



## Public Tender Offer

by

**AFB Investment S.A., Luxembourg**

for all publicly held registered shares with a nominal value of CHF 20 each of

**Forbo Holding AG, Eglisau, Switzerland.**

**Offer Price:** CHF 260 net per registered share (*Namenaktie*) with a nominal value of CHF 20, less the gross amount of any dilution effects (e.g. dividend payments, capital increases with an issue price of the shares below the market price, repayments of capital, sales of treasury shares below the Offer Price, issuances of options) becoming effective prior to the settlement of the public tender offer.

**Offer Period:** From **March 8, 2005** to **April 6, 2005**, 4:00 p.m. Central European Time (CET), (subject to extension).

Financial advisor and offer manager:

### **UBS Investment Bank**

UBS Investment Bank is a business group of UBS AG

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Forbo Holding AG Registered Shares

Security Number: 354151      ISIN CH0003541510      Bloomberg FORN SW

Forbo Holding AG Registered Shares Tendered for Acceptance (Second Trading Line)

Security Number: 2.077.448      ISIN CH 0020774482      Bloomberg [•]

Offer Prospectus dated March 8, 2005

## **Offer Restrictions**

The public tender offer described in this Offer Prospectus is not being made directly or indirectly in any country or jurisdiction in which such an offer would be considered unlawful or in which it would otherwise violate any applicable law or regulation, or which would require AFB Investment S.A. to amend the terms or conditions of the public tender offer in any way, or which would require AFB Investment S.A. to make any additional filing with or take any additional action with regard to any governmental, regulatory or legal authority. It is not intended to extend the public tender offer to any such country or jurisdiction. Documents relating to the public tender offer may not be distributed in such countries or jurisdictions or sent into such countries or jurisdictions and may not be used for purposes of soliciting the purchase of any securities of Forbo Holding AG by any person or entity in such countries or jurisdictions.

## **Notice to U.S. Holders of Forbo Shares**

The public tender offer (*Öffentliches Kaufangebot*) described in this Offer Prospectus is being made for the securities of a Swiss company and is subject to Swiss disclosure requirements, which are different from those of the United States. The financial information publicly available has been prepared in accordance with non-U.S. accounting principles and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. Acceptance, withdrawal, settlement and other procedures with respect to the public tender offer will be in accordance with Swiss law and practice, which materially differ from U.S. tender offer procedures. **U.S. Holders are encouraged to consult with their own Swiss advisors in connection with the public tender offer.**

It may be difficult for U.S. holders to enforce their rights and any claim arising out of U.S. federal securities laws, since AFB Investment S.A. and Forbo Holding AG are located in a foreign country, and some or all of their officers and directors may be residents of a foreign country. U.S. holders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

## **Introduction**

AFB Investment S.A. («**AFB Investment**») is a corporation (*Société anonyme*) organized under the laws of Luxembourg. AFB Investment was formed for the purpose of making the public tender offer that is the subject of this Offer Prospectus (the «**Tender Offer**»), and is controlled, by CVC European Equity Partners III L.P., a private equity fund organized as a Limited Partnership under the laws of the Cayman Islands with its registered office in Grand Cayman («**CVC**»), which is advised by CVC European Equity III Limited, St. Helier, Jersey, and its affiliates (see Section B.1.d) for additional details).

After CVC had expressed its interest in a possible takeover of Forbo Holding AG («**Forbo**») in early November of 2004, Forbo published a press release on November 11, 2004, announcing CVC's interest in a takeover of Forbo. Subsequently, Forbo authorized CVC to perform a limited due diligence exercise subject to certain restrictions. On February 25, 2005, AFB Investment and Forbo entered into an agreement (*Transaction Agreement*) with respect to the Tender Offer.

AFB Investment intends to effect a complete takeover of Forbo through the Tender Offer in order to delist Forbo from the stock market following the Tender Offer and to operate Forbo as a private company. AFB Investment is making the Tender Offer in its own name. However, after the Tender Offer has been settled, it intends to contribute the Forbo shares that are the subject of this Tender Offer to a corporation with registered seat in Switzerland, which AFB Investment will form and fully control.

At the time the Tender Offer is being submitted, neither AFB Investment nor CVC nor any affiliates of CVC hold any Forbo shares.

## **A. Tender Offer**

### **1. Pre-Announcement**

A pre-announcement of the Tender Offer has been made in accordance with articles 7 et seq. of the Swiss Takeover Board's Ordinance on Public Tender Offers (*Verordnung der Übernahmekommission über öffentliche Kaufangebote*; the «Swiss Takeover Ordinance»). The pre-announcement was published in the electronic media after the closing of the stock market (Zurich) on March 4, 2005. It is not intended to publish the pre-announcement in the newspapers. In lieu of a publication of the pre-announcement in the newspapers, this Tender Offer is being published on March 8, 2005 in the *Neue Zürcher Zeitung* and in *l'Agefi*.

### **2. Object of the Tender Offer**

The Tender Offer extends to all publicly held (outstanding) registered shares (*Namenaktien*) of Forbo with a nominal value of CHF 20 each (the «**Forbo Shares**») which will have been issued until the expiration of the Additional Acceptance Period (*Nachfrist*), the number of which as of March 3, 2005 has been calculated as follows:

	Forbo Shares
Issued	2,713,152
Held by Forbo	79,255*
<b>Outstanding</b>	<b>2,633,897</b>

\* According to Forbo

The Tender Offer does not extend to Forbo treasury shares. However, it extends to any Forbo Shares issued from Forbo's conditional capital in connection with the exercise of conversion or option rights granted by Forbo prior to the expiration of the Additional Acceptance Period.

### **3. Offer Price**

The offer price (the «**Offer Price**») will be CHF 260 net per Forbo Share, less the gross amount of any dilution effects (e.g. dividend payments, capital increases with an issue price of the shares below the market price, repayments of capital, sales of treasury shares by Forbo below the Offer Price, issue of options) becoming effective prior to the completion of the Tender Offer.

Based upon the share prices adjusted for the effects of the capital increase that was completed in the meantime, as published by the stock market information system Bloomberg, the Offer Price reflects a premium of approx. 68%, compared to the closing price of the Forbo Shares of CHF 154.77 on the SWX Swiss Exchange on November 10, 2004, the day before CVC's interest in Forbo was publicly announced by a press release by Forbo.

The Offer Price of CHF 260 per Forbo Share is further about 5.2% higher than the average opening price of CHF 247.16 per Forbo Share on the SWX Swiss Exchange during the 30 trading days preceding the pre-announcement.

During the Offer Period and the Additional Acceptance Period, the tender of Forbo Shares deposited with banks in Switzerland will be free of expenses and charges. The Swiss Federal stamp transfer taxes charged on the sale will be borne by AFB Investment. Please also refer to Section I.6.

### **4. Offer Period**

**The Tender Offer will remain open from March 8, 2005 until April 6, 2005, 4:00 p.m. (CET) (the «Offer Period»).**

AFB Investment reserves the right to extend the Offer Period once or several times. The Tender Offer will remain open for at least 10 trading days following the publication of any change in the Offer Price or of any change in any other material condition of the Tender Offer. If the Offer Period is extended, the payment date for the Offer Price under Section I.5 (*Payment of the Offer Price*) will be postponed accordingly. The Offer Period may be extended by more than 40 trading days only with the prior consent of the Swiss Takeover Board.

### **5. Additional Acceptance Period**

If the conditions precedent set forth in Section A.6 (*Conditions*) are satisfied or have been waived, the acceptance period will be extended by 10 trading days (the

«**Additional Acceptance Period**»). This Additional Acceptance Period is expected to start on April 11, 2005 and to run until April 22, 2005.

## 6. Conditions

This Tender Offer is subject to the following conditions:

- (a) The Forbo Shares which have been validly tendered to AFB Investment as of the end of the Offer Period, together with the Forbo Shares which AFB Investment will own at that time, represent at least 66.67% of all publicly held registered shares of Forbo as of the end of the Offer Period.
- (b) The general shareholders' meeting (*Generalversammlung*) of Forbo has resolved to delete clause 1 of the second paragraph (percentage clause; *Prozentklausel*) and the third paragraph (acting in concert clause; *Gruppenklausel*, commencing with «*Juristische Personen*» and ending with «*als Erwerber*») of § 4 of the articles of incorporation (*Statuten*), and such amendment of the articles of incorporation has been entered into the commercial register (*Handelsregister*). After such amendment, § 4 paragraph 2 will read as follows: «*Die Zustimmung kann verweigert werden, wenn der Erwerber trotz Verlangen der Gesellschaft nicht ausdrücklich erklärt, dass er die Aktien im eigenen Namen und im eigenen Interesse erworben hat und halten wird.*» (consent may be withheld if the acquiring person, upon request of the Company, does not declare that it has acquired and will hold the Shares in its own name and for its own account).
- (c) The board of directors of Forbo has resolved to enter AFB Investment or a specified Swiss corporation under the control of AFB Investment as a shareholder into the Forbo share register with voting rights in respect of all Forbo Shares that AFB Investment has acquired or will acquire.
- (d) Subject to the condition that AFB Investment holds more than 50% of the publicly held Forbo Shares, the majority of the members of the board of directors of Forbo has entered into a mandate agreement (*Mandatsvertrag*) with AFB Investment for the period from the date on which the Tender Offer becomes unconditional to the election of the persons nominated by AFB Investment to the board of directors of Forbo, by which such members undertake, subject to the company interest and mandatory provisions of law and against full indemnification by AFB Investment, to ensure that the business of Forbo will be conducted in the ordinary course, as further specified in the Transaction Agreement between AFB Investment and Forbo dated February 25, 2005 and in the mandate agreements already entered into dated March 4, 2005 (cf. section D.3).
- (e) All competent competition authorities have granted permission or provided exemption certificates for the takeover of Forbo by AFB Investment without imposing any undertaking upon AFB Investment or subjecting such permission or exemption to any condition which could cause an estimated reduction of the turnover or costs in an amount which, on the basis of the audited consolidated financial statements of the Forbo Group as of December 31, 2004 and as

confirmed by the auditors of Forbo, equals 15% or more of the consolidated annual earnings before interest, tax, depreciation and amortization (EBITDA) of the Forbo Group in local currencies.

- (f) Forbo holds at least 71,500 treasury shares and has neither disposed of such shares nor encumbered such shares with any third-party rights.
- (g) No events or circumstances have occurred or become known which, individually or together, cause, in comparison to the audited financial statements of the Forbo Group as of December 31, 2004 and as confirmed by the auditors of Forbo, an estimated reduction of 15% or more of the consolidated annual earnings before interest, tax, depreciation and amortization (EBITDA) of the Forbo Group in local currencies.
- (h) No judgment, court order or other authoritative measure has been issued which prohibits or declares illegal this Tender Offer or its completion.

AFB Investment reserves the right to waive, in whole or in part, one or more of these conditions.

Conditions (a), (d) and (g) shall be deemed to be conditions precedent within the meaning of article 13(1) of the Swiss Takeover Ordinance. Conditions (b) and (c) shall be deemed conditions precedent if the Forbo general shareholders' meeting is held prior to the end of the (possibly extended) Offer Period or prior to the publication of the interim results of the Tender Offer in the press. Otherwise, conditions (b) and (c) shall be deemed to be conditions subsequent within the meaning of article 13(4) of the Swiss Takeover Ordinance. Conditions (e), (f) and (h) are conditions subsequent within the meaning of article 13(4) of the Swiss Takeover Ordinance.

The Tender Offer shall not be successful if the conditions precedent have not occurred before the expiration of the (possibly extended) Offer Period or until the publication of the interim results of the Tender Offer in the press and have not been waived.

To the extent that the conditions subsequent have not occurred prior to the payment date under Section I.5 (*Payment of the Offer Price*) and have not been waived, AFB Investment shall be entitled (but not obliged) to postpone the payment date of the Offer Price (as defined in Section I.5 (*Payment of the Offer Price*)) until these conditions have occurred, but in no event by more than two months following the expiration of the Additional Acceptance Period. AFB Investment will withdraw the Tender Offer and the Tender Offer shall not become unconditional if these conditions are not satisfied within this two-month period and are not waived.

## **B. Information about AFB Investment**

### **1. AFB Investment**

#### ***a) Company, registered office, capital stock and duration***

AFB Investment was formed on December 31, 2004 as a corporation (*société anonyme*) organized under the laws of Luxembourg with its registered office at 5, Place du Théâtre, L-2613 Luxembourg. On March 3, 2005, AFB Investment's fully paid-in share capital amounted to EUR 31,005, divided into 24,804 shares with a nominal value of EUR 1.25 each. AFB Investment is a corporation of unlimited duration.

#### ***b) Business activities***

AFB Investment was formed for the purpose of making the Tender Offer. AFB Investment's principal purpose, as stated in its articles of incorporation, is the participation in and financing of other companies.

#### ***c) Annual Report***

Because AFB Investment and its parent company AFB Participations S.A. were not formed until December 31, 2004, no annual reports have been prepared to date. Furthermore, in principle CVC does not publish annual accounts and annual reports.

#### ***d) Persons holding more than 5% of the voting rights in AFB Investment***

AFB Participations S.A., a company organized under Luxembourg law and having its registered office in Luxembourg City, holds all but one of the shares and voting rights in AFB Investment. 90.31% of AFB Participation S.A.'s capital and voting rights are held by CVC. CVC is managed by CVC European Equity III Limited, St. Helier, Jersey, in its capacity as general partner of CVC European Equity III General Partner L.P., Grand Cayman, Cayman Islands. CVC European Equity III General Partner L.P. is the general partner of CVC. Provided the offer becomes unconditional, CVC European Equity III Limited will ultimately manage, in its capacity as general partner of the CVC funds, the indirect participation by the CVC funds in Forbo through AFB Investment, and is not dominated in this regard.

CVC is a leading independent private equity provider in Continental Europe and the UK, specializing in large scale leveraged buy-out transactions. Since 1981, CVC has completed more than 218 acquisitions with a total transaction value in excess of EUR 28 billion and currently has total funds under management of over USD 9 billion. CVC has 12 offices across Europe. Its Swiss office is located in Zurich. Further information on CVC is available on the internet at [www.cvceurope.com](http://www.cvceurope.com).

## **2. Acting in concert**

For the purposes of the Tender Offer, AFB Participations S.A., CVC, CVC European Equity III Limited, its subsidiaries, its direct and indirect parent companies and other subsidiaries controlled by those parent companies are deemed to be acting in concert with AFB Investment (the "**CVC Group**"). The same applies to Forbo and the companies controlled by Forbo as of February 25, 2005, the date on which the agreement on submitting and effecting the Tender Offer (*the Transaction Agreement*) referred to in Section D.3 (*Agreements between AFB Investment and Forbo, its governing bodies and shareholders*) was entered into by Forbo and AFB Investment. The portfolio companies directly or indirectly held by CVC Group are not deemed to be acting in concert with AFB Investments, since CVC Group does not give any instructions with respect to the daily business of its portfolio companies, in particular their securities investment decisions, and does not supervise such decisions.

## **3. Offeror's equity interest in Forbo; sales and purchases of Forbo Shares**

As of March 3, 2005, AFB Investment and the entities acting in concert with it (with the exception of Forbo itself) held no Forbo Shares. As of the same date, Forbo held, according to Forbo, 79,255 Forbo Shares as treasury shares, which corresponded to 2.92% of its issued share capital and voting rights. As of March 3, 2005, AFB Investment and the entities acting in concert with it held no acquisition or conversion rights with respect to Forbo Shares.

During the 12 month-period preceding the date of the pre-announcement of the Tender Offer (i.e. from March 4, 2004 to March 3, 2005), AFB Investment and the persons acting in concert with it (with the exception of Forbo and the companies controlled by Forbo) did not purchase or sell Forbo Shares (including acquisition and conversion rights). On February 25, 2005, Forbo undertook to AFB Investment that it would not purchase or sell any Forbo Shares or treasury shares and/or derivatives on such shares until six months after the termination of the Additional Acceptance Period without the prior consent of AFB Investment.

## **C. Financing**

The Tender Offer will be financed through AFB Investment's own funds and through loan facilities made available by banks.

## **D. Information about Forbo**

### **1. Company name, registered office, capital and duration**

Forbo Holding AG is a corporation governed by the provisions of the Swiss Code of Obligations (*Schweizerisches Obligationenrecht*) with its registered seat in Eglisau. Forbo is a company of unlimited duration.

Forbo's paid-in share capital amounts to CHF 54,263,040, divided into 2,713,152 registered shares (*Namenaktien*) with a nominal value of CHF 20 each. Forbo's registered shares are listed on the SWX Swiss Exchange. Forbo has a conditional share capital of CHF 3,329,000 for the issuance of 166,450 registered shares with a nominal value of CHF 20 each.

### **2. AFB Investment's intentions with respect to Forbo**

In the event that the Tender Offer becomes unconditional (*Zustandekommen*), AFB Investment intends, after settlement of the Tender Offer, to transfer or contribute the acquired Forbo Shares to a wholly owned Swiss holding company on whose account AFB Investment is economically submitting the Tender Offer, and to hold the Forbo Shares indirectly through such Swiss holding company.

AFB Investment regards its investment in Forbo as a long-term investment. After completion of the Tender Offer, AFB Investment intends to continue the restructuring measures initiated by Forbo for its flooring, adhesives and belting divisions. Generally, such restructuring measures are to take place under the leadership of the current management. However, Forbo's current financing and balance sheet structure appears inappropriate for an effective and sustainable restructuring of these divisions. Therefore, AFB Investment is considering measures to restructure the balance sheet, specifically the implementation of a more stable and long-term oriented financing structure.

AFB Investment does currently not intend to make any short-term changes in the business portfolio of the Forbo Group, but reserves the right to avail itself of opportunities that may present themselves.

AFB Investment submits the Tender Offer with the intention to delist Forbo and to operate it as a private, non-listed company provided that the Tender Offer becomes unconditional (*Zustandekommen*). Therefore, after the settlement of the Tender Offer, a delisting of the Forbo Shares from the SWX Swiss Exchange will be considered, particularly if the limited number of publicly held Forbo Shares prevent regular trading of the Forbo Shares. If, after settlement of the Tender Offer, AFB Investment holds more than 98% of the voting rights in Forbo, it intends to petition, pursuant to article 33 of the Stock Exchange Act (*Börsengesetz*), for invalidation of the remaining publicly-held Forbo Shares. Should this threshold not be reached, but should AFB Investment acquire 90% of the voting rights in Forbo, AFB Investment reserves the right to merge Forbo with and into a company controlled by AFB Investment, whereby the remaining Forbo minority shareholders would receive compensation other than ownership interests

in the surviving entity (presumably in cash). The value of such other compensation will depend, among other things, on the timing of the merger and may equal the Offer Price, but may also be higher or lower than the Offer Price.

### **3. Agreements between AFB Investment and Forbo, its governing bodies and shareholders**

On November 17, 2004, CVC and Forbo entered into a due diligence and confidentiality agreement, pursuant to which Forbo granted CVC and its advisors the opportunity to perform a limited due diligence exercise.

In addition, on February 25, 2005 AFB Investment and Forbo entered into a Transaction Agreement, by which the parties substantially agreed as follows:

- subject to certain conditions being satisfied, AFB Investment shall submit, on or before March 8, 2005, the pre-announcement for a public tender offer for all outstanding registered shares of Forbo at an offer price not less than CHF 260 per share;
- except for servicing outstanding employee options, Forbo shall refrain from selling or purchasing Forbo Shares and/or derivatives on such shares until six months after the expiration of the Additional Acceptance Period or until AFB Investment announces that the Tender Offer has failed;
- Forbo shall ensure that that at least one of the members of the board of directors does not resign and that the remaining members of the board of directors enter into a mandate agreement (*Mandatsvertrag*) in accordance with Condition (d) of Section A.6 (*Conditions*);
- Forbo's board of directors shall recommend the acceptance of the Tender Offer to Forbo's shareholders, subject to a subsequent competing tender offer at a higher offer price;
- in the event that the Tender Offer does not become unconditional (*Zustandekommen*) on the ground that Condition (a), Condition (b) or Condition (c) as set forth in Section A.6 (*Conditions*) is not satisfied, Forbo shall pay AFB Investment a lump-sum payment of CHF 800,000 as reimbursement of AFB Investment's expenses; and
- subject to the duties of Forbo and its board of directors under the provisions of the Swiss Stock Exchange Act and the implementing ordinances (in particular article 48(1) of the Swiss Takeover Ordinance according to which the target company must provide the same information to all offerors), Forbo shall not enter into any transaction agreements with interested third parties and shall not grant further access to due diligence to interested third parties.

On March 4, 2005 the acting members of the board of directors of Forbo, with the exception of Mr. This Schneider, each entered into a mandate agreement with AFB

Investment in the sense of Condition (d) of Section A.6 (*Conditions*). In addition to the obligations set out in this condition, in these agreements the members of the board of directors essentially undertook not to actively frustrate the Tender Offer, to inform AFB Investment of material developments in relation to the Tender Offer, to put the dismissal of the current board members and the election of the persons proposed by AFB Investment as new board members on the agenda of the general shareholders' meeting of April 29, 2005 as well as to use their best efforts to ensure that the Conditions according to Section A.6 (*Conditions*) will be met to the extent they are under the control of Forbo or the board of directors, respectively.

#### **4. Confidential information**

In accordance with article 23(2) of the Swiss Takeover Ordinance, AFB Investment confirms that it has not, directly or indirectly, received from Forbo any non-public information about Forbo which could materially influence the decision of the recipients of the Tender Offer.

#### **E. Report of the review body in accordance with Article 25 of the Federal Stock Exchange and Securities Trading Act**

As a review body (*Prüfstelle*) approved under the Federal Stock Exchange and Securities Trading Act (*Bundesgesetz über die Börsen und den Effektenhandel*) (the «**Stock Exchange Act**») to review Public Tender Offers, we have reviewed the Offer Prospectus, taking into account the exemptions requested by the Swiss Takeover Board. The report of the board of directors of Forbo and the fairness opinion of Bank Vontobel AG, Zurich, were not subject of our review.

The offeror is responsible for preparing the Offer Prospectus. Our task is to review such document and to express an opinion on it.

Our review was performed in accordance with the standards promulgated by the profession in Switzerland, which require that a review of an offer prospectus be planned and carried out so as to determine whether the Prospectus is complete in terms of the formal requirements of the Stock Exchange Act and the implementing ordinances and to obtain reasonable assurance that the Offer Prospectus is free from material misstatements. We reviewed the material disclosures, partly in full and partly on a spot check basis. We also assessed whether the Stock Exchange Act and the implementing ordinances have been complied with. We believe that our review forms a reasonable basis for our opinion.

In our judgment

- the Offer Prospectus complies with the Stock Exchange Act and the implementing ordinances;
- the Offer Prospectus is complete and true;

- the minimum price rules are complied with;
- the recipients of the Tender Offer are treated equally; and
- the financing of the Tender Offer has been secured and the necessary funds are available.

Zurich, March 4, 2005

KPMG Fides Peat

Martin Schaad  
*Swiss Certified*  
*Accountant*

Reto Benz  
*Swiss Certified*  
*Accountant*

## **F. Report of the Board of Directors of Forbo pursuant to Article 29 of the Federal Act on Stock Exchanges and Securities Trading**

### **1. Recommendation**

The Board of Directors of Forbo Holding AG («**Forbo**») has decided to recommend shareholders of Forbo to accept the public tender offer of AFB Investment S.A. («**AFB Investment**»), a company owned by investment funds of the CVC Group, provided that no competing offer of another bidder at a higher offer price is published.

### **2. Reasons for the recommendation**

After the Board of Directors had acknowledged CVC's first expression of interest with an initial price indication of CHF 236.53, adjusted for the effects of the capital increase of Forbo (respectively of the resulting net inflow of funds), and especially after the initial price indication had been increased to an (also adjusted) price range of between CHF 246.53 – 256.53, the Board of Directors carefully analyzed the alternatives remaining under the circumstances, particularly the possibility of an independent strategy, this after having already analyzed strategic alternatives in the summer of 2004. The Board of Directors still considers the prospects of an independent strategy under the terms of the restructuring process to be promising. However, the offer enables the shareholders of Forbo to sell their shares already now without future share price risk at a significant premium over the share price prior to CVC's expression of interest. Furthermore, the Board of Directors welcomes AFB Investment's intention to continue the corporate strategy and the planned restructuring measures, while refraining at the moment from making changes to the Forbo Group's business folio.

The Board of Directors instructed Bank Vontobel AG («**Bank Vontobel**») to assess the public tender offer from a financial point of view. After an extensive review in the context of the public tender offer, Bank Vontobel concluded that the offer price is fair from a financial point of view (the Fairness Opinion can be obtained from Forbo

Holding AG, Tel: +41 (0)44 868 25 25, e-mail: info@forbo.com, and be downloaded from [www.forbo.com](http://www.forbo.com)). The Board of Directors is therefore convinced that AFB Investment's public tender offer enables the shareholders to sell their registered Forbo shares at a fair price. The offer price of CHF 260 corresponds to CHF 376.94 prior to the capital increase and includes a premium of approximately 81.7% compared to the closing price of Forbo registered shares on the day preceding the announcement of CVC's expression of interest in a takeover of Forbo on 11 November 2004, respectively a premium of approximately 55.3% compared to the volume weighted average closing price of Forbo registered shares during the preceding 30 trading days.

Therefore, the Board of Directors considers the tender offer by AFB Investment to be fair and reasonable. The Board of Directors regrets that Forbo might cease its independent business operations after more than 77 years but it also believes that, under the present circumstances, the offer is in the interest of the company, its employees, its shareholders, its suppliers and its customers. However, the shareholders are reminded that it is conceivable that another bidder submits a higher competing offer. A competing offer may be made until the third trading day preceding the end of the offer period, which is expected to be 1 April 2005.

Shareholders, particularly private shareholders who keep their shares as their personal assets, are advised to carefully review the resulting tax consequences and, if appropriate, to consider selling the shares on the stock exchange in lieu of tendering them.

### **3. Publication of annual results**

The most recently published interim financial statements of Forbo (mid-year 2004 financial statements) date back more than six months. To ensure that the shareholders are able to make a decision as to the acceptance of AFB Investment's tender offer on an informed basis, the complete annual financial statements will be presented at the media and financial analysts' conference on 22 March 2005 and will be accessible at [www.forbo.com](http://www.forbo.com) as of that date.

### **4. Potential conflicts of interest and intentions of the shareholders holding more than 5 percent of the voting rights**

On 25 February 2005, Forbo entered into a Transaction Agreement with CVC according to which CVC will launch an offer according to an agreed offer prospectus by 8 March 2005 (formal prior announcement), respectively 14 March 2005 (prospectus), and Forbo will, in return, recommend to the shareholders to accept such an offer. A more detailed description of the Transaction Agreement can be found in the offer prospectus under para. D.3. In this Transaction Agreement, Forbo has undertaken to compensate CVC partly for the costs resulting from the public tender offer should the offer not be completed for specific reasons. The Board of Directors is convinced that this cost coverage of approximately 0.30 Swiss Francs per share is a reasonable price to pay in order to provide shareholders with the opportunity to decide themselves on the sale of the company in the tender offer.

Dr. Willy Kissling, Chairman of the Board of Directors of Forbo, serves on the Advisory Board of CVC. Therefore, Dr. Willy Kissling abstained from the Forbo Board of Directors' decision-making process related to this recommendation and this report as well as from participation in the entire takeover process.

Dr. Anton H. Bucher, Dr. Pieter P.A.I. Deiters, Dr. Paul Tanos and Prof. Dr. Rolf Watter have stated their willingness to continue to serve as Directors to ensure continuity during the transition period until the annual shareholders meeting. Dr. Willy Kissling resigned, effective as of the next annual shareholders meeting, prior to CVC's expression of interest in a takeover of Forbo. The aforementioned Directors have entered into a mandate agreement with AFB Investment, according to which they essentially undertook to carry on the business of Forbo in its ordinary course after completion of the tender offer, not to actively frustrate the tender offer, to inform AFB Investment on material developments in relation to the tender offer, to put the dismissal of the current board members and the election of the persons proposed by AFB Investment as new board members on the agenda of the general shareholders' meeting of 29 April 2005 as well as to use their best efforts to ensure that the conditions of the tender offer (to the extent they are under their control) will be met. The resigning members of the Board of Directors will not receive severance compensation.

The management of Forbo in its present composition will continue to be responsible for Forbo's operational management following the completion of the tender offer. However, apart from the existing employment contracts, no binding assurances or agreements to this effect have been made or entered into by the individuals. To align the interests of the Group's management with the interests of the shareholders, the Board of Directors has agreed a transaction/retention bonus with the Group's management in the event of the completion of a tender offer. At the prospective offer price this bonus amounts to CHF 393'000 for Georg Zenger, CHF 294'750 for Tom Kaiser, CHF 294'750 for Michel Riva and CHF 196'500 for Jan Lipton. As This E. Schneider has resigned, he will not receive a bonus. The members of the Board of Directors themselves will not receive a bonus of this nature.

During the past three years, middle and upper management have received employee options. The option holders may tender the shares acquired by exercising these options on the same conditions as other shareholders in the tender offer or may settle the exercise of their option rights on the same condition.

Except as provided above, the Board of Directors is not aware of any agreements or understandings between CVC and any individual member of the Board of Directors or any member of the Group's management.

Forbo will not tender its treasury shares in connection with the offer, nor sell or otherwise dispose of any such shares, except to the extent required to service outstanding options. Mr. Michael Pieper, Hergiswil, resigned from the Board of Directors, on 5 December 2004 with immediate effect. According to his own announcement, Mr. Pieper, together with Franke Holding AG, Aarburg and Franke Beteiligungen I AG, Hergiswil, holds an interest in Forbo of clearly over 25% (respectively 20.07% according to the latest announcement published according to the stock exchange law). Upon request, Mr. Pieper has informed the Board of Directors that

the shareholder group around Mr. Pieper does not intend to tender its shares. Upon request, Tweedy, Browne Company LLC, New York (USA), which (according to the latest announcement) holds 8.81% of the shares, has informed that it does not intend to tender its shares at the offer price of CHF 260. The Board of Directors has no knowledge of whether Mr. Rudolf Maag, Binningen, who (according to the latest announcement) holds 8.1% of the shares, will tender his shares in this tender offer. Excepting the shareholders mentioned, the Board of Directors is not aware of other shareholders who hold more than 5% of the voting rights. Brandes Investment Partners, LLC, San Diego (USA), and The Capital Group Companies, Inc., Los Angeles (USA), hold less than 5% of the voting rights in Forbo according to their latest announcements.

Eglisau, 8 March 2005

For the Board of Directors

Prof. Dr. Rolf Watter

## **G. Recommendation of the Swiss Takeover Board**

The Offer Prospectus was submitted to the Swiss Takeover Board prior to publication. In its recommendation dated March 7, 2005, the Swiss Takeover Board ruled as follows:

- AFB Investment's tender offer complies with the Federal Stock Exchange and Securities Trading Act (*Bundesgesetz über die Börsen und den Effektenhandel*).
- The Takeover Board grants the following exemptions from the Swiss Takeover Ordinance (article 4): condition subsequent (article 13(4)), and waiver of the duty to comply with the cooling-off period (article 14(2)).

## **H. Fairness Opinion**

The board of directors of Forbo instructed Bank Vontobel AG, Zurich, to deliver an opinion as to the fairness of the Offer Price. The fairness opinion confirms that the Offer Price of CHF 260 net per Forbo Share, less the gross amount of any dilution effects (e.g. dividend payments, capital increases with an issue price for the shares below the market price, repayments of capital, sales of treasury shares below the Offer Price, issue of options) becoming effective prior to the completion of the tender offer, appears to be financially reasonable with respect to all relevant aspects. Bank Vontobel AG is not a party related to Forbo or AFB Investment or any person acting in concert with them in a manner that would cause a conflict of interest or the appearance of such

conflict. The complete fairness opinion is available on the internet under [www.forbo.com](http://www.forbo.com) and can be obtained free of charge from Forbo Holding AG (Phone: +41 44 868 25 25, email [info@forbo.com](mailto:info@forbo.com)).

## **I. Implementation of the Tender Offer**

### **1. Information / registration**

#### ***a) Shareholders whose shares are held in a custody account***

Shareholders who hold their Forbo Shares in a custody account will be informed of the Tender Offer by the depositary bank and are requested to follow its instructions.

#### ***b) Persons who keep their shares in their own possession***

Shareholders who keep their Forbo Shares at home or in a bank safe are requested to complete, sign, and submit the «Declaration of Acceptance and Assignment» form, which can be obtained free of charge from UBS Investment Bank (Transaction Legal, Europastrasse 1, CH-8152 Opfikon, Switzerland, Phone: +41 1 239 47 03; Fax +41 1 239 21 11; email: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)), until 4:00 p.m. (CET) on April 6, 2005 (time of receipt), together with their **uncanceled** share certificates, directly to their bank or a Swiss office of the Acceptance and Paying Agent as designated here below.

### **2. Acceptance and Paying Agent**

All branch offices of UBS AG in Switzerland.

### **3. Trading of tendered shares**

Tendered Forbo Shares will receive the separate securities identification number (*Valorenummer*) 2.077.448. Application for the opening of a second trading line for the tendered Forbo Shares presumably as from March 8, 2005 has been made to the SWX Swiss Exchange. The second trading line is expected to be discontinued as from the expiration of the Additional Acceptance Period. Customary stock market charges and brokerage fees apply to the purchase and sale of tendered shares on the second trading line and are payable by the buying and selling shareholders.

### **4. Proxies**

Tendering shareholders have the possibility to grant proxies to AFB Investment for the purpose of voting their Forbo Shares at the general shareholders' meeting at which the resolutions required for the satisfaction of Condition (b) of Section A.6 (*Conditions*) will need to be adopted. By granting a proxy, the shareholders simultaneously instruct

the proxy-holder to vote in favor of the resolutions required for the satisfaction of Condition (b) of Section A.6 (*Conditions*) to the extent such items will have been placed on the agenda. By granting the proxy, the shareholder also mandates the depository bank to request that the shareholder, to the extent such shareholder has not already been recorded (*Dispo-Aktionär*) be entered into the share register in its own name. Shareholders who do not wish to grant proxies to AFB Investment should delete the appropriate section of the «Declaration of Acceptance and Assignment» form. Shareholders not recorded with the share register can obtain the «Declaration of Acceptance and Assignment» form free of charge from the depository bank or from UBS Investment Bank (Transaction Legal, Europastrasse 1, CH-8152 Opfikon, Switzerland, Phone: +41 1 239 47 03; Fax +41 1 239 21 11; email: swiss-prospectus@ubs.com). Tendering shareholders who do not keep their share certificates at home are asked to complete and sign the «Declaration of Acceptance and Assignment» form and submit it to their depository bank.

## **5. Payment of the Offer Price**

Payment of the Offer Price to which validly tendering Forbo shareholders are entitled will occur on April 27, 2005 with respect to shares tendered during the offer period or the Additional Acceptance Period (the «**Payment Date**»). AFB Investment reserves the right to extend the Offer Period in accordance with Section A.4 (*Offer Period*) or to postpone the Payment Date in accordance with Section A.6 (*Conditions*). In these cases, the Payment Date would be postponed accordingly.

## **6. Costs / fiscal charges and taxes**

During the Offer Period and the Additional Acceptance Period, Forbo Shares deposited with banks in Switzerland may be tendered free of expenses and fiscal charges. The Swiss Federal stamp transfer tax and the SWX Swiss Exchange's fee (including the Swiss Banking Commission's surcharge) incurred by the sale will be borne by AFB Investment.

In general, the tax consequences resulting for shareholders who are exclusively subject to taxation in Switzerland are anticipated to be as follows: Pursuant to the general principles of Swiss income taxes, shareholders who hold their shares as part of their private assets (*Privatvermögen*) and tender these shares pursuant to the terms of the Tender Offer realize a non-taxable, private capital gain or, if applicable, a non-deductible capital loss. It should be noted, however, that the tax-free capital gain could, in application of recent precedents and the practice in respect of the indirect partial liquidation, be re-qualified as taxable income. Pursuant to the general principles of Swiss corporate taxes, shareholders who hold their shares as part of their business assets (*Geschäftsvermögen*) and tender these shares pursuant to the terms of the Tender Offer realize a taxable capital gain or a tax-deductible capital loss, respectively. All shareholders and beneficial owners are expressly advised to consult an own tax advisor about the Swiss tax consequences (in particular in respect of the practice regarding indirect partial liquidation) and, if applicable, the non-Swiss tax consequences of this Tender Offer.

## **7. Invalidation and delisting**

AFB Investment reserves the right to apply for a delisting of the Forbo Shares with the SWX Swiss Exchange after the Tender Offer has been closed. If, after completion of the Tender Offer, AFB Investment holds more than 98% of the Forbo voting rights, AFB Investment reserves the right to petition for the invalidation of the remaining publicly-held Forbo Shares. Should this threshold not be reached but should AFB Investment acquire 90% of the voting rights in Forbo, AFB Investment reserves the right to merge Forbo with and into a company controlled by AFB Investment, whereby the remaining Forbo minority shareholders would receive a compensation other than ownership interests in the surviving entity (presumably in cash). The value of such other compensation will depend, among other things, on the timing of the merger and may equal the Offer Price, but may also be higher or lower than the Offer Price.

## **J. Applicable Law and Jurisdiction**

This Tender Offer and all resulting reciprocal rights and obligations shall be governed by, and interpreted in accordance with, **Swiss law**. The exclusive place of jurisdiction shall be **Zurich**.

## **K. Publication**

The Tender Offer and all other notices and announcements relating to the Tender Offer will be published in German in the *Neue Zürcher Zeitung* and in French in *l'Agefi*. In addition, the Tender Offer will be sent for publication to at least two of the prominent electronic media that distribute stock market information.

## **L. Indicative Timetable**

March 8, 2005	Start of the Offer Period
April 6, 2005	End of the Offer Period*
April 7, 2005	Publication of the preliminary interim results of the Tender Offer*
April 11, 2005	Publication of the definitive interim results of the Tender Offer*
April 11, 2005	Start of the Additional Acceptance Period*
April 22, 2005	End of the Additional Acceptance Period*
April 25, 2005	Publication of the preliminary final results of the Tender Offer*
April 26, 2005	Publication of the definitive final results of the Tender Offer*
April 27, 2005	Settlement of the Tender Offer and payment of the Offer Price*

- \* AFB Investment reserves the right to extend the offer period under Section A.4 (*Offer Period*) once or several times. The Tender Offer will remain open for at least 10 trading days following the publication of any change in the Offer Price or of any change in any other material condition of the Tender Offer. If the Offer Period is extended, the payment date for the Offer Price under Section I.5 (*Payment of the Offer Price*) will be postponed accordingly. The Offer Period may be extended by more than 40 trading days only with the prior consent of the Swiss Takeover Board. In addition, a postponement of the payment date according to Section A.6 (*Conditions*) remains reserved.

**Financial advisor and offer manager:**

**UBS Investment Bank**

UBS Investment Bank is a business group of UBS AG

**Informational materials and documents:**

This Offer Prospectus and the «Declaration of Acceptance and Assignment» form can be requested free of charge from UBS Investment Bank, Transaction Legal, Europastrasse 1, CH-8152 Opfikon, Switzerland (Phone: +41 1 239 47 03, Fax: +41 1 239 21 11, email: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)).