate investment activity is likely to result in a clear improvement of the free cash-flow also for the entire year.

## Forbo Holding AG



Karl Janjóri  
Chairman of the Board of Directors



Werner Kummer  
President and  
Chief Executive Officer

Eglisau/Zurich, July 21, 2000

## Stock exchange information

Issued and outstanding shares	30.6.2000	1,473,416
Market prices	High	CHF 828
	Low	CHF 620
	30.6.2000	CHF 680
Stock market capitalization	30.6.2000	m CHF 1,002

## Dates

Media conference: November 7, 2000  
Financial analysts presentation: November 7, 2000  
Media conference: March 28, 2001  
Annual General Meeting: April 24, 2001