ANNUAL REPORT 2020

CONNECT.

AMBIENCE
COOPERATION

FORBO – IN EVERYDAY LIFE

flooring. movement.

AMBIENCE.

Our floor coverings lend every room its own particular appeal. The design solutions can be individually tailored, ensuring the unique aesthetics of each space – creativity at every step! But our floor coverings also help shape a room's acoustic features. Functionality is at the heart of it all: our floor coverings are comfortable and easy to maintain, durable and robust.


forbo
FLOORING SYSTEMS

CO-OPERATION.

Every product has its own demands on our conveyor belts in terms of functionality, hygiene, and release or grip properties. What is crucial is how the individual belts work together to ensure everything runs smoothly. We therefore always create our solutions in cooperation with the customer so that we can present tailored solutions to satisfy individual needs.


forbo
MOVEMENT SYSTEMS

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

'We successfully implemented our strategy despite these exceptionally difficult times, although the COVID-19 pandemic and the challenges to which it has given rise impacted business performance substantially as of February. Business activity declined owing to the general uncertainty on the markets and a whole range of pandemic-related restrictions. In addition, our result was affected by negative currency effects.

We took measures to protect our employees, safeguard supply chains, and increase efficiency in order to counteract this decline. Despite the negative market trends, we increased our investments and launched attractive products. Although the markets recovered toward the end of the year and profitability improved significantly in the second half of the year, the year as a whole has been dominated by the effects of the pandemic.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

The year under review at Forbo was dominated by the economic effects of the COVID-19 pandemic and by negative currency effects; both factors led to a decrease in sales and earnings.

We saw the first signs and negative effects in our Asian markets as early as the extended Chinese New Year holiday. COVID-19 then spread successively to Europe and shortly thereafter to the Americas region, adversely affecting our business activity primarily in the second and third quarters. Some markets showed clear signs of recovery toward the end of the year.

A large number of our production sites and assembly centers worldwide had to be closed for periods of time mainly in the first half of the year in order to comply with government regulations or to protect our employees. Many markets saw building sites shut down at short notice, while construction projects in the commercial sector were either postponed indefinitely or canceled altogether owing to the exceptional situation. Numerous projects and investments of our Movement Systems customers such as the expansion of airport facilities or renewals of industrial manufacturing sites were deferred. Customers and business partners were temporarily unreachable owing to local lockdown measures, especially in Europe and the USA. Coordinating our efforts centrally, we did everything possible to protect our employees by providing hygiene and protection concepts and adjusting work processes whilst at the same time we sought to maintain business continuity. Safeguarding our delivery capability was a particular challenge since we faced major restrictions and exceptionally difficult conditions also for global supply chains.

In order to cushion the negative impact of the current business climate, since springtime we reduced third-party costs, adjusted operational structures, and cut back new hires to an absolute minimum. At the same time, we implemented a range of measures to increase efficiency and reduce costs, and these had a significantly positive effect on earnings, especially in the second half of the year. Forbo's solid financial structure has enabled us to pursue all the strategic plans necessary to safeguard our market position for the future too, even in this difficult year. Important operational and strategic projects, such as targeted investments in growth markets, product launches, and innovative product developments for the future as well as digitization were implemented on the same or an even larger scale. On balance, we increased investments versus the previous year.

Owing to the stronger Swiss franc, the translation of local results into the corporate currency resulted in a negative currency effect compared with the previous year. The effect came to about CHF 61 million in sales and CHF 8 million in operating profit. Many of our main currencies were affected, in particular the US dollar, but also the euro, the pound sterling, the Chinese renminbi, and the Japanese yen were impacted notably.

Global slump in demand toward the end of the first quarter

Recovery in some markets as of the fourth quarter
In the year under review, Forbo generated net sales of CHF 1,117.7 million (previous year: CHF 1,282.2 million), representing a decrease of 8.1% in local currencies; owing to negative currency effects, this equated to a decline in sales of 12.8% in the corporate currency. However, starting in the fourth quarter some markets and customer segments embarked on an increasingly recognizable recovery.

Net sales at Flooring Systems declined by 8.4% in local currency terms to CHF 757.0 million (previous year: CHF 870.5 million). In the corporate currency, this corresponded to a decrease of 13.0%. The timing and scale of the downturn varied in the different local markets. At times we suffered strong drops in demand in our core markets France, the United Kingdom, and the USA, as well as in Italy and Spain.

Movement Systems generated net sales of CHF 360.7 million (previous year: CHF 411.7 million), representing a decline of 7.4% in local currencies and a decrease of 12.4% in the corporate currency. All markets with a few exceptions reported a decline in sales, but to varying extents. China, an important core market for Movement Systems, was very hard hit in the first quarter but recovered in the course of the year. Other key markets such as the USA, Japan, Italy, Spain, the United Kingdom, and France reported percentage declines that were higher than average for the division.

Profitability impacted by sales downturn and strong Swiss franc

Measures taken in springtime in combination with higher capacity utilization lifted earnings above average in the second half of the year
Both the decrease in sales and the strong Swiss franc impacted profitability negatively during the year on balance. However, profitability in the second half far outpaced earnings in the first six months owing to the extensive measures undertaken in springtime to optimize operating and cost structures plus the steps that were implemented to increase efficiency.

Positive operational leverage effects were felt from the higher capacity utilization of production plants and the improved productivity resulting from scaled-back and optimized operating structures. Further impetus was added by the downtrend in raw material prices, which however rose sharply again toward the end of 2020. On balance, lower raw material prices in the first half for manufactured products plus price increases realized in the second half generated higher margins in the second six-month period. Not least of all, active management contributed to reducing doubtful receivables and to negotiation of legal cases, which were solved in our favor.

Operating profit before depreciation and amortization (EBITDA) declined by CHF 41.7 million, or 17.8%, to CHF 192.0 million (previous year: CHF 233.7 million). Group operating profit (EBIT) decreased by CHF 39.3 million, or 22.3%, to CHF 137.0 million (previous year: CHF 176.3 million). Although operating profit margins in both divisions improved significantly in the second half compared with the first, for the full year under review the EBITDA margin came to 17.2% (previous year: 18.2%) and the EBIT margin to 12.3% (previous year: 13.7%).

Group profit lower than previous year

Lower earnings reflected in Group profit
Group profit decreased by 23.2%, or CHF 32.1 million, to CHF 106.2 million (previous year: CHF 138.3 million) owing to the decline in operating profit (EBIT) and a slightly higher tax rate of 22.0% (previous year: 21.1%).

Solid balance sheet

High liquidity and robust equity base
Net cash at year-end 2020 came to CHF 255.9 million (previous year: CHF 217.5 million); this was due to a slight increase in investments against a backdrop of a strong operating cash flow given the current circumstances. In addition, as at December 31, 2020, Forbo held 70,765 of its own shares valued at CHF 107.4 million at year-end.

The equity ratio remains solid and stands at 61.5% (previous year: 61.7%).

The undiluted earnings per share reflect the lower earnings and have accordingly reduced by 22.9% to CHF 66.60 (previous year: CHF 86.33).

Proposals to the Ordinary General Meeting

Re-elections to the Board of Directors
All the current members of the Board of Directors will stand for re-election for a further one-year term of office.

Dividend adjusted to the decline in earnings
In view of the negative impact of COVID-19 on our activities, the Group's solid cash flow and its high equity ratio, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2020 business year be reduced by about 13 percent versus the previous year to CHF 20 per share (previous year: CHF 23 per share).

Outlook for 2021

Strategy confirmed even in challenging times
Forbo has a solid capital structure, good liquidity, a robust cash flow, and has no debt. Our global presence and strong market positions, plus our broad, innovative and sustainable product portfolio, will enable us to continue implementing our strategy. We will focus on development in growth markets, targeted strengthening of our distribution organizations, selective capacity expansion in product lines with better-than-average growth, promoting innovations coupled with digitization advances, and capitalizing on external growth opportunities. However, as in the past, we will make acquisitions only if we can thereby create added value for our shareholders.

Guidance for 2021
Owing to the constantly changing market conditions dictated by the COVID-19 pandemic, it is difficult to make a forecast for 2021. A great deal of uncertainty will be with us in the new year too.

Assuming that overall conditions do not deteriorate, we expect an increase in net sales in local currencies and a somewhat higher Group profit for the full year 2021.

Thank you

Thanks to employees, business partners, and shareholders
To successfully and efficiently meet the various challenges facing us in the current market situation, our employees have had to demonstrate even more thorough-going commitment and even greater flexibility. We wish to express our heartfelt thanks to them for their dedication and understanding and for their support of the various measures and decisions that have been taken.

We also wish to thank our customers, business partners, and suppliers for their excellent cooperation in these exceptional times.

On behalf of the Board of Directors and the Executive Board, we thank you too, our dear shareholders, for your ongoing loyalty and the trust you place in our company.

Baar, March 2021

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting	**Thursday, April 1, 2021**
Publication of 2021 Half-Year Report	**Friday, July 30, 2021**
Publication of 2021 Annual Report	**Thursday, March 3, 2022**

CONTENTS

AT A GLANCE

2020 AT A GLANCE

FORBO IS A LEADING PRODUCER OF FLOOR COVERINGS, BUILDING AND CONSTRUCTION ADHESIVES, AS WELL AS POWER TRANSMISSION AND CONVEYOR BELT SOLUTIONS.

The company employs about 5,300 people and has an international network of 25 production and distribution companies, 6 assembly operations and 49 pure sales organizations in a total of 39 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

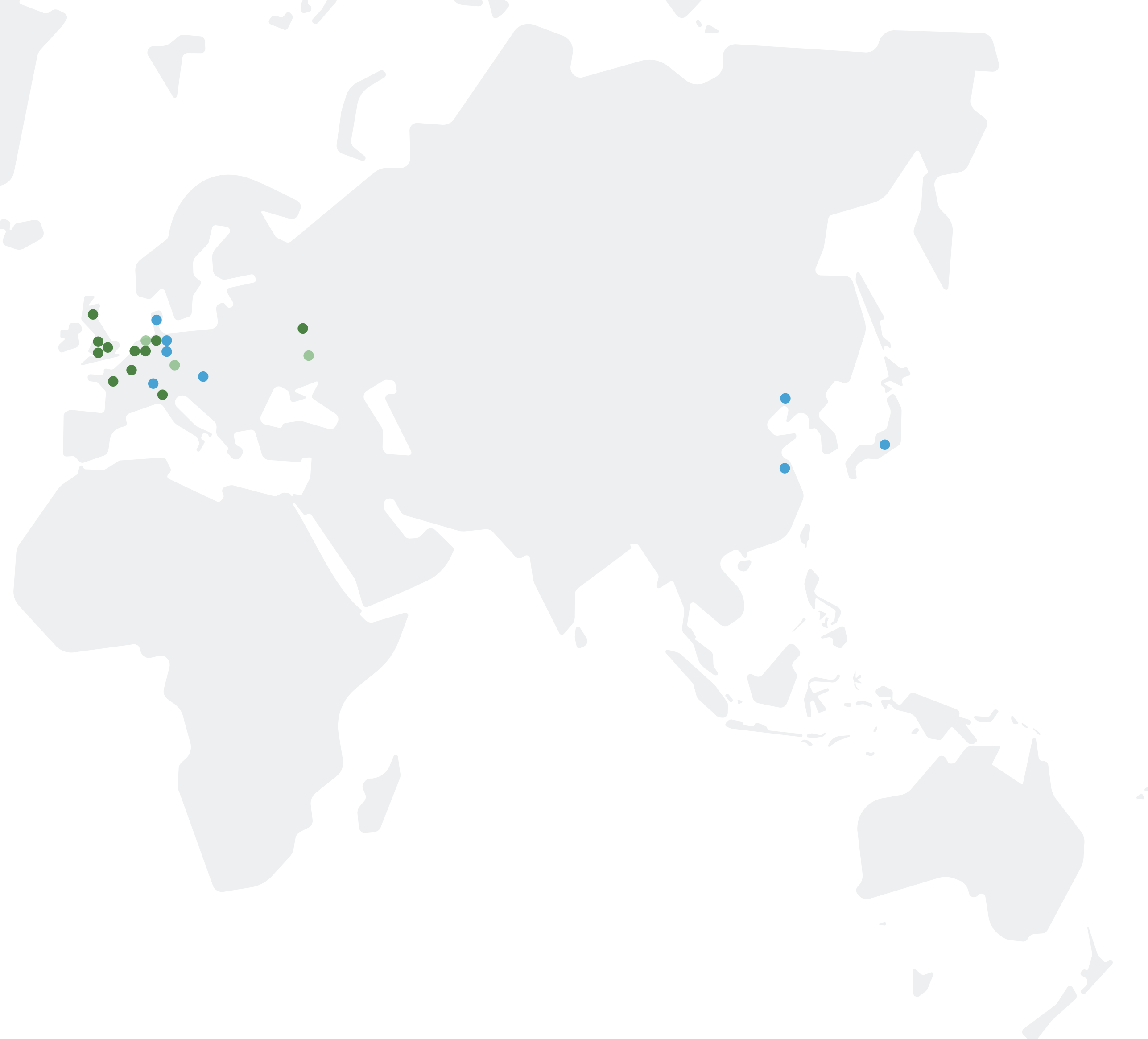
FORBO IN FIGURES

Forbo is a global player, and its two divisions supply a wide range of industries. The Group's global reach means that it is close to dynamic markets, making Forbo the first choice as a local partner for customers that have similar global requirements. The quality, longevity, and performance of our products and systems reflect the quality and stability of our relations with our business partners.

Flooring Systems
15 production facilities in 7 countries and distribution companies in 27 countries. Sales offices in Europe, North, Central, and South America as well as Asia/Pacific.
- Floor coverings
- Building and construction adhesives

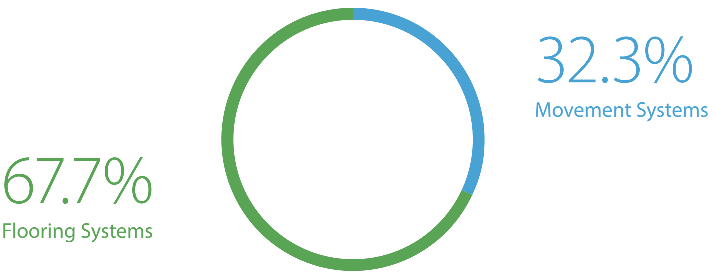
Movement Systems
10 production sites and 6 assembly operations in 9 countries and distribution companies in 32 countries. Over 300 sales and service offices worldwide.
- Production facilities and assembly operations

Net sales	**CHF 1,117.7 million**
EBIT	**CHF 137.0 million**
EBIT margin	**12.3%**
Group profit	**CHF 106.2 million**
Earnings per share undiluted	**CHF 66.60**



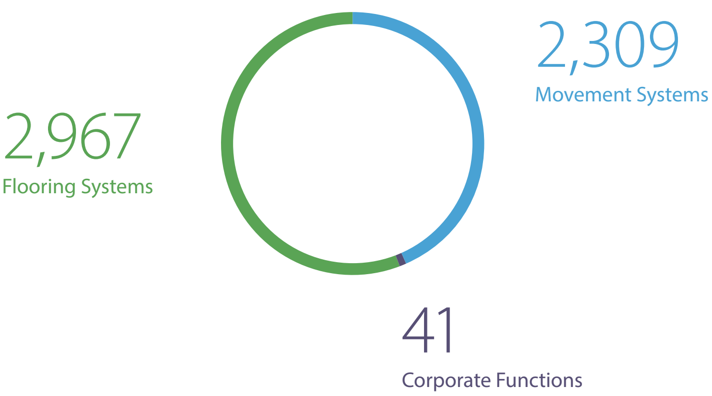
Net sales by division

	2020 CHF m	Change on previous year in %	Change on previous year in local currencies in %	In % of total
Flooring Systems	757.0	– 13.0	– 8.4	67.7
Movement Systems	360.7	– 12.4	– 7.4	32.3
Total	**1,117.7**	**– 12.8**	**– 8.1**	**100.0**



Employees by division

	2020 number	Change on previous year in %	In % of total
Flooring Systems	2,967	– 5.2	55.8
Movement Systems	2,309	– 5.4	43.4
Corporate Functions	41	– 4.7	0.8
Total	**5,317**	**– 5.3**	**100.0**



Financial overview Forbo Group

	2020	2019	2020	2019
Income statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Net sales	1,117.7	1,282.2	1,044.0	1,152.4
Flooring Systems	757.0	870.5	707.1	782.4
Movement Systems	360.7	411.7	336.9	370.0
Operating profit before depreciation and amortization (EBITDA)	192.0	233.7	179.3	210.0
Operating profit (EBIT)	137.0	176.3	128.0	158.5
Group profit	106.2	138.3	99.2	124.3
Balance sheet	CHF m	CHF m	EUR m[1]	EUR m[1]
Total assets	1,110.8	1,097.4	1,037.5	986.3
Operating assets	809.3	834.1	755.9	749.7
Shareholders' equity	683.5	676.6	638.4	608.1
Net cash[2]	255.9	217.5	239.0	195.5
Cash flow statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Cash flow from operating activities	171.4	185.1	160.1	166.4
Cash flow from investing activities	– 38.9	– 34.5	– 36.3	– 31.0
Free cash flow	132.5	150.6	123.8	135.4
Key ratios	%	%		
ROS (EBITDA/net sales)	17.2	18.2		
Equity ratio (shareholders' equity/total assets)	61.5	61.7		
Gearing (net debt/shareholders' equity)	– 37.4	– 32.1		
Employees (as at December 31)	Number	Number		
Total employees	5,317	5,614		
Ratios per share	CHF	CHF	EUR[1]	EUR[1]
Earnings per share (undiluted)[3]	66.60	86.33	62.21	77.59
Equity (undiluted)	428.64	422.36	400.37	379.62
Dividend	20.0[4]	23.00[5]	18.68[4]	20.67[5]
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[1]	EUR m[1]
Stock market capitalization[6]	2,504.7	2,719.2	2,339.5	2,444.0

1) Euro values translated at the average annual exchange rate of CHF 1.0706/1 EUR (2020) and CHF 1.1126/1 EUR (2019).

2) Liquidity plus financial assets less financial liabilities, excluding leasing liabilities.

3) See note 11 'Earnings per share' on page 114 of the financial report.

4) The Board of Directors proposes to the Ordinary General Meeting of April 1, 2021, the distribution of a dividend in the amount of CHF 20.00 per registered share.

5) Approval of a dividend of CHF 23.00 per registered share at the Ordinary General Meeting of April 3, 2020.

6) Total number of shares multiplied by year-end share price.

INVESTMENTS DESPITE PANDEMIC

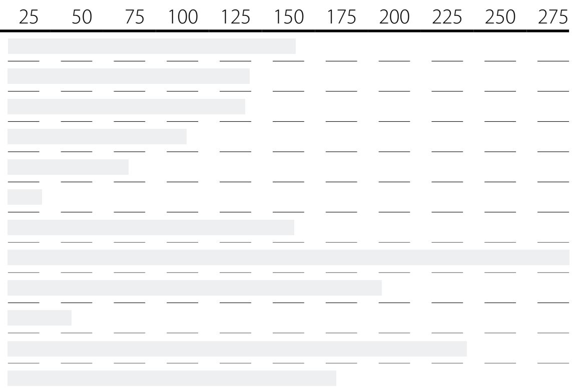
The year under review was dominated by far-reaching COVID-19 challenges that tested us at various times and with varying degrees of severity all over the world. We had to act fast and remain flexible: we adjusted internal operating processes to protect our employees while at the same time taking steps to optimize communication with customers and suppliers and to organize the smooth functioning of supply and procurement chains.

At times, demand was significantly curtailed by restrictions on activities in many markets and customer segments, by building construction sites freezes, and by postponement of projects; combined, these factors seriously impacted our sales in the second and third quarter. Operational efficiency and profitability suffered as a result. The targeted measures we took in springtime were broadly and systematically implemented, and they had a positive effect on earnings especially in the second half.

Forbo's solid financial base enabled us to successfully pursue our strategic projects despite these restrictions, and our investments were above average. With the aim to be well positioned for a post-pandemic upswing, both divisions expanded their product portfolio with innovative offerings for specific customer segments. At the same time, they targeted growth markets for expansion; they invested in operational renewals to enhance efficiency; and they boosted digitization through IT systems that provide optimum support.

Net sales by geographic area

		Change on previous year		
	%	in %	in local currencies in %	2020 CHF m
Germany	13.1	–6.1	–2.4	145.9
France	11.1	–21.4	–18.3	124.3
Benelux	10.9	–6.4	–2.7	122.2
Scandinavia	8.5	–4.1	0.0	94.6
Great Britain/Ireland	6.0	–25.3	–21.3	67.2
Switzerland	2.3	–5.1	–5.1	26.2
Other countries Europe	13.0	–9.5	–2.7	145.3
Europe	***64.9***	***–11.6***	***–7.5***	***725.7***
USA	16.7	–15.6	–10.5	186.7
Other countries Americas	3.6	–23.0	–14.4	40.1
Americas	***20.3***	***–17.0***	***–11.3***	***226.8***
Asia/Pacific and Africa	***14.8***	***–12.1***	***–6.0***	***165.2***
Total	**100.0**	**–12.8**	**–8.1**	**1,117.7**



Global slump in demand toward the end of the first quarter

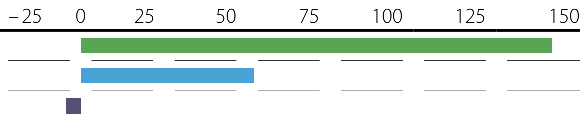
After a good start in 2020, we felt the first negative effects caused by the COVID-19 pandemic on demand in China in February, and these spread fairly quickly to further markets and regions around the world. As of the fourth quarter we began to notice a recovery in some markets and customer segments. On balance for 2020, net sales came to CHF 1,117.7 million (previous year: CHF 1,282.2 million); sales in local currencies were thus 8.1% lower, and this equates to a sales decline of 12.8% in the corporate currency owing to negative currency effects. Overall, the Americas region was hardest hit (a low double-digit percentage decline), the impact in Europe and Asia/Pacific was slightly less.

The Flooring Systems division generated net sales of CHF 757.0 million in the 2020 business year (previous year: CHF 870.5 million), which reflects a decrease of 8.4% in local currencies (– 13.0% in the corporate currency). All three regions reported a decline in sales, with the Americas being hardest hit. Europe and Asia/Pacific decreased by about the same amount but less significantly.

The Movement Systems division generated net sales of CHF 360.7 million in the year under review (previous year: CHF 411.7 million), which reflects a decline of 7.4% in local currencies (– 12.4% in the corporate currency). All three regions reported a decrease in sales to varying degrees, the strongest affected being the Americas, Europe somewhat less so and Asia/Pacific least of all.

EBITDA by division

	2020 CHF m	Change on previous year in %
Flooring Systems	144.6	– 16.2
Movement Systems	55.0	– 20.6
Corporate	– 7.6	7.3



Profitability hit by the sales downturn and the strong Swiss franc

Profitability was impacted negatively both by the decrease in sales and by negative currency effects owing to the strong Swiss franc. The effect of Forbo's far-reaching and targeted measures to optimize operating and cost structures along with steps taken to improve efficiency was increasingly felt in the second half of the year.

Group operating profit before depreciation and amortization (EBITDA) therefore reduced by 17.8% to CHF 192.0 million (previous year: CHF 233.7 million). EBITDA at Flooring Systems declined by 16.2% to CHF 144.6 million (previous year: CHF 172.6 million). EBITDA at Movement Systems decreased by 20.6% to CHF 55.0 million (previous year: CHF 69.3 million).

Although operating profit margins in both divisions improved significantly in the second half compared with the first, for the full year under review the Group EBITDA margin came to 17.2% (previous year: 18.2%). The EBITDA margin at Flooring Systems declined from 19.8% the previous year to 19.1%, while at Movement Systems the EBITDA margin reduced by 1.6 percentage points to 15.2% (previous year: 16.8%).

Group operating profit (EBIT) was 22.3% lower, decreasing to CHF 137.0 million (previous year: CHF 176.3 million). The Group EBIT margin declined from 13.7% the previous year to 12.3% in the year under review.

Group profit reduced by 23.2%, or CHF 32.1 million, to CHF 106.2 million (previous year: CHF 138.3 million) owing to the decline in operating profit (EBIT) and a slightly higher tax rate.

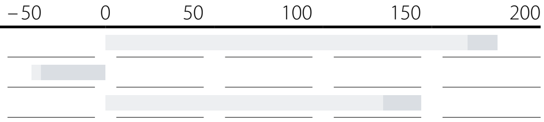
Taxes and financial income

The tax rate in the year under review was 22.0% (previous year: 21.1%), in line with the long-term average.

Financial expense in 2020 came to CHF 1.6 million (previous year: CHF 1.8 million), consisting of interest expense of CHF 0.9 million for leasing liabilities recognized in the balance sheet. Apart from that financial expense remained close to the previous year's level owing to minor currency losses. Offsetting this was financial income, comparable with the previous year, of CHF 0.7 million (previous year: CHF 0.8 million), which consisted of interest income on liquidity. On balance, the net financial result improved to CHF – 0.9 million (previous year: CHF – 1.0 million).

Free cash flow

	2020 CHF m	2019 CHF m
Cash flow from operating activities	171.4	185.1
Cash flow from investing activities	– 38.9	– 34.5
Free cash flow	132.5	150.6



Solid cash flow performance

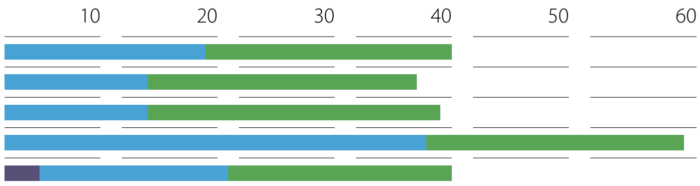
In the reporting year, cash flow from operating activities was down by CHF 13.7 million to CHF 171.4 million (previous year: CHF 185.1 million); this factors in a slight reduction in operating working capital, which is in line with performance. Cash flow from investing activities rose by CHF 4.4 million owing to the ongoing high level of investment volume and stood at CHF – 38.9 million (previous year: CHF – 34.5 million). Free cash flow thus totaled CHF 132.5 million (previous year: CHF 150.6 million).

Healthy balance sheet

Total assets at December 31, 2020, increased by CHF 13.4 million and rose to CHF 1,110.8 million (previous year: CHF 1,097.4 million), mainly due to the positive cash flow and despite the negative currency effects. Net liquidity rose by CHF 38.4 million to CHF 255.9 million (previous year: CHF 217.5 million); particularly in the present circumstances, this is a cushion providing security and independence for entrepreneurial decisions. Equity rose by CHF 6.9 million and stood at CHF 683.5 million on December 31, 2020 (previous year: CHF 676.6 million). The main factors in this increase were Group profit less the dividend payout, the purchase of treasury shares, and currency losses. The equity ratio remains solid, standing at 61.5% (previous year: 61.7%).

Investments 2016 – 2020

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2020	21	19	0	40
2019	23	13	0	36
2018	25	13	0	39
2017	22	36	0	58
2016	20	17	3	40



Value-adding investments

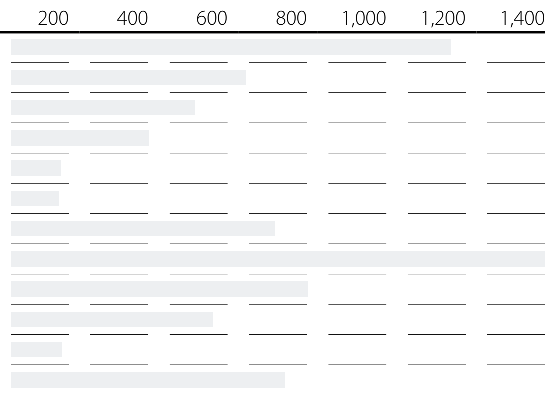
Our investments are wide-ranging, combining the demands of sustainability with efficiency gains in operating processes. In the reporting year, both divisions concentrated their resources on key activities and strategic projects in the areas of product portfolio, technology, efficiency and optimization of operating processes, infrastructures, and targeted market and capacity expansion. Total Group investments in property, plant, and equipment and intangible assets in 2020 came to CHF 39.7 million, which was CHF 3.7 million, or 10.3%, higher than the previous year (CHF 36.0 million) despite the negative currency effects.

In the reporting period, Flooring Systems invested CHF 20.5 million (previous year: CHF 22.8 million). This amount includes various upgrades and technological expansions of production plants, new product developments, and innovations in the areas of design, surface structure and surface coatings. State-of-the-art process control systems, automated equipment for specific production steps, and optimized and expanded plant infrastructures serve to improve efficiency. Significant amounts were invested in renewing the drying kilns for linoleum floor coverings, the building of a new research and development center for vinyl floor coverings, and in a new plant for reactive building and construction adhesives in Russia. The division continued to roll out digital platforms to support sales.

Investments in property, plant, and equipment at Movement Systems came to CHF 19.1 million (previous year: CHF 13.2 million), which marked a significant increase. The division invested larger-than-average amounts in the development and construction of a new product line for homogeneous belts, which involved erecting a new plant in a custom-built production site in Germany. It also invested in injection molding machines for the production of new series of Prolink plastic modular belts in Denmark and in a custom-built plant including warehousing and logistics facilities, quality control, and administration. In addition to digital programs, upgrades, and technological expansion of production plant, the division also implemented infrastructure projects such as a new thermal oil plant, a new roller bearing system for 5-meter wide belts, and the development of assembly facilities in Colombia.

Employees by geographic area

	%	Change on previous year in %	2020 number
Benelux	21.9	– 5.5	1,162
Germany	12.1	– 8.9	646
Great Britain/Ireland	9.6	– 8.1	512
France	7.5	– 4.6	397
Switzerland	3.4	1.1	179
Scandinavia	3.3	– 2.8	174
Other countries Europe	13.3	– 0.6	713
Europe	***71.1***	***– 5.0***	***3,783***
Asia/Pacific and Africa	***15.0***	***– 4.1***	***796***
USA	10.5	– 8.8	557
Other countries Americas	3.4	– 4.2	181
Americas	***13.9***	***– 7.8***	***738***
Total	**100**	**– 5.3**	**5,317**



Operating structures and headcount adjusted
At year-end 2020, the Forbo Group employed 5,317 people. This is a total of 297 fewer employees than at the end of the previous year. To cushion the negative impact of the current economic situation, Forbo was taking wide-ranging measures including the reduction of overtime and unused holidays, different forms of furlough or short-time working, and the adjustment of operating structures. To do so, we mainly reduced flexible resources at major production sites, reached agreements for early retirement, and scaled back new hires to the absolute minimum. A few new positions were filled but only in growth markets where demand is expanding.

The individual percentage changes in staffing levels mostly reflect market developments in the different countries and regions and mirror the situation on the balance-sheet date at the end of the year.

SUSTAINABLE ENGAGEMENT

The responsible use of resources of every kind is a guiding principle at Forbo. We are committed to the protection of the environment and we invest in concepts that contribute to a sustainable future for us and for the society. As a responsible manufacturer and employer, Forbo sets benchmarks for health and safety, the environment, and quality.

Social dimension

Forbo promotes a high-performance culture in order to meet the high demands of our customers and business partners as well as the requirements we impose on ourselves. This is why we promote the necessary capabilities and competences at all organizational levels, and support this internally with seminars and further training activities.

This means that the divisions provide internal training in a wide range of areas regarding products and applications, sales and marketing, finance, operations, project management, strategy implementation, and Forbo's values. Continuous intensive training in the area of health and safety includes measures on the topics of accident prevention, risk awareness, and occupational health and safety, as well as general ongoing preventive measures.

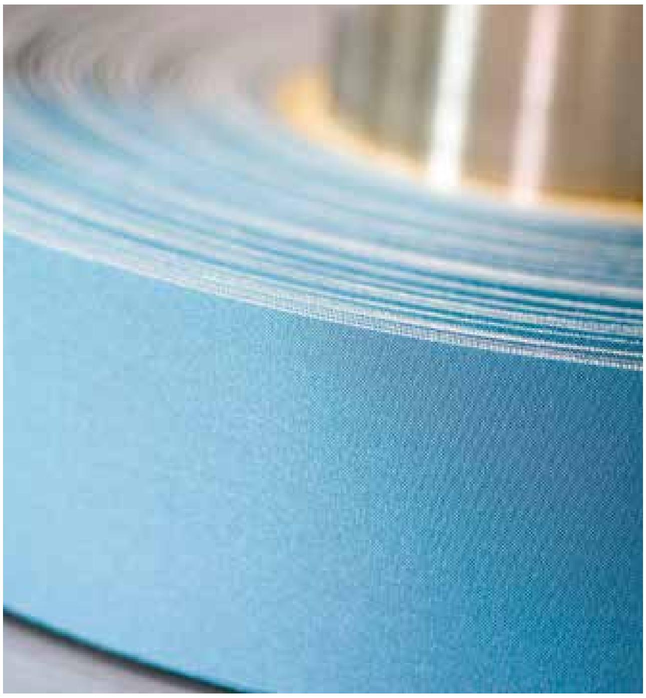
At the Group level, Forbo has established an internal management training program in collaboration with the University of St. Gallen as well as other external partners and internal experts. This practice-oriented advanced training program for senior managers and persons in key positions consists of a first training week that includes various modules in areas ranging from management and sales to marketing and operations. A second training week expands on this and includes leadership modules, focusing on strategic implementation and leadership topics such as dealing with organizational and team changes as well as performance management. A third training week, building on this foundation, deals mainly with leadership topics regarding the implementation of strategy across various organizational levels. This is combined with relevant tools for communication challenges and cooperation in international, cross-cultural teams.

Ecological dimension
Protection of the environment and the generation of ecological added value are important factors in all of Forbo's development and investment decisions. Our customers also demand efficient and sustainable products and services. Both divisions are meeting these demands by offering purely natural products in their product portfolio.

With linoleum, Flooring Systems offers a floor covering made of 98% renewable raw materials of which 73% are renewable within ten years. Linoleum is CO_2-neutral and made from the natural raw materials linseed oil, natural resin, wood flour and limestone as well as jute and pigments. A natural product through and through, which, in view of its long service life and positive ecological balance, is regarded as the most environmentally friendly resilient floor covering available. At the end of its long service life it can be composted, as it is 100% biodegradable. In addition to this, linoleum is made from about 45% recycled material, which lowers the consumption of primary raw materials accordingly.

Vinyl floor coverings receive their elasticity, pliability, and flexibility from plasticizers. Flooring Systems is using phthalate-free plasticizers of the latest generation. Vinyl floor coverings also contain up to 45% recycled material in the substrate layer. Within the framework of our 'back to the floor' program, we collect off-cuts of our vinyl coverings as well as waste material from our own production and put these back into the production of new coverings, for example for the substrate layer of carpet tiles and Flotex – the washable textile flooring. Flooring Systems gets 100% of the electricity used at its production locations from renewable energy sources. At Movement Systems, too, we are working on the further development of phthalate-free plasticizers in the manufacture of PVC conveyor belts.

SUSTAINABLE ENGAGEMENT



With the BioBelt, Movement Systems has developed a biodegradable conveyor belt whose physical and dynamic properties are equal to standard belts. The same applies to its performance and long service life. In the BioBelt, oil-based raw materials and synthetic-technical materials have been largely substituted by materials made from renewable, plant-based raw materials. At the moment, demand for a conveyor belt of this kind is still rather weak.

In order to maximize environmental compatibility and at the same time increase the product advantages, Movement Systems has patented a special coating that significantly reduces the friction between the underside of the belt and the slider bed compared with conventional conveyor belts. In the meantime, Movement Systems launched new generations of these energy-saving conveyor belts that are even more efficient. These AmpMiser conveyor belts display their advantages most clearly where goods are being continuously conveyed and many belts are in use, for example at airports or in logistics and distribution centers. For this type of application, energy savings of up to 50% are achieved for the overall systems.

We have also made it our aim to continually make our own activities more sustainable and efficient. We do this by using less material and energy to realize equivalent or even better solutions. Both divisions are working constantly on the optimization of production processes in terms of water and energy consumption, reduction of emissions, reuse of heat generated in the production process, and the reduction and efficient recycling of waste material in order to reduce the burden on the environment. A wide range of certifications confirm these efforts. At the same time, we are working on innovative ideas regarding the materials used in the production process as well as new application techniques.

FLOORING SYSTEMS

Floor coverings are part of our everyday lives and define our living, leisure, and working spaces. Whether as a direct end customer, builder of a major project, architect or installer, for every stakeholder group the topic of sustainability plays an important role in the decision-making process. This is why it is important for Flooring Systems to differentiate itself from its competitors with comprehensible and convincing arguments, including in terms of sustainability.

To do this, we apply the holistic approach of a 'circular economy', placing great emphasis on CO_2 neutrality and foregrounding the concepts of reduce, reuse, renew and recycle especially in operational contexts.

MOVEMENT SYSTEMS
Movement Systems' resource management is based on the continuous improvement of consumption efficiency through the development and the targeted implementation of measures for the optimization of electricity, gas, oil, and water consumption. Alongside ongoing energy-saving measures, energy recovery is an important factor, i.e. the use of energy released in the downstream incineration plant for the purposes of heating. In order to reduce water consumption and avoid unnecessary waste, Movement Systems is increasingly using closed water circulation systems. Some of the waste water can be used in another production step in order to minimize water requirements. The reduction and productive reuse of waste material is increasingly the focus of Kaizen and sustainability initiatives. Cut-offs from the belts we produce in certain countries are sold to other companies to be reused in their production. The locations in North America collect sanding dust in filters which is then processed as material by external partners in their production. Some of the waste from plastic modular belts as well as polyurethane and polyamide cut-offs from flat belts is recycled back into our own production.

Economic dimension
As a listed company, Forbo also engages intensively with the economic dimension of sustainability. Compliance is enormously important for the reputation and positioning of a company. We are successful as a company when we meet the expectations of customers, when employees are enthusiastic and committed, and when we create added value in the long term for our shareholders.

Also in the year under review, we constantly maintained our efforts to ensure responsible conduct: we continued to strengthen awareness especially of the Code of Conduct through e-learning modules and to deepen understanding of competition law, anticorruption guidelines, IT security as well as data protection. We also systematically implemented risk management processes.

ACTIVITY REPORT

TWO DIVISIONS WITH LEADING MARKET POSITIONS

Forbo aims to operate primarily in business areas in which it has or can achieve a leading global market position – something it has achieved for both Flooring Systems and Movement Systems.

Strategic directions

To be successful in the market place as a Group with differently aligned operations, the individual divisions act independently and flexibly, but always along the strategic directions defined for the Group as a whole:

- Based on a pronounced customer focus, a high level of service, innovation, digital transformation, and a strong global brand, we are creating global leadership positions in clearly defined market segments.
- Due to a strong market orientation, we shape markets and drive profitable growth.
- We are developing significant positions in growth markets.
- We are acquiring companies to extend our product range, to consolidate and/or reinforce market access.
- We are developing a high-performance culture and providing the relevant skills and competences at all levels.

Flooring Systems

The Flooring Systems division offers a broad and attractive range of environmentally friendly natural linoleum, high-quality vinyl floors, entrance flooring systems for cleaning and drying shoes, carpet tiles, needle felt, and Flotex, the washable high-tech textile flooring. Thanks to their excellent technical properties and attractive designs, these flooring products are invariably the first choice for public buildings, department stores, hospitals, and other healthcare facilities, schools, libraries, commercial and office spaces, leisure centers, shops, hotels, restaurants, and cafeterias as well as for applications in the residential market. With a market share of about 70 percent, Forbo is the world leader in linoleum.

Flooring Systems also provides ready-made adhesives for floor covering installations, parquet flooring, and ceramic tiles, leveling compounds for the construction industry as well as liquid floors under the trade name Eurocol.

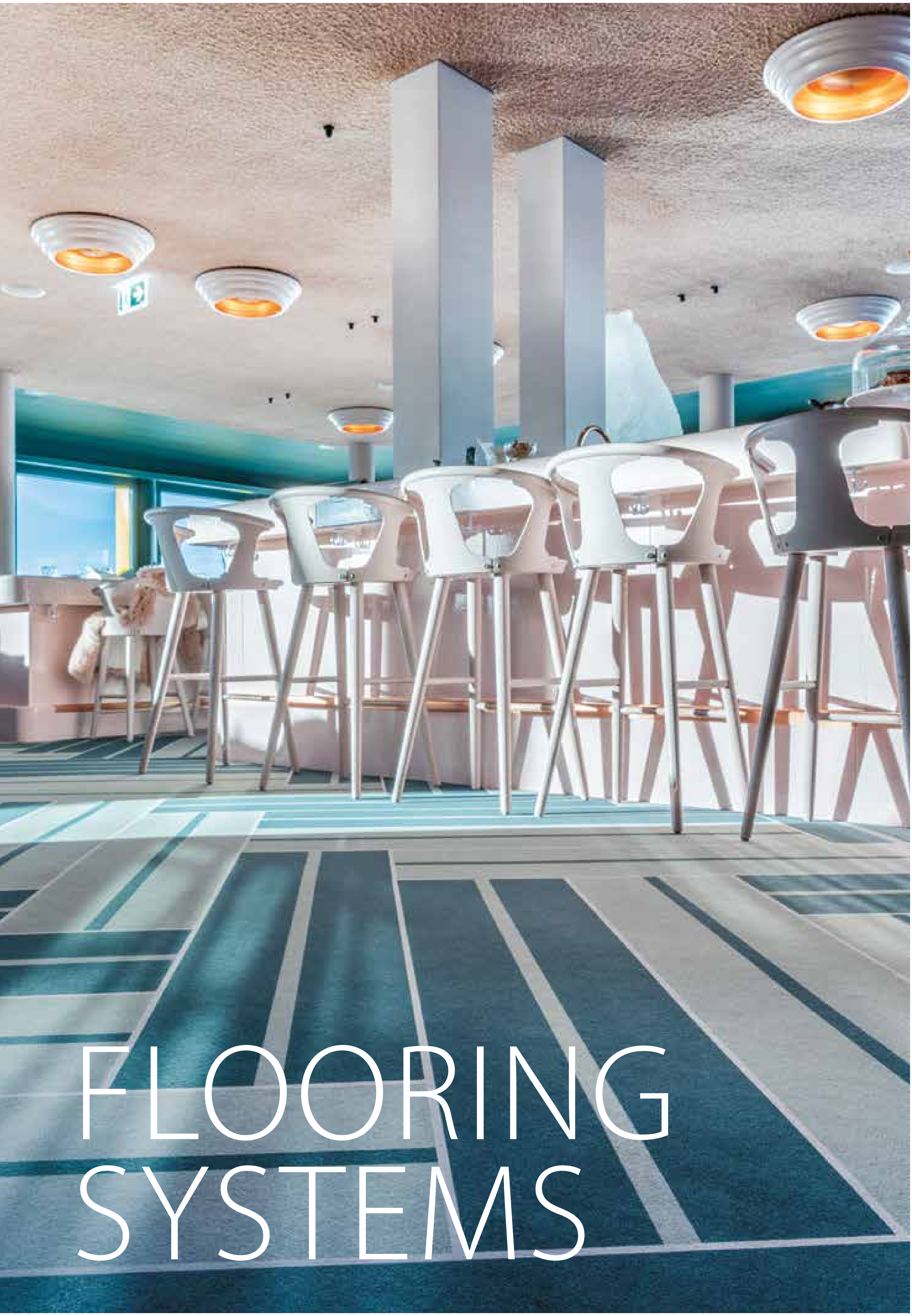
Movement Systems

Movement Systems is a global industry leader for sophisticated conveyor and processing belts, plastic modular belts, top-quality power transmission belts, as well as timing and flat belts made of synthetic materials. These products are known under the brand name Siegling. They are used in a wide range of applications in industry, trade, and the service sector, including conveyor and processing belts in the food industry, treadmill belts in fitness studios, and flat belts in mail distribution centers.


AMBIENCE.


COOPERATION.

FLOORING SYSTEMS



AMBIENCE

IN GOOD HANDS

Every space has its own particular requirements and calls for individual flooring. In ski regions, it is essential that floor surfaces prevent slipping and that they dry as quickly as possible. Our Flotex floor coverings are the perfect answer for such needs. Optimum sound absorption is also indispensable for creating a pleasant atmosphere. Needless to say, our floor coverings provide outstanding resilience and durability, while preventing dust and allergens from collecting. They make everyone feel good all around.

FLOORING SYSTEMS: BROAD-BASED INVESTMENTS

'After getting off to a gratifying start in the reporting year, we were impacted in the spring – especially at production sites in Europe – by the rapid spread of the COVID-19 pandemic. Flexibility was essential – we needed to decide and act fast by adjusting operating processes, especially for the protection of our employees, and by devising new and creative communication channels with our customers. We also had to take action on the cost side owing to the sudden slump in demand, which was significant at times, in order to bring operating and cost structures into line with the situation. The benefit was felt increasingly in the second half. Nevertheless, we held on to our planned investments, continued with strategic projects, and launched attractive collections.'

Jean-Michel Wins
Executive Vice President
Flooring Systems

The Flooring Systems division generated net sales of CHF 757.0 million in the 2020 business year (previous year: CHF 870.5 million), which reflects a decrease of 8.4% in local currencies (– 13.0% in the corporate currency). The division's share of Group sales was 67.7%. Seen over the whole year, COVID-19-related building freezes and postponements of major projects along with the slump in demand that they caused affected our country organizations to varying degrees. Operating profit (EBIT) decreased by 19.1% to CHF 109.9 million (previous year: CHF 135.8 million), mainly because of the decline in sales, reduced capacity utilization of production plants, decreased production efficiency, and negative currency effects. The EBIT margin reduced by 1.1 percentage points to 14.5% (previous year: 15.6%).

Mixed sales trends
While some markets closed out the year at or even above the previous year's sales level, all three regions together posted a decline in sales revenue. The Americas was hardest hit, Europe and Asia/Pacific less so.

The European markets showed a very mixed trend. Our core markets France and the United Kingdom bore the brunt of the slump in demand, which was steep at times. Spain, Italy, and Portugal were also seriously affected. Sales in Switzerland, Poland, and in some Scandinavian countries also declined, but not to the same extent. By contrast, some of our key markets such as Germany and the Netherlands remained practically at the year-back level. Russia posted above-average growth.

In the Americas region, the main market, the USA, reported a decline in sales in line with the division as a whole. Canada, where we grew strongly the previous year, was hit very hard by lengthy building freezes especially in the key regions Quebec and Toronto. Brazil and other, smaller, markets in South America also reported sales decreases.

The picture in Asia/Pacific was just as mixed. In China, demand dropped significantly at times, which was due mainly to project postponements. Most markets in Southeast Asia and Turkey were also weaker. Japan maintained its good performance from the previous year. Australia reported solid growth, as did the growth market South Korea.

The building and construction adhesives activity recorded a gratifying sales growth on the whole. This is mainly based on the fact that building and construction adhesives are also sold in the do-it-yourself sector, and this sector hardly felt any impact from the pandemic in our three main markets, the Netherlands, Germany, and Russia.

Attractive new collections

In the year under review, despite the exceptional circumstances, we developed and launched attractive, high-quality collections.

In the linoleum unit, we supported the collection launched the previous year with a global online campaign that underligned sustainability and CO_2 neutrality in particular. At the same time, we worked on various attractive innovations that will be incorporated into future collections.

Our greatly expanded 'allura' collection of luxury vinyl tiles offers new color ranges, trendy designs, sound-absorbing versions, and additional formats that enable us to meet the growing demand for simple floor-laying options. There are three different installation methods: fully adhered, click systems, or loose lay. This maximizes flexibility for attractive design and rapid installation especially in retail, hospitality and office buildings. In our new collection 'under control', for the first time we are offering an all-round solution of homogeneous vinyl floor coverings that dissipate or remove electrostatic charges.

In textiles, Flotex 'naturals' – our washable, high-tech floor covering – convinces with new, high-quality wood designs in digital printing quality. Two new carpet tile collections – Tessera 'earthscape' with a comfortable pile and 'structure 1', based on an innovative microtufting technology – are designed primarily for the office segment.

Varying development among product groups

In line with the sales trend, the different product groups also reported lower sales, though to differing degrees. Linoleum floor coverings and the versatile and application-specific vinyl floor covering collections posted smaller sales decreases than textile floor coverings did. Homogeneous vinyl floor coverings developed positive; having recorded steady growth since their introduction over the last three years, their sales in 2020 were on a par with the previous year.

Targeted investments in diverse areas

In addition to numerous initiatives to enhance the product portfolio, we invested in renewals at various production plants with the aim of developing new products and promoting innovations but also of modernizing and streamlining production processes. This invariably also involved ecological improvements.

The linoleum drying kilns at the production plant in the Netherlands were renewed by means of a sustainable ventilation system that further reduces both energy consumption and CO_2 emissions. Each kiln is 50 m long, 5 m wide and 20 m high and lends the freshly produced floor coverings the right hardness and flexibility in accordance with the product specifications. At the same time, various process control systems were modernized with the latest technologies, and the coating plants at the facilities in the Netherlands and in Scotland underwent technological renewals.

A new building was erected at the manufacturing site for vinyl floor coverings in France; it brings together under one roof all quality control and research & development operations with labs, test rooms and offices and it serves at the same time as a global center of excellence for vinyl floor coverings. New equipment for special embossing effects for vinyl floor coverings at the Netherlands site will increase efficiency since in future it will save one entire process step.

At the building and construction adhesives production site in Russia, a new plant for the manufacture of reactive adhesives was built; these adhesives are used for installing wood and sports flooring as well as artificial turf.

Furthermore, we continued to pursue targeted growth opportunities by founding a sales company in Ukraine and opening a new warehouse in Poland.

Good foundation for renewed growth

In addition to the known challenges and volatile market conditions brought about by COVID-19, we will also have to deal in particular with the consequences of Brexit. As we are directly affected by reason of our production setup in the United Kingdom, we have made extensive preparations in order to minimize negative consequences from Brexit.

Our focus is on ensuring global availability of a varied product portfolio with attractive and some new collections for 2021, combined with a reliable customer and delivery service as the basis for sustainable growth. At the same time, we must remain flexible through prudent cost management that is adapted to the current circumstances.

DESIGN AND FUNCTIONALITY

Floor coverings from Forbo combine functionality and high product quality with innovative designs, and thus ensure a sustainable enhancement of interiors that are created to meet the needs of the users. With every new development we make our products and production processes more environmentally-friendly, while fulfilling the maximum in functional requirements. Thanks to the active exchange with designers, architects, building owners and suppliers, we have our finger on the pulse of technical innovation and design trends.

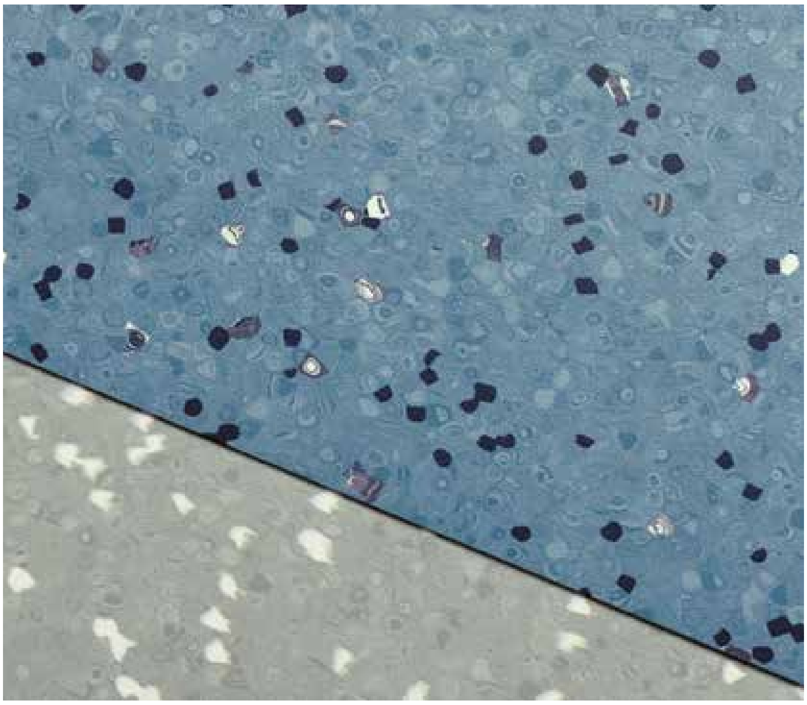
Many of our new developments are aimed at the private sector commercial segment, based on tried-and-tested and new production and digital print technologies. They combine trendy designs, diverse color ranges and embossed textures in sustainable materials. Inspired by trends and nature, in the reporting year we also developed some attractive innovations for diverse applications.

Textile diversities

Through the combination of a flocked surface with a robust, water-proof vinyl back, Flotex combines the advantages of textile and elastic floor coverings to give it very diverse and functional properties such as hardwearing, dirt-repellant, noise-absorbent, allergy-friendly, anti-slip and easy cleaning. The new collection Flotex 'planks' consists of planks in the format 100 × 25 cm in natural colors and tone-in-tone designs that can be harmoniously coordinated or laid as a deliberate contrast. Flotex 'naturals' is a sheet product with trendy designs in natural colors and high-quality wood designs as tiles or in plank look, created with the aid of high-resolution digital print technology. Preferred application areas include

FLOTEX 'NATURALS'

FLOTEX 'PLANKS'



HOMOGENEOUS VINYL FLOOR COVERINGS 'SPHERA'

TESSERA CARPET TILES 'EARTHSCAPE'

offices, care facilities, gastronomy and the retail industry.

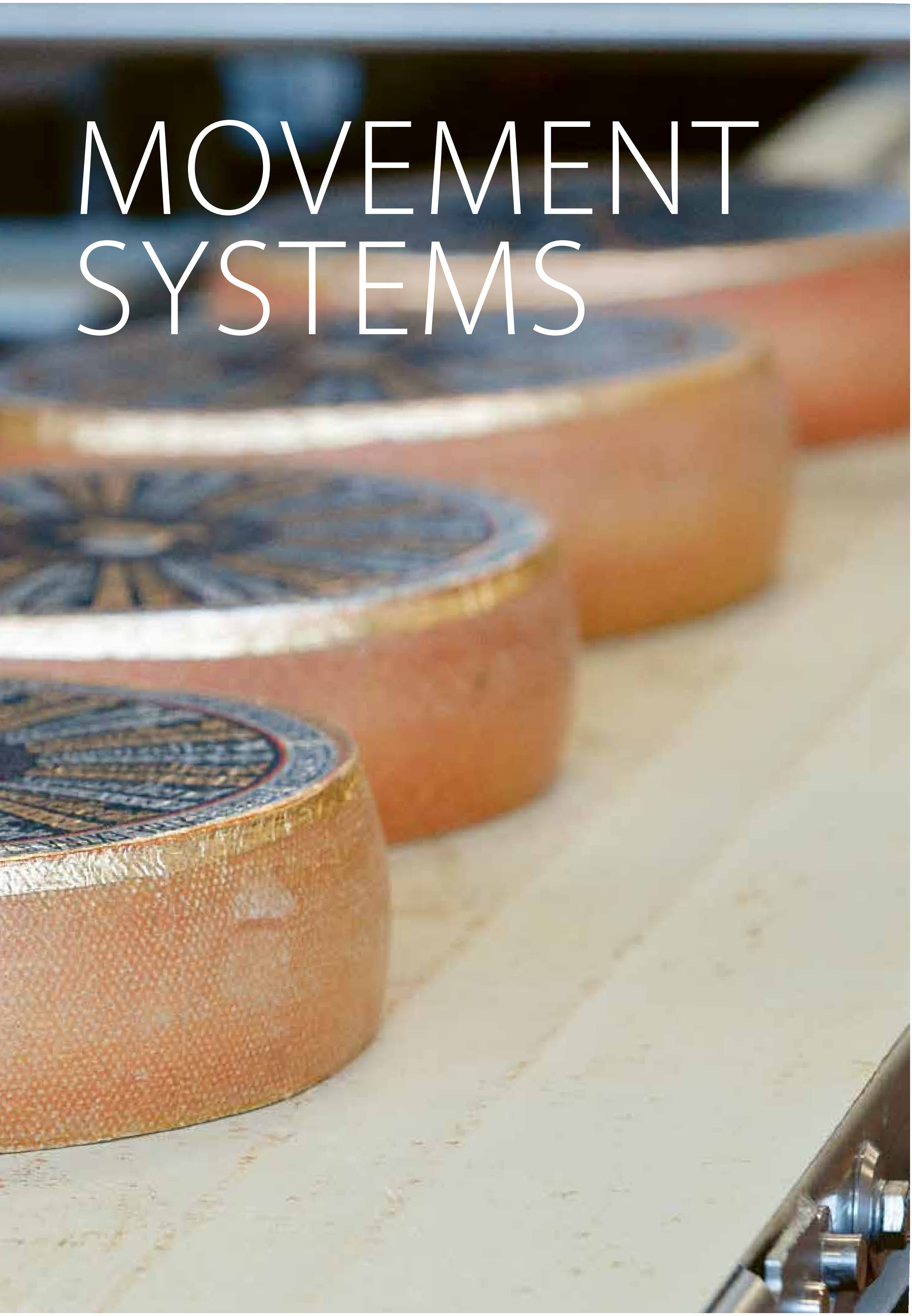
The two new carpet tile collections are also conceived for heavily frequented commercial areas and meet the highest demands in terms of design and functionality. Tessera 'earthscape' offers a comfortable and high-grade pile in different heights and twelve natural, warm color shades, and contains 57 percent recycled material. It can also be perfectly combined with luxury vinyl tiles. Tessera 'struktur 1' is based on a microtufting technology which is flat, very compact and robust, and perfect for timeless and minimalistic designs. It is available in 18 various colors and contains 65 percent recycled material. Both collections are perfect for office areas, and 'struktur 1' in particular for gastronomy environments too.

Special vinyl floor coverings for particular applications

The new collection 'under control' is a complete solution of homogeneous vinyl tiles that can lead off electrostatic charges horizontally or dissipate them, fulfills the maximum requirements in terms of hygiene, and is extremely resistant and hardwearing. The collection combines established and new Colorex and Sphera floor coverings used for specific applications in the healthcare sector or in the producing industry with electronic components. The brownish color Assuan is used mainly in operating theaters so that stains of a frequently used disinfecting agent remain invisible. Colorex 'glow' continues to give off phosphorescent light for up to four hours after the light is switched off.

'NATURE – A CONTINUING TREND'

MOVEMENT SYSTEMS



COOPERATION

SEAMLESSLY CLEAN

Dairy and dairy products have very special demands on our belts, particularly with regard to hygiene. By sealing the belt edges, for instance, we reduce the risk of product contamination. Good release properties are essential, as is resistance to hydrolysis. With individual surface textures and structures we develop the ideal conveyor belt for every step in the process – from portioning to filling and packaging – and ensure that everything is perfectly hygienic and runs smoothly.

MOVEMENT SYSTEMS: ATTRACTIVE AND VERSATILE INNOVATIONS

‘At Movement Systems too we had to cope with a whole range of local COVID-19 situations at different times. Given our global production setup, our main concern was to protect the health of our employees at our manufacturing and assembly plants, and at the same time we faced the challenge of maintaining operational flexibility and functioning supply chains. The absence of personal contact with our customers for the crucial step of technical consulting on our innovative products was an added restriction. Furthermore, we had to implement individual measures to minimize the negative impact on productivity and costs. We continued at the same time to carry out strategic projects by expanding capacity of the successful product line of plastic modular belts while developing and building up a new product line for homogeneous belts.’

Marc Deimling
Executive Vice President
Movement Systems

The Movement Systems division generated net sales of CHF 360.7 million in the year under review (previous year: CHF 411.7 million), which reflects a year-on-year decrease of 7.4% in local currencies (– 12.4% in the corporate currency). The division’s share of Group sales was 32.3%. With only a few exceptions, all markets reported a decrease in sales, though to varying degrees. Operating profit (EBIT) reduced by 27.9% to CHF 35.9 million (previous year: CHF 49.8 million), as a result of the decline in sales, negative currency effects, and the high proportion of fixed costs. We optimized shift work and operating structures in production and assembly in line with the reduced capacity utilization and instituted prudent cost management; together, these measures made themselves felt mainly in the second half. The EBIT margin declined by 2.1 percentage points in the reporting year to 10.0% (previous year: 12.1%).

Demand slumped in China as early as the extended Chinese New Year

Given our global production setup, we felt the first effects of the pandemic as early as the spring of 2020, which then triggered local slumps in demand. While some markets closed out the year at or even above the previous year’s sales level, all three regions together posted a decline in sales revenue. The Americas was hardest hit, Europe less so, and Asia/Pacific least of all.

In Europe, the key market Germany posted a decline that was by and large in line with the division as a whole. Italy was confronted with very strong falls in demand at times but managed to recover somewhat in the fourth quarter. Other key markets such as Spain, France, and the United Kingdom endured the slump until the end of the year; Switzerland and the Scandinavian countries were less affected. Russia deserves mention as a positive exception.

The Americas region was dominated by trends in the core market, the USA, which was very hard hit especially in the second and third quarters. Sports treadmills – a very important segment in the USA – stalled at times, as did other activities in airports and in industrial manufacturing. On the other hand, Canada posted a slight decrease, while Mexico, a growth market, stayed at the previous year’s level owing to the high proportion accounted for by the food segment.

Trends in Asia/Pacific were dominated by the main market, China, which was hit very hard in the first quarter, though it recovered completely in the second half and reported sales growth for the year as a whole. Japan showed increasing signs of a slump in the second half and was down for the year as a whole. Australia remained more or less at the year-back level. Even growth markets such as India were very seriously impacted at times; Thailand and Turkey are positive exceptions.

The food segment defies the pandemic

The food segment, which is the most resistant to economic fluctuations, reported marginal growth. Sales in the logistics segment trended near the previous year's level. On the one hand, we felt a marked slump in demand in the area of airport infrastructure but, on the other, this decline was offset by strong growth from package distribution centers, an upturn that was driven by e-commerce. The pandemic-related restrictions at times seriously affected an equally important segment for us, industrial manufacturing, especially the automotive industry. Paper and printing, raw material processing, and textiles were three segments that posted close to a double-digit percentage decline in demand. One segment that was particularly affected was sports treadmills, which are widely used in fitness centers owing to their durability. The tobacco segment reported a slight increase in sales owing to large-scale projects in Asia/Pacific.

Application-specific innovations

Despite all the many challenges in the year under review, we launched innovative products for a very wide range of customer segments in all product groups.

Deserving of particular mention are the Extremultus and Transtex belts for logistics applications, which are suitable for use in low-temperature areas, particularly in open, unheated distribution centers or cold-storage rooms. We also innovated in Transilon belts for customer-specific industrial applications: a highly conductive belt for the manufacture of flat screens and smartphones; a robust and wear-resistant belt for ultrasound cutting machines for cutting floor coverings, leather or sporting goods such as snowboards; a belt featuring above-average cut resistance for use in the processing of sharp-edged materials in the steel, automotive, and recycling industries; and, not least, innovations for the food industry. Here we developed two new belt types suitable for the transport of unpackaged foods, which are particularly advantageous for processing dough in industrial bakeries. The new Prolink plastic modular belt series 18, which has a porous surface ensuring good air circulation and drainage, also has a multitude of uses in the food industry.

Investments in growing product groups

While continuing to invest in development and expansion in growth markets, we also invested in new technologies and efficiency-enhancing measures in various assembly and production plants.

A major manufacturing plant in the USA was comprehensively modernized so as to be able to produce new articles for the logistics segment. In Germany, we installed a new roller bearing system in the fabric warehouse of the production plant for 5-meter wide Transilon belts. At the Extremultus site in Switzerland, the thermal oil plant for the presses and coating equipment was completely overhauled and retrofitted with a new control unit and pump.
The division invested substantial amounts in the development and construction of a new product line for homogeneous belts, which involved erecting a new plant at a custom-built production site in Germany. The market rollout is planned for mid-2021, and the new products are aimed primarily at the food industry. In Denmark, we installed additional injection molding machines for the production of Prolink plastic modular belts, a product line that is growing faster than average and features a focused offering for the food industry. The construction of a new building for warehousing/logistics, quality control, and administration will ensure space for a future expansion of capacity.

The companies founded in Poland and Colombia by end of 2019 were built up successfully. In Poland, we took over the operations of a former distributor in mid-2020, while our new local assembly plant in Colombia now supplies neighboring countries.

The focus is on a return to growth

Based on the wide-ranging and above-average investments made both in the reporting year and in past years, we will continue to launch innovative products for growing customer segments and further expand our service offering even in the currently difficult market conditions. We will also focus on streamlining and optimizing the planning of our operating structures, optimizing material flows, and implementing strict cost management.

APPLICATION-SPECIFIC INNOVATIONS

Wherever drive forces are transmitted and automated production and conveyance processes running smoothly, Movement Systems is usually not far away. Our solutions for different constellations and requirements in various industries are known for their innovation, precision, reliability and economy. With our know-how we have profiled ourselves as a competent partner for the development of industry-specific and individual solutions.

Our application know-how in customer-specific production and processing offers customers the corresponding advantages and helps them to improve efficiency. Inspired by these experiences, in the reporting year we also developed various innovations for very different customer segments.

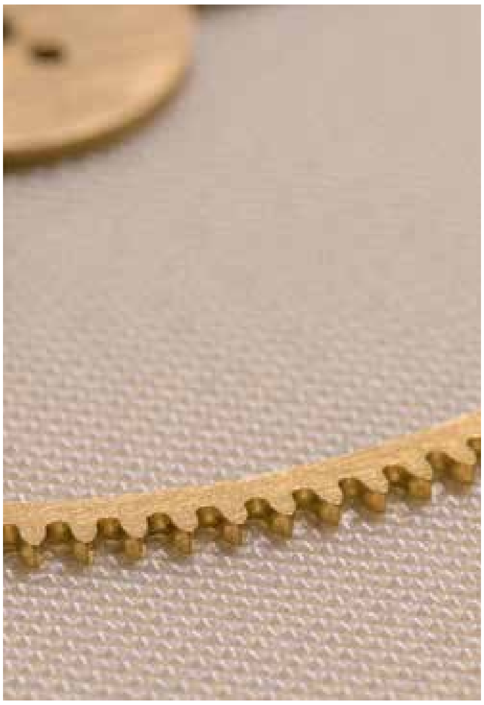
Hygiene-sensitive applications in the food-processing industry

As diverse as the foods are that are conveyed on belts in production, processing and packaging, the various belt solutions and surface coatings are just as specific for these individual requirements, ensuring efficiency, quality, hygiene and the gentle conveyance of the foods. Our innovations combine these advantages over various product lines:

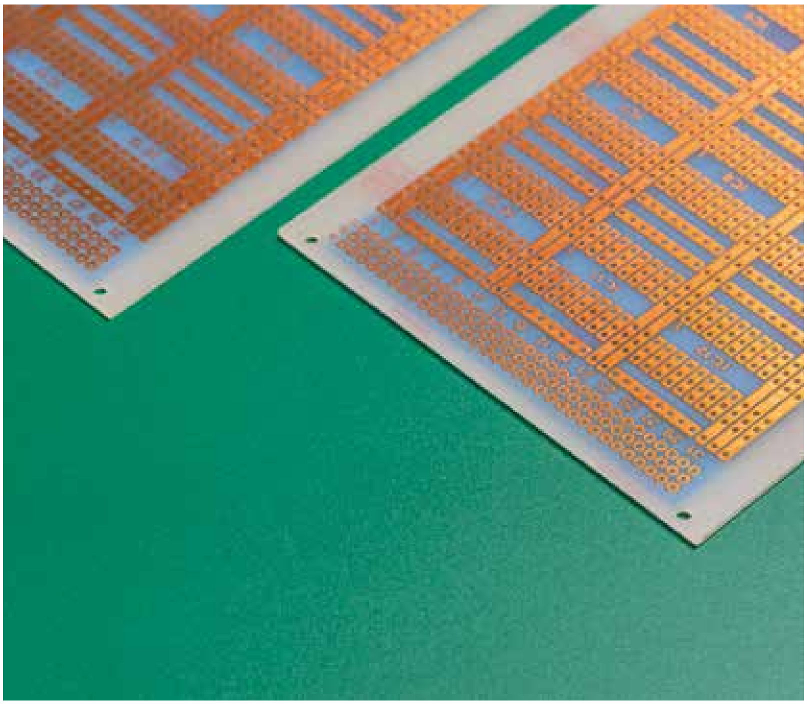
The new Series 18 of Prolink plastic modular belts is lightweight and suitable for straight systems and for process lines with curves. With its permeable surface for good air circulation and drainage, it is especially versatile, with a narrow grid structure suitable for the conveyance of small food articles packed or unpacked. It is especially suitable for use in industrial bakeries for bread, cookies and sweet pastries, on packaging lines or in the processing of meat, vegetables and seafood.

TRANSILON CONVEYOR BELT

PROLINK PLASTIC MODULAR BELT SERIES 18



TRANSILON CONVEYOR BELT



TRANSILON CONVEYOR BELT FOR THE ELECTRONICS INDUSTRY

Two new Transilon belt types with semi-elastic fabric and varying surface textures were developed for the conveyance of unpacked foods that demonstrate their advantages in particular in industrial bakeries for dough processing such as croissants, pastries and breads. The belt material is resistant to hot water and especially suitable for frequent cleaning.

Customer-specific industrial applications
Other newly developed Transilon belt types have very varied and robust properties for specific industrial applications. In the electronics industry a highly conductive green belt avoids electrostatic discharges in the production of flat screens, Smartphones or chip assemblies. This protects the components from electrical damage and accumulation of dust so that production interruptions that this might otherwise cause can be prevented. The grip offered by the matt surface allows exact positioning, and the color contrast is easy on the eyes so that the usually small and dark components can be readily recognized in the quality control.

‘SURFACES THAT MAKE THE DIFFERENCE’

Two beige belts with above-average cut-resistance are proving themselves in various production applications and in the steel, automotive and recycling industry. An especially hardwearing belt for ultrasound cutting machines with a thick polyurethane surface is used in systems for cutting composite materials, floor coverings, leather and sport articles such as, for example, snowboards. The surface structure prevents slipping of the product on the belt. Another belt is used in the production of often small and angular metal parts to carry off stamping waste or pressed parts.

ORGANIZATION

EXECUTIVE BOARD

Marc Deimling, Stephan Bauer, Urs Uehlinger, Jean-Michel Wins

Stephan Bauer

Chief Executive Officer

Stephan Bauer was born in 1961 and is a German citizen. He took a degree in Engineering and Management at the Munich University of Applied Sciences (FH) and began his professional career at BMW in Munich in 1987 as a project manager for the launch of new vehicle models. From 1991 to 2008 he worked for Siemens VDO Automotive AG (which became Continental Automotive in 2007) in various regional and global management positions in the field of sales and marketing and general management. In 2004 he was appointed CEO of Diesel Systems. From 2008 to 2013 Stephan Bauer was CEO and President Control Products & Systems at the Siemens Building Technologies division, where he was responsible for the entire product spectrum. He joined our company in September 2013 and took over the position of Chief Executive Officer and Chairman of the Executive Board of the Forbo Group as of January 2014.

Urs Uehlinger

Chief Financial Officer

Urs Uehlinger was born in 1966 and is a Swiss citizen. He completed his studies in economics at the University of Zurich with the degree lic. oec. publ. From 1994 to 2001, he worked for ABB Brown Boveri, where he was in audit and finance functions for almost three years before being appointed CFO in two Group companies, one for three years, the other for a year. From 2001 to 2004, he was self-employed as the owner of Uehlinger & Partner, with mandates relating to CFO tasks. From 2004 to 2016, he held various positions at Siemens Building Technologies: for four years he was head of Risk Management, in the three following years CFO of the HVP Heating & Ventilation Products business unit, and then for five years CFO of the CPS Control Products & Systems business unit. Urs Uehlinger joined the Forbo Group in January 2017 and, after an introduction period, took over the function of Chief Financial Officer and was appointed to the Executive Board effective May 2017.

Jean-Michel Wins

Executive Vice President Flooring Systems

Jean-Michel Wins was born in 1967 and is a Belgian as well as German citizen. He studied business administration and languages at the IPET in Nivelles, Belgium, and began his professional career in Germany at Calberson GmbH, where he held various specialist functions. He then moved to Simut Sicherheit GmbH for two years, where he was in charge of sales and marketing. From 1992 to 1996 he was Export Manager at Brabus GmbH and from 1996 to 2002 he held various sales and managerial functions at Hirschmann Electronics. In 2002 he switched to Grammer AG, headquartered in Germany, where he held a number of international sales and senior management positions; in 2009 he was appointed Vice President responsible for the Offroad Seating Business Unit. As a member of the Executive Board, Jean-Michel Wins took over management of the Movement Systems division in January 2013. He was appointed as Head of the Flooring Systems division in January 2018.

Marc Deimling

Executive Vice President Movement Systems

Marc Deimling was born in 1970 and is a German citizen. He holds a degree in economics from the Westphalian Wilhelm University in Münster, Germany, and launched his professional career as assistant to the management of M-Tec Textilmaschinenbau GmbH. In 1999 he moved to Dörries Scharmann Technologie GmbH for six years, where he was head of the Service Division. From 2005 to 2008 he was a member of management at Gehring GmbH, where he was responsible for the areas of distribution, project planning, project management, production, after sales and marketing. He was then Chief Executive Officer at TMS Turnkey Manufacturing Solutions GmbH in Austria until the end of 2017, where he was responsible for finance/controlling, IT, procurement, design, production, quality, after sales and marketing. Marc Deimling was appointed to head the Movement Systems division as a member of the Executive Board in January 2018.

GROUP STRUCTURE

Forbo has performed better than average in comparison with other listed companies in recent years. Today, with its two focused divisions and their attractive product portfolios, Forbo is a world leader in its markets. The company has no debt and possesses significant resources necessary for further strategic development. Its strategy aims to continue the successful trend of recent years on the one hand and, with the available resources, to further strengthen our positions in the global marketplace on the other.

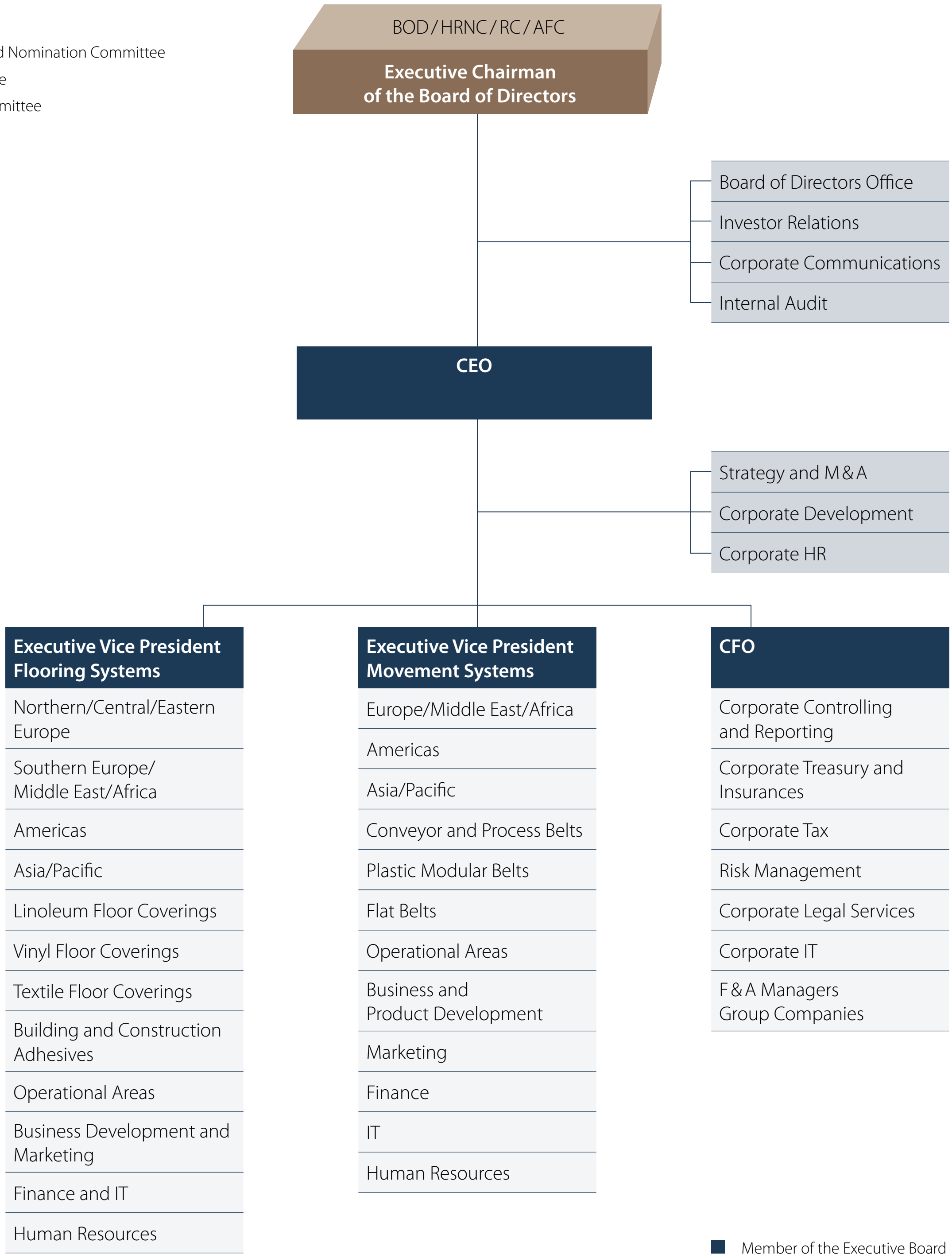
Tasks of the Executive Chairman of the Board of Directors

- Leading the Board of Directors
- Preparing the decisions of the Board of Directors and ensuring they are executed
- Representing and positioning the Group in the public
- Overall management of strategy development and involvement in realizing key strategic projects
- Management of relationships with key accounts and business as well as sector and capital market partners

Tasks of the Chief Executive Officer

- Operational management of the Group
- Leading the Executive Board
- Development and operational implementation of the strategies
- Implementation and monitoring of multi-year planning and budgets
- Supporting the Executive Chairman of the Board of Directors in preparing important projects relating to strategy as well as personnel and finances for discussion and decision-taking by the Board of Directors

BOD Board of Directors
HRNC Human Resources and Nomination Committee
RC Remuneration Committee
AFC Audit and Finance Committee



BOARD OF DIRECTORS

Dr. Reto Müller, Dr. Peter Altorfer, This E. Schneider, Claudia Coninx-Kaczynski, Michael Pieper, Vincent Studer

This E. Schneider
Executive Chairman

Member of the Board of Directors of Rieter Holding AG, Winterthur
Member of the Board of Directors of Autoneum Holding AG, Winterthur

Michael Pieper
Vice Chairman

Owner of the Artemis Holding AG, Hergiswil
Chairman of the Management Board of Artemis Group, Hergiswil
Member of the Board of Directors of various Artemis and Franke subsidiaries worldwide
Member of the Board of Directors of Arbonia AG, Arbon
Member of the Board of Directors of Bergos Berenberg AG, Zurich
Member of the Board of Directors of Rieter Holding AG, Winterthur
Member of the Board of Directors of Autoneum Holding AG, Winterthur
Member of the Board of Directors of Reppisch-Werke AG, Dietikon

Dr. Peter Altorfer
Vice Chairman, Lead Independent Director

Partner at the law firm Wenger & Vieli AG, Zurich
Member of the Board of Directors of BIH SA, Rapperswil-Jona
Member of the Board of Directors of Privatbank Bellerive AG, Zurich
Vice Chairman of the Board of Directors of Nomura Bank (Schweiz) AG, Zurich
Member of the Board of Directors of H. Kracht's Erben AG, Zurich
Member of the Board of Directors of Sanatorium Kilchberg AG, Kilchberg
Further mandates with non-listed investment and real estate companies
as well as charitable foundations in Switzerland

Claudia Coninx-Kaczynski
Member

Member of the Board of Directors of Swisscontent AG, Zurich
Member of the Board of Directors of Awina AG, Zurich
Member of other Boards of Trustees

Dr. Reto Müller
Member

Partner at BLR & Partners AG, Thalwil
Chairman of the Board of Directors of Utz Holding AG, Bremgarten
Member of other Boards of Directors and Advisory Boards

Vincent Studer
Member

Partner, member of the Board of Directors and of the management of T + R AG, Gümligen/Berne
Member of the Board of Directors of Bank EEK AG, Berne
Member of other Boards of Directors or Boards of Trustees

THE FORBO SHARE

THE FORBO SHARE

2020 started with prices rising on the stock market. The trend weakened appreciably toward the end of February when news of the COVID-19 pandemic began to unsettle the markets. For a while in March, the stock markets were even trading far below the previous year's year-end levels, but then they rallied in the same month and by the summer they had already made up the losses from earlier in the year. Thereafter the markets moved sideways, a trend that was only briefly interrupted at the end of October by a further round of bad news occasioned by the second COVID-19 wave. However, the markets already recouped their losses by the first half of November.

The Swiss Performance Index (SPI) was up 5 percent after mid-February 2020 – and less than four weeks later it was down 22 percent. By July, the SPI had climbed back to the level it had reached at the start of 2020, but a few months later, in October, the index was once again in the red, this time by more than 6 percent. A strong rally then set in at the beginning of November, and the SPI closed out the year 2020 at 13,328 points.

The Forbo share largely tracked the performance of the SPI. The price losses in March, however, were higher than average, and the share was unable to catch up completely by year-end. The Forbo share closed out the year at CHF 1,518.

For a number of years now the performance of the Forbo share has been steady and above average. Since the end of 2005, the share has outperformed the SPI on average in two years out of three. In this period, the Forbo share has generated four times as much value growth as the SPI (taking dividend distributions into account).

The Forbo share in comparison to the SPI

Share capital

		2020 number	2019 number	2018 number	2017 number	2016 number
Issued registered shares[1]		1,650,000	1,650,000	1,800,000	1,800,000	1,800,000
Thereof:						
Shares outstanding		1,579,235	1,601,315	1,601,718	1,704,444	1,709,844
Share buyback programs		0	0	150,000	63,105	0
Other treasury shares		49,346	27,266	26,863	11,032	68,737
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		165,000	165,000	180,000	180,000	180,000
Thereof:						
Shares outstanding		157,924	160,132	160,172	170,444	170,984
Share buyback programs		0	0	15,000	6,311	0
Other treasury shares		4,935	2,727	2,686	1,103	6,874
Reserve shares (without dividend rights)		2,142	2,142	2,142	2,142	2,142

Data per share

		CHF	CHF	CHF	CHF	CHF
Group shareholders' equity per share[2]		429	422	354	383	364
Group profit per share (undiluted)[2] [3]		66.6	86.3	82.4	22.4	74.7
Gross dividend and cash distribution		20.0[4]	23.0	21.00	19.00	19.00
Gross dividend yield (in %)[4] [5]	High	1.2[4]	1.3[5]	1.3[5]	1.1[5]	1.4[5]
	Low	1.9[4]	1.7[5]	1.6[5]	1.4[5]	2.0[5]
Payout ratio[6] (in %)		30	27	25	85	25

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	1,729	1,799	1,620	1,669	1,367
	Low	1,044	1,353	1,302	1,313	960
	Year-end	1,518	1,648	1,381	1,505	1,313
Market capitalization (m)[7]	High	2,853	2,968	2,916	3,004	2,461
	Low	1,723	2,232	2,344	2,383	1,728
	Year-end	2,505	2,719	2,486	2,709	2,363

1) Par value per share in 2020, 2019, 2018, 2017 and 2016: CHF 0.10.
2) Based on the weighted average of the number of shares as set out in note 11 'Earnings per share' on page 114 of the financial report.
3) See note 11 'Earnings per share' on page 114 of the financial report.
4) Proposal of the Board of Directors to the 2021 Ordinary General Meeting.
5) Calculated on the basis of a cash distribution in the form of a dividend.
6) Gross cash distribution as a percentage of Group profit.
7) Total number of shares multiplied by the corresponding share price.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE BERICHT

At Forbo, the concept of corporate governance encompasses the entire set of principles and rules on organization, conduct, and transparency that are designed to protect the company's long-term interests. Forbo's aim is to strike a careful balance between management and control. The central rules are contained in the Articles of Association, the Organizational Regulations, and the Regulations of the Committees of the Board of Directors. The following information is set out in line with the Directive on Information relating to Corporate Governance ('DCG') and the relevant publications of SIX Swiss Exchange.

Group structure and shareholders

Group structure

Forbo Holding Ltd, domiciled at Lindenstrasse 8, 6340 Baar, is a limited company under Swiss law. The holding company holds all subsidiaries, directly or indirectly, that belong to the Forbo Group. The shares of Forbo Holding Ltd (security number 000354151/ISIN CH0003541510) are listed on SIX Swiss Exchange. A financial overview of the Forbo Group (including market capitalization) can be found on page 17. The operational structure of the Group is shown in the organizational chart on page 47. The scope of consolidation of Forbo Holding Ltd does not include any listed companies. The non-listed companies within the scope of consolidation of Forbo Holding Ltd are listed in the section 'Group companies' starting on page 134 in the financial report section. The company name and domicile, share capital, and percentage of participation, along with information relating to the allocation of the Group company to the Group's businesses, can also be found in that section of this Annual Report.

Significant shareholders

As of December 31, 2020, 4,026 shareholders were listed in the share register of Forbo Holding Ltd, or 63 (1.6%) more than in the previous year. As of December 31, 2020, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2020 as a percentage
Michael Pieper[1)]	29.51%
Forbo Holding Ltd[2)]	4.29%
UBS Fund Management (Switzerland) AG	3 – 5
Credit Suisse Funds AG	3 – 5

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.
2) Forbo Holding Ltd holds its shareholding directly and indirectly via Forbo International SA and Forbo Management SA.

Disclosure of significant shareholders and significant shareholder groups and their holdings is effected in accordance with the disclosure notices made in the year under review pursuant to Article 120 of the Financial Market Infrastructure Act (FMIA) and the provisions of the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIO-FINMA).

Below is a summary of the current notified shareholdings published in the year under review:

On March 12, 2020, Forbo Holding Ltd reported that it had reached the threshold of 3% and that it held 49,500 of its own shares, corresponding to 3.00% of the voting rights, directly or indirectly via Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland.

On April 24, 2020, Credit Suisse Funds AG reported that it had exceeded the 3% threshold and held 49,851 shares, corresponding to 3.02% of the voting rights.

On August 29, 2020, UBS Fund Management (Switzerland) AG reported that it had fallen below the 5% threshold and held 82,355 shares, corresponding to 4.99% of the voting rights.

On September 17, 2020, BlackRock, Inc. reported that it had fallen below the 3% threshold and that it held 47,231 shares and 836 voting rights for exercise at its own discretion, corresponding to 2.91% of the voting rights. BlackRock Inc. further reported that it held 31 sales positions in connection with contracts for difference, corresponding to 0.002% of the voting rights.

Full disclosure reports and all further published disclosure notices can be consulted on the publication platform of the disclosure office of the SIX Swiss Exchange (www.ser-ag.com → Fundamentals → Notices Market Participants → Significant Shareholders).

For further information on significant shareholders or shareholder groups, we refer the reader to the table on page 56 and to page 152 of the financial report (duty of disclosure pursuant to Article 663c of the Swiss Code of Obligations [CO]).

Cross-shareholdings
Forbo Holding Ltd has not entered into any cross-shareholdings with mutual capital shareholdings or voting rights.

Capital structure

Share capital
As of December 31, 2020, Forbo Holding Ltd had a fully paid up share capital of CHF 165,000, divided into 1,650,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

- 70.49% were registered in the name of 4,000 shareholders with voting rights
- 24.85% were shares of banks or of SIX SIS AG pending registration of transfer
- 4.66% were registered in the share register without voting rights

There are no different categories of shares. Each share entitles the owner to one vote. Further information on the Forbo share can be found on pages 52 and 53. Further information on the rights of participation associated with the Forbo share can be found on pages 67 and 68 of this Annual Report.

By resolution of the Ordinary General Meeting of Forbo Holding Ltd on April 5, 2019, the Board of Directors was furthermore authorized to buy back 10% of the share capital over a period of three years either via a second trading line on SIX Swiss Exchange or by another means. These shares will be definitively canceled. The Board of Directors had not made use of this authorization by December 31, 2020.

Conditional and authorized capital
Pursuant to Clause 4 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting), Forbo Holding Ltd has a maximum conditional capital of CHF 16,645, corresponding to 166,450 registered shares to be paid up in full with a par value of CHF 0.10 each. If the conditional capital were drawn on in full, the share capital would increase by CHF 16,645, or 10.09%, from the current level of CHF 165,000 to CHF 181,645. The capital increase takes place in accordance with the Articles of Association through the exercise of option and convertible rights granted in connection with the bonds issued by the company or one of its subsidiaries, or through the exercise of option rights granted to shareholders. Except for shareholder options, shareholders have no right of subscription. Holders of option or convertible rights are entitled to subscribe to new share issues. The registration of new shares is subject to the general restriction set out in Clause 6 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting), which stipulates that shareholders are entered in the share register with voting rights only if they declare expressly that they have acquired the shares in their own name and for their own account.

There is no authorized capital.

Changes in capital
No changes to the capital of Forbo Holding Ltd were made in 2020.

The Ordinary General Meeting of Forbo Holding Ltd on April 5, 2019, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 15,000 from CHF 180,000 to CHF 165,000 by canceling 150,000 shares with a par value each of CHF 0.10. It was further resolved to amend the Articles of Association accordingly. The capital reduction was effected, and the new share capital of CHF 165,000 was entered in the Commercial Register on June 27, 2019.

No changes to the capital of Forbo Holding Ltd were made in 2018.

Participation certificates and non-voting equity securities ('Genussscheine')
Forbo Holding Ltd has issued neither participation certificates nor non-voting equity securities.

Limitations on transferability and nominee registrations
Forbo Holding Ltd does not have any percentage limitations on voting rights. The Board of Directors may only refuse to register shares in the share register if the purchaser of the shares does not expressly declare that he/she has acquired the shares in his/her own name and for his/her own account.

Pursuant to Clause 6 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting), nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. Over and above this limit, nominees are only entered provided the name, address, and shareholding of those persons are disclosed for whose account the nominee holds a total of 0.3% or more of the registered share capital entered in the Commercial Register.

No statutory privileges exist and there is no restriction on the transferability of the shares of Forbo Holding Ltd.

Convertible bonds and warrants/options
Forbo Holding Ltd has no outstanding convertible bonds nor has it issued any marketable warrants/options. Details on the long-term incentive plan for the Executive Board, introduced in 2017, under which future subscription rights are outstanding, can be found on pages 82 to 86 as well as on pages 124, 125 and 133 of this Annual Report.

Board of Directors

Members of the Board of Directors
The cut-off date for the following information is December 31, 2020.

The Board of Directors brings together expertise and competencies in all the relevant areas (in particular entrepreneurial skills and leadership, industry and technology, sales and distribution, international markets, sustainability, innovation, digitization, risk management, audit and financial know-how).

With the exception of This E. Schneider, Executive Chairman of the Board of Directors, none of the members of the Board of Directors listed below holds or has held any operational management positions for Forbo Holding Ltd or its Group companies. In the three business years preceding the reporting period, no member of the Board of Directors was a member of the Executive Board of Forbo Holding Ltd and, with the exception of This E. Schneider, no Board of Directors member sat on the Executive Board of any of its subsidiaries. There are no significant business relationships between the members of the Board of Directors and Forbo Holding Ltd or its Group companies. The tasks of the Executive Chairman of the Board are described on page 46 of the Annual Report.

This E. Schneider, Executive Chairman
This E. Schneider, born in 1952, is a Swiss citizen. He studied economics at the University of St. Gallen (lic. oec. HSG) and at the Graduate School of Business, Stanford University, California, USA. After holding various management functions in Europe and the USA, he joined the Executive Board of Schmidt Agence AG, where he was responsible for strategic planning, operations and logistics from 1984 to 1990. From 1991 to 1993, he was Chairman and CEO of the publicly listed company SAFAA, Paris. In 1994, he became a member of the Executive Board of Valora, with responsibility for the canteen and catering division. From 1997 to 2002, he was Delegate and Vice President of the Board of Directors of Selecta Group. From March 2004 to December 2013, This E. Schneider was Delegate of the Board of Directors and CEO, and from January to April 2014 Delegate of the Board of Directors of the Forbo Group. He has been the Executive Chairman of the Board of Directors since the Ordinary General Meeting of 2014. This E. Schneider is also a member of the Board of Directors of Rieter Holding AG in Winterthur and Autoneum Holding Ltd in Winterthur.

Michael Pieper, Vice Chairman
Michael Pieper, born in 1946, is a Swiss citizen. He studied economics (lic. oec. HSG) at the University of St. Gallen. He has been with the Artemis Group (formerly the Franke Group) since 1988 and has been its owner and CEO since 1989. Among others, he is a member of the Boards of Directors of Arbonia AG in Arbon, Bergos Berenberg AG in Zurich, Rieter Holding AG in Winterthur, Autoneum Holding AG in Winterthur and Reppisch-Werke AG in Dietikon. He was first elected to the Board of Directors of Forbo Holding Ltd in 2000.

Dr. Peter Altorfer, Vice Chairman and Lead Independent Director
Peter Altorfer, born in 1953, is a Swiss citizen. He studied law at the University of Zurich, where he took his doctorate in law (Dr. iur.). He was admitted to the bar as attorney-at-law in 1982. He attended the PED program at the IMD, Lausanne. Until 1988, he worked at Bank Leu AG. He subsequently joined the law firm Wenger & Vieli in Zurich, where he is now a partner, specializing in bank and company law as well as estate planning. Peter Altorfer sits on the Boards of Directors of several companies, including BIH SA in Rapperswil-Jona, Privatbank Bellerive AG in Zurich, Nomura Bank (Schweiz) AG in Zurich, Kracht's Erben AG in Zurich, Sanatorium Kilchberg AG in Kilchberg, and further non-listed investment and real estate companies as well as charitable foundations in Switzerland. He has been a member of the Board of Directors of Forbo Holding Ltd since March 2005.

Claudia Coninx-Kaczynski

Claudia Coninx-Kaczynski, born in 1973, is a Swiss citizen. She took a degree in law at the University of Zurich (lic. iur.) and earned her Master of Law (LL. M.) at the London School of Economics and Political Sciences (LSE). From 2006 to 2011, she managed the business of Faerbi Immobilien AG (subsequently Rietpark Immobilien AG) in Zurich as a member of the Board of Directors. Subsequently, until 2014, she implemented various projects for P. A. Media AG and Swisscontent AG in Zurich (M&A among others). Between 2013 and 2016, she was a member of the Board of Directors of TX Group AG (formerly Tamedia AG), where in 2017 she was appointed Chairwoman of the Pool of Majority Shareholders. She is a member of the Board of Directors of Swisscontent AG in Zurich as well as of Awina AG in Zurich and sits on other Boards of Trustees. She has been a member of the Board of Directors of Forbo Holding Ltd since April 2014.

Dr. Reto Müller

Reto Müller, born in 1951, is a Swiss citizen. He took a first degree in economics and completed his doctorate (Dr. oec. HSG) at the University of St. Gallen. He also completed the Stanford Executive Program and additional training at IMD, INSEAD and the Harvard Business School. He is a founding partner of the Helbling group of companies, for which he worked from 1984 to 2016. From 2000 to 2011, he was the CEO and Chairman of the Board and from 2011 to 2016 the full-time Chairman of the Board of Helbling Holding AG. Between 2002 and 2010, Reto Müller was either a member or Chairman of the Regional Economic Advisory Board (Zurich) of the Swiss National Bank. He was a member of the Council of SWISSMEM between 2008 and 2016. He is partner at BLR&Partners AG in Thalwil as well as Chairman of the Board of Directors of Utz Group in Bremgarten and is on other Boards of Directors and Advisory Boards. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2011.

Vincent Studer

Vincent Studer, born in 1962, is a Swiss citizen. He graduated from the University of Applied Sciences, Berne, and trained as a Swiss certified public accountant. In addition, he has completed various national and international training courses. From 1991 to 2008, Vincent Studer worked at Ernst&Young AG as an external auditor and was head auditor responsible for auditing the statements of national and international companies in various industries. In 2001, he was appointed a partner in the area of Auditing. Since 2008, he has been a partner and member of the management and since 2015 a member of the Board of the accountancy and auditing firm T+R AG, Gümligen/Berne, where he heads the Auditing business unit. Vincent Studer is a member of the Board of Directors of Bank EEK AG in Berne. He holds further directorships in other companies and foundations. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2009.

Board of Directors of Forbo Holding Ltd as per December 31, 2020

	First elected at OGM	AFC	HRNC	RC
Executive Chairman				
THIS E. SCHNEIDER	2004	–	–	–
Executive Director				
Vice Chairmen				
MICHAEL PIEPER	2000	–	M	M
Non-executive Director				
DR. PETER ALTORFER	2005	M	C	C
Non-executive Director and Lead Independent Director				
Members				
CLAUDIA CONINX-KACZYNSKI	2014	–	M	M
Non-executive Director				
DR. RETO MÜLLER	2011	M	–	–
Non-executive Director				
VINCENT STUDER	2009	C	–	–
Non-executive Director				
Secretary of the Board of Directors				
NICOLE GRAF				
Non-member				

OGM: Ordinary General Meeting
AFC: Audit and Finance Committee
HRNC: Human Resources and Nomination Committee
RC: Remuneration Committee
V: Chair
M: Member

Statutory regulations governing the number of permissible activities pursuant to Article 12 Paragraph 1 Section 1 OaER

In accordance with Clause 22 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting), members of the Board of Directors may hold no more than five mandates in listed and twenty mandates in non-listed legal entities. A mandate is defined as any activity on the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

Election and term of office

The members of the Board of Directors are elected in individual votes for a one-year term of office, in accordance with the Ordinance against Excessive Remuneration in Listed Public Companies (OaER). A year is defined as the period between two Ordinary General Meetings. In accordance with the Organizational Regulations of Forbo Holding Ltd, members who have reached the age of 70 resign from the Board of Directors at the Ordinary General Meeting of the following year. The Board of Directors may, however, approve exceptions. In determining the composition of the Board of Directors, importance is attached to the election of independent individuals with international experience in industrial companies as well as in the financial and consultancy sectors.

The Articles of Association of Forbo Holding Ltd do not contain any regulations that deviate from the statutory provisions for the appointment of the Chairman, the members of the Remuneration Committee, and the independent proxy.

Internal organizational structure

The allocation of tasks within the Board of Directors and the composition of the Board committees are shown in the table on page 61.

Decisions are as a general rule taken by the full Board of Directors. The Board constitutes three standing committees from its own ranks – the Audit and Finance Committee (AFC), the Human Resources and Nomination Committee (HRNC), and the Remuneration Committee (RC) – to deal with clearly defined subject areas of overriding importance. These three committees have mainly advisory and control functions. The members of the AFC and HRNC are elected by the Board of Directors on an annual basis and can be dismissed at any time. The members of the RC are elected annually by the Ordinary General Meeting.

As a rule, the Executive Chairman of the Board of Directors chairs the meetings of the Board and the General Meeting. He plans and conducts the meetings of the Board and the General Meeting. The meetings of the Board and the relevant items on the agenda are prepared by the Executive Chairman. He monitors the execution of the measures adopted by the Board. He is the direct superior of the CEO, is in regular contact with him, and has an advisory and supervisory function. In addition, the Executive Chairman represents the Board and the Forbo Group vis-à-vis the public, the authorities, and the shareholders. The tasks of the Executive Chairman of the Board and the demarcation of responsibilities from those of the CEO are set out in the section 'Areas of responsibility' on pages 64 and 65.

The Vice Chairmen are tasked with deputizing for the Executive Chairman should the latter be prevented from attending for any reason. In accordance with the Organizational Regulations and actual practice, the Vice Chairmen have no further duties.

The Vice Chairmen are elected by the Board of Directors.

The Board of Directors meets on being convened by the Executive Chairman as often as business requires but at least four times a year. The items on the agenda must be announced at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2020, the Board of Directors held two meetings with members physically in attendance, as well as one virtual meeting and two telephone conference calls. The meetings, both physical and virtual, each lasted a whole day, while the conference calls took about two hours each. Every Board member participated in all five meetings.

The Executive Chairman may invite members of the Executive Board or other senior employees to attend Board meetings for individual items. In the 2020 business year, members of the Executive Board and other senior employees participated in the physical and virtual meetings of the Board of Directors for the agenda items that affected them. No members of the Executive Board nor any other senior employees participated in the Board meetings held by conference call. External consultants may participate in the meetings of the Board of Directors, the AFC, the RC or the HRNC only in exceptional circumstances to deal with particular items. In the 2020 business year, no external consultants participated in the meetings of the Board of Directors. Participation of external consultants in meetings of the AFC, RC and HRNC are listed in the chapters on the AFC, RC and HRNC on pages 63, 74, 75 and 76.

Audit and Finance Committee
The AFC advises the Board of Directors in respect of its duties on behalf of the Group in the areas of financial reporting, the accounting standards and systems used, and decisions with significant financial implications. The AFC monitors the activities of the internal auditors and the external auditors. Moreover, it establishes the audit program of the internal auditors and proposes to the Board of Directors the choice of the external auditors for the attention of the General Meeting. The CEO and the CFO are regularly requested to attend meetings in an advisory capacity, while representatives of the internal and external auditors may attend on special invitation.

The AFC convenes as often as business requires, but at least twice a year. In the 2020 business year, two meetings were held, each lasting about half a day. All members of the AFC were present at both meetings. The external auditors were present for selected items on the agenda of the AFC's meeting on the financial statements and at the meeting to discuss the scope of the audit and the audit fee. The Ernst & Young representatives responsible for internal audit attended the discussions of the internal audit reports at both meetings. No external consultants participated in the meetings of the AFC in the year under review.

The AFC brings together expertise and competencies in the areas relevant for the committee on the basis of executive functions in other companies, current directorships in other firms, and previous responsibilities/mandates. The relevant information can be found on pages 59 and 60 of this Annual Report.

Human Resources and Nomination Committee
We refer to the explanations in the remuneration report on pages 74 and 75.

Remuneration Committee
We refer to the explanations in the remuneration report on pages 75 and 76.

Areas of responsibility

The Board of Directors bears ultimate responsibility for the management of Forbo Holding Ltd. The main duties of the Board of Directors are the following non-transferable and inalienable tasks pursuant to the Swiss Code of Obligations and the Articles of Association:

- overall management of the company and issuing of the necessary directives
- definition of the organizational structure
- determination of accounting, financial controlling, and financial planning principles
- appointment and dismissal of persons entrusted with the management of the company
- overall supervision of the persons entrusted with managing the company, particularly with respect to compliance with the law, Articles of Association, regulations, and directives
- preparation of the Annual Report as well as of the General Meeting and implementation of its resolutions
- preparation of the remuneration report
- notification of the court in the event of over-indebtedness

The Board of Directors bears ultimate responsibility for supervising and monitoring the management of the company and is responsible for the corporate strategy. It issues guidelines for business policy and is regularly briefed on the current state of business.

Business to be dealt with by the Board of Directors is regularly submitted in advance to the AFC, HRNC, and RC, ad hoc committees or individual members, depending on the subject, for review or an opinion. With the exception of its non-transferable and inalienable tasks, the Board of Directors may transfer tasks and responsibilities in full or in part to individual members of the Board or to third parties.

The Board of Directors is empowered to take decisions on all matters which are not reserved or transferred to the General Meeting or another body of Forbo by law, the Articles of Association, or regulations.

Tasks of the Executive Chairman of the Board of Directors:

- chairing of the Board of Directors
- preparation and monitoring of the execution of the decisions of the Board of Directors
- representation and positioning of the Group in the public
- overall management of strategy development and involvement in realizing key strategic projects
- management of relationships with key accounts and with business, sector and capital market partners

Tasks of the Chief Executive Officer:

- operational management of the Group
- chairing of the Executive Board
- development and operational implementation of strategies
- implementation and monitoring of multi-year planning and budgets
- supporting of the Executive Chairman of the Board of Directors in preparing important projects relating to strategy, personnel, and finances for discussion and decision-taking by the Board of Directors

The CEO reports to the Executive Chairman of the Board of Directors and as a rule participates in all Board meetings dealing with topics that are relevant for the exercise of his function. He is not a member of the Board of Directors, though. All business management tasks that are not allocated to the Board of Directors or the Executive Chairman of the Board and that do not require the approval of the Board of Directors are delegated to the CEO and are carried out by him on his own responsibility. The CEO is responsible for ensuring compliance with the provisions of the law, the Articles of Association, and regulations throughout the Forbo Group.

In carrying out his tasks, the CEO is supported by the members of the Executive Board, who report to him. The Executive Board comprises the CEO, CFO, and the Executive Vice Presidents of both divisions; it is responsible for the long-term success and market-driven management of the Forbo Group.

The members of the Executive Board are responsible for their particular area of activity and also bear joint responsibility for safeguarding the interests of the Group and achieving the financial Group result.

Information and control instruments vis-à-vis the Executive Board
At the meetings of the Board of Directors, any member may request information about any matter concerning the Forbo Group. Outside the meetings, such requests for information are to be addressed to the Executive Chairman. The CEO and the other members of the Executive Board inform the Board of Directors at each regular meeting about the current state of business, important business events, and significant deviations from the budget.

The Chairmen of the AFC, the HRNC, and the RC report at the Board of Directors meetings on the activities of their committees and express the opinions and recommendations of the AFC, HRNC or RC on the business items on which decisions are to be taken. Each member of the Board of Directors has the right to inspect the minutes of the AFC, HRNC, and RC meetings. The Executive Board reports to the AFC through the CFO in consultation with the CEO; it reports to the HRNC and RC through the CEO.

The Board is also regularly briefed outside meetings about events and challenges the Group is facing and the general performance of the divisions. In addition, the Executive Chairman and the two Vice Chairmen are in regular contact when essential policy issues are involved. For important, particularly urgent events, the CEO informs the Executive Chairman of the Board of Directors immediately.

The Executive Board meets as often as business requires, normally once a month. In the 2020 business year, eleven meetings were held, with the meetings usually lasting half a day.

The CEO chairs the meetings of the Executive Board. For details concerning the participation of members of the Executive Board in meetings of the Board of Directors and its committees, refer to the sections on internal organization and on the AFC, HRNC, and RC on pages 62 and 63, as well as 74 to 76.

The Board of Directors fulfills its supervisory and monitoring obligations also by means of financial reporting and its role in the planning cycle. The internal and external auditors may assist the Board in this task. However, neither the external auditors nor the internal auditors were invited to any meetings of the Board of Directors in 2020 as there were no special incidents or topics for discussion.

As part of financial reporting, the Board of Directors is informed as a rule once a month in writing about the company's current business performance and earnings situation by means of annotated income statements, key ratios, and deviation analyses.

The Board of Directors is, moreover, involved in the company's planning cycle. As a rule, the existing strategy is subjected to a thorough review by the Board of Directors in the first half of the year. The revised strategy is quantified in the three-year medium-term plan, which is normally approved at mid-year by the Board of Directors. Based on the medium-term plan, the Board of Directors sets the budget objectives for the coming business year. These budget objectives form the basis of the detailed budget, which is discussed and adopted by the Board of Directors in the fourth quarter.

The current business year is assessed in a first estimate always at the end of May and a second estimate in mid-October. On completion of the business year, the extent to which the budget has been met is checked and deviations are analyzed. This analysis is used to derive appropriate measures, which are then implemented in the next planning cycle.

Internal audit is effected by Ernst & Young, which has been commissioned for this purpose. Internal audit is administratively subordinated to the Executive Chairman of the Board of Directors, is functionally independent, and reports directly to the AFC.

The audits are conducted in accordance with an annual plan approved by the AFC. A distinction is made between ordinary and special engagement audits. The latter consist of limited reviews, follow-up reviews, compliance audits, and other special engagements. Where necessary, the risks and weaknesses identified in these audits are minimized or eliminated by measures adopted by management and are constantly monitored.

In 2020, five Group companies were audited by Ernst & Young on the occasion of five internal audits. The internal audits included, among others, the audit of control points defined in the framework of the internal control system (ICS) as well as various compliance reviews related to the audited business processes. Lastly, additional risks and controls in connection with the audited business processes were analyzed. Two companies in Forbo Flooring Systems and three companies in Forbo Movement Systems were audited in the course of the internal audits.

By means of self-assessments and management controls by division management, the implementation and reliability of the controls introduced with the ICS were examined to ensure that deviations were identified and that appropriate corrective measures were implemented.

Risk management

The ongoing and systematic evaluation of current and future risks invariably involves identifying and capitalizing on opportunities. Forbo regards risk management as a managerial and working tool designed, among other things, to safeguard the tangible and intangible assets of the company.

Forbo has a risk-based insurance coverage in line with industry practice and has appropriately insured in particular operational risks such as property damage, business interruption and liability. The risks specifically in the areas of property damage and business interruption are examined in the context of periodic risk engineering reports by external experts. For this purpose, production companies are visited at regular intervals, and comprehensive surveys are worked through with local management. Action plans are drawn up and implemented based on the risks identified. These risk engineering audits have been prepared since 1990.

As regards business risks, Forbo addresses strategic risks as well as market and financial risks. In the area of market risks, interest and currency risks are centrally monitored and hedged in certain cases. The liquidity and financing of subsidiaries are also monitored centrally. For more information on this subject, refer to pages 129 to 132 of the Annual Report.

With regard to the risk management process, refer to the relevant explanations on pages 129 to 132 (note 23 'Risk assessment and financial risk management') of the Financial Report section of the Annual Report.

Executive Board

Members of the Executive Board, other activities, and vested interests
The members of the Executive Board, their nationality, function, training, and professional career, as well as other activities and vested interests, are set out on page 45 of this Annual Report.

Statutory regulations governing the number of permissible activities pursuant to Article 12 Paragraph 1 Section 1 OaER
In accordance with Clause 22 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting), members of the Executive Board may hold no more than two mandates in listed and seven mandates in non-listed legal entities. The acceptance of mandates by members of the Executive Board is subject to prior approval by the Board of Directors. A mandate is defined as any activity on the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

Management contracts
Forbo Holding Ltd has concluded no management contracts with third parties.

Compensation, shareholdings, and loans

For information on this subject, refer to the remuneration report from page 73.

Shareholders' participation rights

Voting right restriction and representation
The registration of shares with voting rights in the share register requires the consent of the Board of Directors. Such consent may be withheld if the purchaser does not expressly declare that he/she has acquired and is holding the shares in his/her own name and for his/her own account. Pursuant to the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. The restriction also applies to shares that are subscribed or acquired through the exercise of a subscription, option or convertible right. Resolutions on the amendment or abrogation of the clause on the registration of registered shares require a majority of two-thirds of the votes represented at the General Meeting and the absolute majority of the par value of the shares represented.

Deviating from Article 689 Paragraph 2 Swiss Code of Obligations, shareholders who are unable to attend the General Meeting in person may not be represented by any third party of their choosing. They may only be represented by the legal representative, the independent proxy, or another shareholder who is registered in the share register.

Electronic participation in the General Meeting
Clause 12 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting) defines the rules for electronic issuing of instructions to the independent proxy; the precise modalities for this are defined by the Board of Directors. In accordance with Clause 14 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting), voting and elections at the General Meeting are in principle conducted electronically, unless the General Meeting decides that the ballot should be in writing or by a show of hands or the Chairman orders such a ballot procedure.

Statutory quorums
The Articles of Association of Forbo Holding Ltd do not provide for quorums that are larger than those stipulated by law for decisions of the General Meeting.

Convening of the General Meeting
The General Meeting is convened in accordance with the statutory provisions.

Agenda
Shareholders who represent at least 1% of the share capital may request that an item be placed on the agenda. This request must be communicated to the Board of Directors in writing, indicating the proposals, at least 45 days before the date of the General Meeting.

Entry in the share register
In accordance with Clause 12 of the Articles of Association (www.forbo.com → Investors → Ordinary General Meeting), the Board of Directors, in its invitation to the General Meeting, announces the cut-off date for entries in the share register authorizing shareholder participation and voting.

Changes in control and defense measures

Duty to make an offer
The Articles of Association of Forbo Holding Ltd do not contain an 'opting-up' clause or an 'opting-out' clause pursuant to Articles 135 and 125 of the Financial Market Infrastructure Act.

Clause on changes of control
As per year-end 2020, no clauses on changes of control existed in agreements or plans involving members of the Board of Directors, the Executive Board or other members of management.

Auditors

Duration of the mandate and term of office of the Auditor in Charge
KPMG has been the Forbo Group's auditors since 2015. The auditors are elected every year by the Ordinary General Meeting on a proposal by the Board of Directors. Rolf Hauenstein has been the Auditor in Charge since April 24, 2015. The term of office of the auditor in charge is limited to seven years.

Auditing fees
The auditing fees levied by the Group's auditors for auditing the consolidated financial statements, including the statutory audit of the individual financial statements of the holding company and the consolidated subsidiaries, amounted to CHF 0.8 million in the year under review.

Additional fees
The additional consultancy fees that were invoiced by the auditing company amounted to CHF 0.1 million in 2020. These fees were charged mainly for the provision of tax advice.

Information instruments of the external auditors
Where required, the external auditors prepare for the Executive Chairman of the Board of Directors, the CEO, and the CFO an annual management letter reporting on their work and the results of their audit at Group level in the year under review. The key points are submitted to the Board of Directors in the form of a comprehensive report. The external auditors also prepare management letters on the subsidiaries they have audited. The AFC assesses and evaluates the proposals and statements thus received and appraises the corrective measures taken by management. At the AFC's invitation, representatives of the external auditors attend the AFC meetings in an advisory capacity. The Chairman of the AFC reports on the activities of the AFC and its assessment of the external auditors at the meetings of the Board of Directors. Any member of the Board of Directors may inspect the minutes of the AFC meetings.

At its meetings, the AFC assesses the performance and fees of the external auditors as well as their independence in both their auditing and their non-auditing capacities. This evaluation is based on the documents prepared by the external auditors and the discussions held with the external auditors in the meetings. It also draws on the evaluation of the CFO, who, if required, obtains the opinion of local management with regard to the audit work for the subsidiaries. The criteria for the evaluation of the external auditors include, in particular, their technical and operational competency, their independence and objectivity, punctual delivery of audit reports, the scope and focus of the audits, and the ability to provide effective and practical recommendations. The assessment by the AFC forms the basis of the proposal made by the Board of Directors to the Ordinary General Meeting regarding the choice of the external auditors.

Information policy

Transparency for investors
Forbo provides objective and periodic communication to its shareholders, the capital market, the media, and the public by reporting in a timely fashion on business trends and activities relevant to the company. The Executive Chairman of the Board of Directors can be contacted directly for such information.

Shareholders receive summary reports on the business year as well as half-year reports. The Annual Report, like all other published documents, is available in printed form as well as online at www.forbo.com → Investors. The General Meeting is an additional source of information. Periodic publication of media releases, the annual media and analysts' conference, and road shows are further information tools for the media and the capital market.

Ad hoc communication

Registration for the automated dissemination of ad hoc releases in accordance with the guideline on ad hoc publicity of the SIX Swiss Exchange is available at the following address:

www.forbo.com → Media → Media releases 'subscription service'

Notification to shareholders takes place through publication in the company's official publication provided no other form of information is stipulated by law. Written notification to shareholders takes place through a simple letter to the addresses listed in the share register.

A financial calendar with the key dates can be found on page 8 of this Annual Report. Further information on the Forbo share is printed on pages 52 and 53 of this Annual Report.

Publications may be ordered by e-mail, fax, or telephone:
Email communications@forbo.com
Phone +41 58 787 25 25
Fax +41 58 787 20 25

The contact address for Investor Relations is:
Forbo Management SA
Urs Christen, Head Investor Relations
Lindenstrasse 8
P.O. Box 1339
CH-6341 Baar
Phone +41 58 787 25 25

The contact address for press information is:
Forbo Management SA
Karin Marti, Head Corporate Communications
Lindenstrasse 8
P.O. Box 1339
CH-6341 Baar
Phone +41 58 787 25 25

REMUNERATION REPORT

REMUNERATION REPORT

Introduction

The report meets the provisions of the Ordinance against Excessive Remuneration in Listed Public Companies (OaER), which came into effect on January 1, 2014, and consequently fulfils the requirements of the Swiss Code of Obligations.

Once a year, in a separate and binding ballot, the Ordinary General Meeting approves the maximum sum for the total remuneration to be paid to the Board of Directors for the business year following the Ordinary General Meeting. In addition, a vote is taken on the maximum total amount of fixed remuneration to be paid to the Executive Board for the business year following the Ordinary General Meeting, the amount of short-term variable remuneration (bonus/short-term incentive) to be paid to the Executive Board for the business year preceding the Ordinary General Meeting, as well as the maximum total amount of the long-term participation (long-term incentive) for the Executive Board for the year of the respective Ordinary General Meeting.

The variable remuneration model for the Executive Board with the short-term incentive was supplemented by a long-term participation (long-term incentive) component, effective as of January 1, 2017. This long-term incentive consists of a performance share unit plan. Its aim is to link a significant portion of the Executive Board's remuneration even more closely with the company's long-term success and to make it more responsive to shareholders' interests. Details on the long-term incentive can be found in the chapter 'Elements of remuneration of the Executive Board' on pages 81 to 83. An amendment to the Articles of Association concerning this matter was approved by a large majority at the Ordinary General Meeting on April 6, 2017.

The shareholders will vote separately on the following four compensation motions at the 2021 Ordinary General Meeting:

- Maximum total remuneration for the Board of Directors for 2022
- Maximum fixed remuneration for the Executive Board for 2022
- Short-term variable remuneration of the Executive Board for 2020 (bonus/short-term incentive)
- Maximum total amount of the long-term participation for the Executive Board for 2021 (long-term incentive plan 2021 – 2023)

The total remuneration was approved by a large majority in a consultative vote on the 2019 remuneration report at the Ordinary General Meeting of April 3, 2020 (agenda item 4.1). Participants in the 2021 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2020 remuneration report.

Content and methodology for determining the remuneration

The Human Resources and Nomination Committee (HRNC): task and function

The Human Resources and Nomination Committee (HRNC) advises the Board of Directors in exercising its responsibilities for the Group in matters relating to human resources and nominations both for the Board of Directors and the most senior level of management. More specifically, the HRNC formulates personnel policy proposals for appointments to the Board of Directors and to the posts of Chairman, CEO, and other Executive Board members for submission to the Board of Directors. Furthermore, it assesses and approves the proposals of the Executive Chairman of the Board and the CEO regarding Executive Board appointments and employment contracts. It also approves the acceptance of mandates by members of the Executive Board in companies that are not part of the Forbo Group.

The Human Resources and Nomination Committee meets as often as business requires, but at least twice a year. In the 2020 business year, the HRNC held two meetings with personal presence, each lasting a couple of hours as well as two conference calls, each lasting about one hour. No external consultants participated in these meetings.

The Human Resources and Nomination Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 3, 2020, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2020 business year.

The HRNC brings together expertise and competencies in the areas relevant for the committee on the basis of executive functions in other companies, current directorships in other firms, and previous responsibilities/mandates. The relevant information can be found on pages 59 and 60 of this Annual Report.

The Remuneration Committee (RC): task and function

The Remuneration Committee supports the Board of Directors in defining the principles of remuneration policy and in determining the remuneration paid to members of the Board of Directors and the Executive Board out of the total sum of remuneration as approved by the Ordinary General Meeting. It supports the Board of Directors in drawing up participation programs and in all other tasks related to remuneration. The Remuneration Committee formulates appropriate recommendations for submission to the Board of Directors. The Board of Directors may delegate further duties and powers to the Remuneration Committee. The Executive Chairman of the Board of Directors is regularly invited to its meetings in an advisory capacity, as is the CEO in certain circumstances. Agenda items and matters directly affecting the function or the person of the Executive Chairman of the Board of Directors or the CEO are deliberated in their absence.

The Remuneration Committee meets as often as business requires, but at least twice a year. In the 2020 business year, the Remuneration Committee held two meetings, each lasting a couple of hours. No external consultants participated in these meetings.

The Remuneration Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 3, 2020 elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the Remuneration Committee for the 2020 business year. The members of the Remuneration Committee are independent (non-executive) members of the Board of Directors, i.e. they have never belonged to the management of Forbo and have no, or only negligible, business relations with the company, though they may be shareholders.

The RC brings together expertise and competencies in the areas relevant for the committee on the basis of executive functions in other companies, current directorships in other firms, and previous responsibilities/mandates. The relevant information can be found on pages 59 and 60 of this Annual Report.

Decision-making process of the Remuneration Committee

The maximum amount of the total remuneration paid to the Board of Directors and the maximum fixed remuneration paid to the Executive Board are usually determined by the Remuneration Committee once a year in the spring for the following business year and are submitted to the Board of Directors for acceptance at its February meeting. The amount of the short-term variable remuneration (bonus/short-term incentive) and the definition and objectives of the long-term participation (long-term incentive) for the Executive Board are determined by the Remuneration Committee once a year in November for the following year.

The Executive Chairman of the Board of Directors is regularly invited to the meetings of the Remuneration Committee in an advisory capacity, as is the CEO in certain circumstances. Agenda items and matters directly affecting the function or the person of the Executive Chairman of the Board of Directors or the CEO are deliberated in their absence. The other members of the Executive Board are not entitled to attend or participate in these meetings.

	Proposal	Acceptance	Approval
Remuneration budget			
Maximum total remuneration of the Board of Directors	RC	BoD	Ordinary General Meeting for the following business year
Maximum fixed remuneration of the Executive Board	RC	BoD	Ordinary General Meeting for the following business year
Short-term variable remuneration of the Executive Board (bonus/short-term incentive)	RC	BoD	Ordinary General Meeting for the preceding business year
Maximum total amount of the long-term participation for the Executive Board (long-term incentive)	RC	BoD	Ordinary General Meeting for the current business year
Performance targets			
Performance targets – Executive Board regarding short-term variable remuneration (bonus/short-term incentive)	RC	BoD	
Performance targets – Executive Board regarding long-term participation (long-term incentive)	RC	BoD	
Performance targets – CEO	RC	BoD	

Important changes in 2020

In the business year 2020, no important changes to the remuneration system were made either for the Board of Directors or for the Executive Board.

Principles of remuneration for the Board of Directors and the Executive Board

Forbo's remuneration strategy is geared to long-term and sustainable corporate development. The aim is to remunerate employees appropriately for their achievements, commitment, and performance, and thereby encourage their long-term loyalty to the company. The purpose of paying part of the remuneration in the form of shares is to link the interests of the managers to those of the shareholders. The portion of the remuneration paid in shares is derived from a fixed remuneration amount.

The members of the Board of Directors receive a fixed remuneration, the amount of which is determined based on whether the member is Board Chairman, a simple Board member or also a member of one of the Board committees. The remuneration is paid out to members of the Board of Directors partly in the form of locked up shares in Forbo Holding Ltd.

The members of the Executive Board receive a fixed and a variable remuneration. The fixed remuneration is paid mainly in cash but may also include shares of Forbo Holding Ltd. The portion paid in shares is derived from a fixed remuneration amount. The variable remuneration consists of a short-term remuneration (bonus/short-term incentive) and a long-term participation (long-term incentive).

The bonus/short-term incentive is a short-term, performance-related remuneration, at least 50% of which must be taken in the form of locked up shares of Forbo Holding Ltd (see the description of the management investment plan [MIP] on pages 81 and 82 of this Remuneration Report). The portion paid in shares is derived from a fixed remuneration amount. The bonus is derived from the achievement of individual (qualitative) targets by each Executive Board member and of financial (quantitative) targets by the company. Depending on the function and responsibilities of the Executive Board member in question, these financial targets may be derived from Group and/or divisional objectives. It may not exceed 200% of the fixed remuneration of the individual Executive Board member.

The long-term incentive is a long-term participation plan consisting of a performance share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share. The size of the PSU allocation corresponds to a defined percentage of the fixed remuneration. The PSUs are subject to a three-year vesting period. They are converted into vested shares only on condition that the Group's performance objectives are achieved. At the end of the performance period, the company will determine whether the objectives set by the Board of Directors at the start of the performance period for the performance indicators have been reached. Depending on the degree to which the objectives have been reached, a given percentage of the PSUs will be converted into shares, which are subject to a three-year vesting period.

The relevant statutory provisions governing the principles of performance-related remuneration, the distribution of shares, and the additional sum for remuneration of new members of the Executive Board who are appointed after the Ordinary General Meeting are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd. These can be found at:
www.forbo.com → Investors → Ordinary General Meeting

Determining the remuneration of the Board of Directors

In order to determine the remuneration of the Board of Directors, the compensation paid to Board members of Forbo Holding Ltd is compared periodically with that paid to Board members of comparable industrial companies based on information that is available from publicly accessible sources and from respected market data providers or is known to Board members from their experience of office in similar companies. Industrial companies are regarded as comparable if they are globally active and domiciled in Switzerland, report sales of between CHF 0.5 and 2.5 billion, have a market capitalization of CHF 1 to 4 billion and employ 2,000 to 10,000 people or if they are globally active, publicly listed corporations operating in the same business areas as Forbo. The remuneration for the Executive Chairman of the Board of Directors takes into account that the remuneration is predominantly in blocked shares with a vesting period for three years to ensure a long-term orientation for the company. As a general rule, no external consultants are co-opted for determining the remuneration.

The relevant statutory provisions governing the principles of performance-driven remuneration and the distribution of shares are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd. These can be found at:
www.forbo.com → Investors → Ordinary General Meeting

Elements of remuneration for the Board of Directors

Non-executive members of the Board of Directors

The non-executive members of the Board of Directors receive a fixed remuneration, the amount of which is determined based on whether the member is Board Chairman, a simple Board member, or also a member of the Audit and Finance Committee (AFC), the Remuneration Committee (RC) or the Human Resources and Nomination Committee (HRNC). Of the remuneration, 40% is paid to the Board of Directors in shares of Forbo Holding Ltd. The portion paid in shares is derived from a fixed remuneration amount. These shares have a lockup period of three years. The number of shares issued is determined on the basis of the average price in the ten stock market days after distribution of a dividend or repayment of par value. If no dividend is distributed or no par value repayment made, the average price during the first ten stock market days starting on June 1 of the relevant business year applies. The settlement or payment of the shares usually takes place in November.

For the purpose of reporting the remuneration, the shares issued are valued at fair value on the date of allocation. The total compensation for the non-executive members of the Board of Directors also includes a lump sum for expenses plus employer contributions to the usual social insurances.

The non-executive Board members do not participate in the management investment plan (MIP).

Executive Chairman of the Board of Directors

The compensation for the Executive Chairman of the Board of Directors is disclosed separately and included under total remuneration to the Board of Directors.

The remuneration is mainly paid in locked up shares, which have a lockup period of three years. The annual cash payment for the year under review of CHF 290,000 (previous year: CHF 310,000) is used largely for employee contributions to the pension fund and social security (AHV and IV) and for other levies. The underlying share price used to calculate the number of shares is the weighted average price of the first ten days on which Forbo Holding Ltd shares were traded on the stock market in 2020, less the reduced value as a result of locking up the shares (tax value 2020: CHF 1,399.14 per share; previous year: CHF 1,189.90 per share). The share package corresponds to annual compensation at fair value (excluding the reduction for the lockup period) of CHF 2,262,967 (1,358 shares); previous year: CHF 2,263,250 (1,597 shares).

With this share package and this cash remuneration, all compensations such as short-term and long-term variable remuneration elements are settled. This share package may not be either pledged or assigned and can be sold in three years at the earliest. This compensation model is thus also geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders.

The total compensation for the Executive Chairman of the Board of Directors came to CHF 2,990,758 for the year under review (previous year: CHF 3,005,300). Contained in this amount and reported in the column 'Other payments' are employer contributions to the pension fund, other usual social insurances, private use of the company car, contributions for accident and health insurance, and location expenses. The Executive Chairman of the Board of Directors is not a party to the management investment plan (MIP) or the share-based compensation program of the Board of Directors.

Remuneration paid

For the remuneration paid to the Board of Directors in the year under review and the details concerning valuation of the shares, the reader is referred to pages 84 to 86 of this remuneration report.

Determining the remuneration of the Executive Board

Basic principles

In order to determine the remuneration of the Executive Board, criteria such as function, responsibility and experience are taken into account and the remuneration paid to Forbo Executive Board members is compared with that paid to Executive Board members in comparable industrial companies. This is based on information that is available from publicly accessible sources and from respected market data providers or is known to the members of the Remuneration Committee from their experience of office in similar companies. Industrial companies are regarded as comparable if they are globally active and domiciled in Switzerland, report sales of between CHF 0.5 and 2.5 billion, have a market capitalization of CHF 1 to 4 billion and employ 2,000 to 10,000 people or if they are globally active, publicly listed corporations operating in the same business areas as Forbo. As a general rule, no external consultants are co-opted for determining the remuneration.

Alignment of performance-based remuneration with the corporate strategy

The remuneration strategy of Forbo is geared to its current corporate strategy and linked to the relevant key ratios. This is reflected in the choice of performance criteria that are derived from Group and/or divisional objectives depending on the function of the individual Executive Board member; these include net sales, organic growth, EBIT, net working capital, return on net assets, and growth in earnings per share. The criteria for determining the remuneration paid to Executive Board members are thus transparent.

The Board of Directors is closely involved in the company's planning cycle. As a rule, the current corporate strategy is subjected to an in-depth review by the Board in the first half of the year. Once it has been confirmed or revised, the strategy is quantified in the three-year medium-term plan, which is approved at mid-year by the Board of Directors. Based on the medium-term plan, the Board of Directors sets the budget objectives for the coming business year. These budget objectives are the basis for the detailed budget, which is examined and adopted by the Board of Directors in the fourth quarter.

The Board of Directors assesses the current business year by means of an initial estimate at the end of May and a second estimate in mid-October. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. The actual amount of the variable remuneration paid out to the Executive Board is determined on the basis of the achievement of these individual targets. The Board of Directors defines the relation between budget target achievement and payment ratio.

The short-term, variable remuneration (bonus/short-term incentive) for the previous year is paid out on completion of the business year and after approval by the shareholders. In the case of the long-term participation (long-term incentive), the performance share units are allocated after approval by the Ordinary General Meeting; any entitlement arising therefrom is determined in March on completion of the three-year performance period and converted into vested shares.

The contributing factors/performance criteria determining the amount of the payout/share allocation of the variable remuneration components are linked directly to the company's success.

The chart below provides a detailed breakdown of the timeline and the interdependence of the corporate targets and the remuneration.

Planning cycle

	1st quarter	2nd quarter	3rd quarter	4th quarter
Ordinary General Meeting				
Corporate strategy				
Reviewing/amending strategy				
Establishing mid-term plan				
Establishing budget				
Working out remuneration				
Defining maximum total remuneration of Board of Directors				
Defining maximum total remuneration of Executive Board				
Approving total remuneration of Board of Directors and of fixed remuneration of Executive Board for following business year by the Ordinary General Meeting				
Setting targets for Executive Board				
Assessing target achievement and proposal for variable remuneration elements of Executive Board				
Approving short-term, variable remuneration of Executive Board for previous business year (bonus/short-term incentive)				
Approving maximum total amount of long-term participation of Executive Board for current business year (long-term incentive)				

Decision period

Elements of remuneration of the Executive Board

Remuneration of the members of the Executive Board consists of a fixed base salary and two variable compensation components, the bonus/short-term incentive and the long-term incentive.

Fixed remuneration
The fixed base remuneration paid to the Executive Board in the reporting year consists of the gross base salary, private company car use, and social security payments made by the company. The Remuneration Committee may also decide that part of the remuneration will be paid in the form of shares in Forbo Holding Ltd (lockup period of five years).

Short-term variable remuneration (bonus/short-term incentive)
The bonus/short-term incentive is derived from qualitative (individual) and quantitative (financial) targets, which are defined in accordance with the operational responsibility of the Executive Board member in question. The Board of Directors defines and weights the individual and financial targets.

The qualitative targets are geared to the company's long-term sustainable development and may account for 10% of the bonus/short-term incentive. The remaining 90% depend on the achievement of the financial (quantitative) targets. The main targets for members of the Executive Board are: net sales of the Group and/or a division (30% to 50% of the variable remuneration), EBIT of the Group and/or a division (35% to 50% of the variable remuneration), and net working capital of the Group and/or a division (7% of the variable remuneration).

Whereas achievement of the financial (quantitative) objectives (90%) can be objectively measured, assessing whether some qualitative objectives (10%) have been met may in certain cases involve discretionary decisions. The qualitative objectives contain a proportion of sustainability elements.

The defined objectives of the short-term variable remuneration are equivalent to 100% target achievement. The maximum target achievement is 150%. If a given threshold for a particular target is not reached, no bonus for that target is paid. Depending on the function, the variable remuneration may be as much as 140% of the fixed remuneration if targets are fully met. If the targets are exceeded, the variable remuneration may be as much as 200% of the fixed remuneration.

The amount of the short-term variable remuneration, which is based on achievement of the individual and Group targets, is set in March after completion of the business year and is submitted to shareholders for approval at the Ordinary General Meeting.

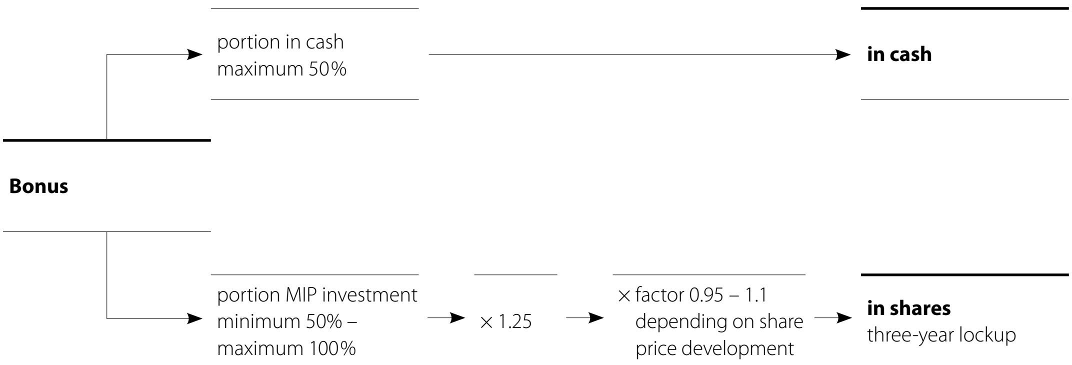
Conversion of remuneration into shares in the management investment plan (MIP)
The bonus payment from the bonus/short-term incentive is linked to the management investment plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual short-term variable remuneration of Executive Board members must be paid into the MIP. The portion paid in shares is derived from a fixed remuneration amount.

As for the remaining 50% of the annual short-term variable remuneration, the Executive Board members may either draw all or part of it in cash or pay it into the MIP. The Executive Board members may redefine the allocation of this remaining 50% every year. The portion paid in shares is derived from a fixed remuneration amount.

Following the amendment of the MIP, all the sums paid into it will be invested solely in shares of Forbo Holding Ltd as of January 1, 2013. As a first step, the amount invested in the MIP will be increased by 25%, partly in order to take account of the three-year lockup period. In addition, this amount will be multiplied by a factor that tracks the share price movement. This factor is calculated as follows:

((SPA – SPP)/SPP) + 1, where 'SPA' stands for the share price applicable for the allocation of shares in the year of allocation and 'SPP' for the applicable share price in the previous year. The upper limit for this factor is 1.1 and the lower limit is 0.95.

The relevant share price for the allocation of shares is calculated based on the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the allocation year. The shares are locked up for a period of three years. They cannot be sold or pledged during this time.



Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

Long-term participation plan (long-term incentive)

The previous variable model for remuneration of the Executive Board, consisting of a short-term performance-related remuneration (bonus/short-term incentive) was supplemented by a long-term participation plan (long-term incentive), effective from January 1, 2017. The amendment was approved by the Ordinary General Meeting of April 6, 2017.

The aim of the long-term incentive is to link part of the remuneration of the Executive Board even more closely with the company's long-term success.

The long-term incentive consists of a performance share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share. The size of the PSU allocation corresponds to a defined percentage of the Executive Board member's fixed remuneration; the percentage may vary from 10% to 50%. The PSUs are subject to a three-year vesting period. They are converted into vested shares only on condition that the Group's performance objectives are achieved. At the end of the performance period, the company will determine whether the objectives set by the Board of Directors at the start of the performance period for the performance indicators have been reached. Depending on the degree to which the objectives are reached, a given percentage of the PSUs will be converted into shares after the three-year vesting period. Converted shares are locked up for a period of three years. They cannot be sold or pledged during this time. Immediately on termination of the plan participant's employment contract, regardless of whether the plan participant has terminated the contract or the company has terminated the contract with the plan participant, all PSUs are forfeited.

The relevant share price for the allocation of PSUs at the start of the performance period is calculated based on the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the relevant year.

The performance indicators of the long-term incentive are geared to the long-term and sustainable development of the company and consist of three evenly weighted objectives. These are organic growth, the return on net assets (RONA), and growth in earnings per share (EPS) adjusted for the share buybacks. The target achievement is in each case clearly measurable. There are no discretionary elements for the decisions.

The long-term incentive objectives are based on a target achievement of 100%. It is not possible to exceed the maximum target achievement level of 100%. If a member fails to reach a given threshold for an objective, no PSUs are converted into shares for this indicator.

Foreign members of the Executive Board may draw stock awards rather than shares when the PSUs are converted. The relevant shares are transferred after three years.

The degree to which objectives have been achieved is determined in March after conclusion of the three-year performance period.

Actual bonus payments
Readers are referred to pages 84 to 86 of this remuneration report for the amount of the actual short-term variable remuneration (bonus/short-term incentive) paid to the Executive Board in the year under review and for details on the valuation and allocation of shares. The number of future subscription rights in the form of performance share units for the Executive Board as part of the long-term incentive can also be found on these pages.

There are no option plans.

Employment contracts of the Executive Board members

The employment contracts of the Executive Board members are concluded for an indefinite duration with a maximum period of notice of twelve months.

The Board of Directors can order that lockup periods stipulated in the employment contracts of Executive Board members in connection with the MIP or the long-term incentive may be revoked wholly or in part upon the occurrence of defined events (e.g. change of control, termination of employment, retirement or death).

Should changes in control of the company occur, no additional remuneration or benefits will be paid out.

No severance payments have been agreed with Executive Board members.

Disclosure of remuneration for the Board of Directors and the Executive Board

Remuneration of the Board of Directors

The total remuneration paid to the non-executive members of the Board of Directors came to CHF 809,919 in the year under review (previous year: CHF 809,444). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 413,862 (previous year: CHF 412,175) and the base remuneration in shares (40% of the remuneration) of CHF 334,842 (previous year: CHF 336,852). This corresponds to 266 shares (previous year: 207 shares) at a market value of CHF 1,258.80 each (previous year: CHF 1,627.30). The portion paid in shares is derived from a fixed remuneration amount. This total remuneration includes a lump sum for expenses plus employer contributions to the usual social insurances, which are reported separately in the column 'Other remuneration'.

The remuneration paid to the Executive Chairman of the Board of Directors is explained in detail on page 78 of this remuneration report.

Remuneration of the Executive Board

The total remuneration paid to the members of the Executive Board came to CHF 2,407,100 in the year under review (previous year: CHF 2,274,552), subject to approval of the variable portion by the 2021 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,520,434 (previous year: CHF 1,529,870) and short-term variable bonus remuneration (short-term incentive) of CHF 140,380 (previous year: CHF 108,412), a long-term participation (long-term incentive) of CHF 356,345 (previous year: CHF 267,354) plus the private use of the company car, and employer contributions to the pension fund as well as other usual social insurances, which are reported separately in the column 'Other remuneration'.

The fixed portion of the base salary paid in shares (lockup period of five years) came to CHF 278,961 (previous year: CHF 326,245). The portion paid in shares is derived from a fixed remuneration amount. The portion of the variable remuneration (short-term incentive plan) paid in shares in connection with the MIP (lockup period of three years) came to CHF 111,384 (previous year: CHF 92,054), which is subject to approval by the 2021 Ordinary General Meeting. The portion paid in shares is derived from a fixed remuneration amount.

For the three actual long-term incentive plans, a total of 545 future subscription rights in the form of performance share units were issued.

Plan	Allocation of subscription rights	Performance period	Vesting date (PSUs)	Unlocking of shares	Number of PSUs allocated	Value PSUs in CHF (allocation)
2018 – 2020	April 2018	2018 – 2020	April 2021	April 2024	141	221,088
2019 – 2021	April 2019	2019 – 2021	April 2022	April 2025	189	267,354
2020 – 2022	April 2020	2020 – 2022	April 2023	April 2026	215	360,350

Disclosure of remuneration of the Board of Directors and Executive Board

Remuneration For the year 2020[1]	Base salary			Variable remunerations					Other remuneration[4]	Total
				Bonus/short-term incentive[2]			Long-term incentive[3]			
	Cash		Shares	Cash		Shares	Allocation performance share units			
Name and function	CHF	Number	CHF	CHF	Number	CHF	Number	CHF	CHF	CHF
This E. Schneider, Chairman[5]	290,000	1,358	2,262,967						437,791	2,990,758
Michael Pieper, Vice Chairman	80,041	52	65,458						12,319	157,818
Dr. Peter Altorfer, Vice Chairman and Lead Independent Director	104,187	67	84,340						15,135	203,662
Claudia Coninx-Kaczynski, member	71,382	46	57,905						13,766	143,053
Dr. Reto Müller, member	71,382	46	57,905						11,264	140,551
Vincent Studer, member	86,870	55	69,234						8,731	164,835
Board of Directors total[6]	**703,862**	**1,624**	**2,597,809**						**499,006**	**3,800,677**
Executive Board[7][8][9] total	**1,241,472**	**175**	**278,961**	**28,996**	**72**	**111,384**	**216**	**356,345**	**389,941**	**2,407,099**
Of whom highest-paid member of Executive Board (Stephan Bauer)	400,000	127	201,537	0	47	72,709	60	100,000	176,781	951,027

1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on the valuation models used and disclosed in the consolidated financial statements.

2) The variable short-term remuneration of the Executive Board (bonus/short-term incentive) corresponds to the actual degree to which targets were reached in 2020 and will be submitted to the April 2021 Ordinary General Meeting for approval. The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the allocation year in connection with the MIP. The allocation takes place in April (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year. The value at allocation was CHF 1,547.00. The shares are locked up for a period of three years.

3) The long-term incentive for the Executive Board corresponds to the long-term participation plan for 2020 (long-term incentive plan 2020 – 2022) and to the number of future subscription rights allocated to the plan in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share and is subject to a three-year vesting period.

4) 'Other remuneration' includes in particular employer contributions to the usual social insurances, private use of the company car, and lump sum or on-site expenses.

5) Please refer to page 78 of this remuneration report for details on the structure of the remuneration of the Executive Chairman of the Board of Directors. These details also contain the criterion for determining the number of shares issued and their lockup periods.

6) The criterion for determining the number of shares issued for the non-executive members of the Board of Directors is the average share price in the ten trading days after payment of the dividend or repayment of the par value: CHF 1,258.80. The allocation is made at the discounted tax value of CHF 1,056.91. The shares are locked up for a period of three years and are reported at market value in the table above.

7) Remuneration of the entire Executive Board including the highest-paid Executive Board member.

8) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated in April for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of five years. The value of the shares allocated was CHF 1,673.71 for 2020 and for 2021 CHF 1,547.00.

9) The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares for the bonus for the business year 2020 will be allocated in April 2021, subject to approval by the 2021 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,547.00. Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

Remuneration
For the year 2019[1)]

	Base salary			Variable remunerations					Other remuneration[4)]	Total
				Bonus/short-term incentive[2)]			Long-term incentive[3)]			
	Cash		Shares	Cash		Shares	Allocation performance share units			
Name and function	CHF	Number	CHF	CHF	Number	CHF	Number	CHF	CHF	CHF
This E. Schneider, Executive Chairman[5)]	310,000	1,597	2,263,250						432,050	3,005,300
Michael Pieper, Vice Chairman	80,348	40	65,092						12,140	157,580
Dr. Peter Altorfer, Vice Chairman	103,952	52	84,620						14,894	203,466
Claudia Coninx-Kaczynski, member	70,813	36	58,583						13,584	142,980
Dr. Reto Müller, member	70,813	36	58,583						11,107	140,503
Vincent Studer, member	86,249	43	69,974						8,692	164,915
Board of Directors total[6)]	**722,175**	**1,804**	**2,600,102**						**492,467**	**3,814,744**
Executive Board[7)8)9)] total	**1,203,625**	**207**	**326,245**	**16,358**	**55**	**92,054**	**189**	**267,354**	**368,916**	**2,274,552**
Of whom highest-paid member of Executive Board (Stephan Bauer)	400,000	128	201,796	0	25	41,843	54	76,387	167,415	887,441

1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on the valuation models used and disclosed in the consolidated financial statements.

2) The variable short-term remuneration of the Executive Board (bonus/short-term incentive) corresponds to the actual degree to which targets were reached in 2019 and will be submitted to the April 2020 Ordinary General Meeting for approval. The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the allocation year in connection with the MIP. The allocation takes place in April (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year. The value at allocation was CHF 1,673.71. The shares are locked up for a period of three years.

3) The long-term incentive for the Executive Board corresponds to the long-term participation plan for 2019 (long-term incentive plan 2019 – 2021) and to the number of future subscription rights allocated to the plan in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share and is subject to a three-year vesting period.

4) 'Other remuneration' includes in particular employer contributions to the usual social insurances, private use of the company car, and lump sum or on-site expenses.

5) Please refer to page 78 of this remuneration report for details on the structure of the remuneration of the Executive Chairman of the Board of Directors. These details also contain the criterion for determining the number of shares issued and their lockup periods.

6) The criterion for determining the number of shares issued for the non-executive members of the Board of Directors is the average share price in the ten trading days after payment of the dividend or repayment of the par value: CHF 1,627.30. The allocation is made at the discounted tax value of CHF 1,366.30. The shares are locked up for a period of three years and are reported at market value in the table above.

7) Remuneration of the entire Executive Board including the highest-paid Executive Board member.

8) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated in April for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of five years. The value of the shares allocated was CHF 1,414.57 in 2019 and CHF 1,673.71 for 2020.

9) The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares for the bonus for the business year 2019 will be allocated in April 2020, subject to approval by the 2020 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,673.71. Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

Advances and loans
As of December 31, 2020, no advances or loans to members of the Board of Directors or the Executive Board were outstanding.

The relevant statutory provisions concerning advances, loans and employee benefits for members of the Board of Directors and the Executive Board are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd, which can be downloaded at:
www.forbo.com → Investors → Ordinary General Meeting

Disclosure of shareholdings pursuant to Article 663c CO

2020 business year
As at December 31, 2020, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2020

Name and function	Amount of shares
This E. Schneider, Executive Chairman	42,352
Michael Pieper, Vice Chairman	486,856
Dr. Peter Altorfer, Vice Chairman and Lead Independent Director	1,406
Claudia Coninx-Kaczynski, member	357
Dr. Reto Müller, member	714
Vincent Studer, member	1,019
Total Board of Directors	**532,704**
Stephan Bauer, Chief Executive Officer	2,345
Marc Deimling, Executive Vice President Movement Systems	54
Urs Uehlinger, Chief Financial Officer	253
Jean-Michel Wins, Executive Vice President Flooring Systems	275
Total Executive Board	**2,927**

As at December 31, 2019, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2019	
Name and function	Amount of shares
This E. Schneider, Executive Chairman	38,648
Michael Pieper, Vice Chairman	486,804
Dr. Peter Altorfer, Vice Chairman	1,339
Claudia Coninx-Kaczynski, member	248
Dr. Reto Müller, member	668
Vincent Studer, member	964
Total Board of Directors	**528,671**
Stephan Bauer, Chief Executive Officer	2,671
Marc Deimling, Executive Vice President Movement Systems	40
Urs Uehlinger, Chief Financial Officer	188
Jean-Michel Wins, Executive Vice President Flooring Systems	134
Total Executive Board	**3,033**

Report of the statutory auditor

KPMG

Report of the Statutory Auditor

To the General Meeting of Shareholders of Forbo Holding Ltd, Baar

We have audited the accompanying remuneration report of Forbo Holding Ltd for the year ended 31 December 2020. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) on pages 85 to 88 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2020, of Forbo Holding Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Rolf Hauenstein Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 3 March 2021

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

FINANCIAL REPORT

Consolidated balance sheet

		31.12.2020	31.12.2019
Assets			
CHF m	Note		
Current assets		**668.7**	**652.1**
Cash and cash equivalents		255.8	217.7
Current financial assets	22	0.1	0.0
Trade receivables	12	141.4	160.4
Other receivables		39.7	23.7
Accrued income and deferred expenses		13.2	14.8
Inventories	13	218.5	235.5
Non-current assets		**442.1**	**445.3**
Non-current financial assets	22	0.2	0.2
Deferred tax assets	10	45.4	45.4
Property, plant, and equipment	14/21	295.7	291.8
Intangible assets and goodwill	15	100.8	107.9
Total assets		**1,110.8**	**1,097.4**
Shareholders' equity and liabilities			
CHF m	Note		
Current liabilities		**251.5**	**257.3**
Current financial liabilities	22	14.1	13.4
Trade payables	22	94.4	98.1
Other current liabilities		30.4	28.2
Current tax liabilities		16.6	19.0
Accrued expenses and deferred income	16	76.2	78.2
Current provisions	17	19.8	20.4
Non-current liabilities		**175.8**	**163.5**
Non-current financial liabilities	22	31.1	26.8
Deferred tax liabilities	10	8.9	11.2
Non-current provisions	17	46.5	46.9
Employee benefit obligations	18	89.3	78.6
Total liabilities		**427.3**	**420.8**
Shareholders' equity		**683.5**	**676.6**
Share capital	20	0.2	0.2
Treasury shares	20	– 0.1	– 0.1
Reserves and retained earnings		683.4	676.5
Total shareholders' equity and liabilities		**1,110.8**	**1,097.4**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated income statement

	1.1. – 31.12.	2020	2019
CHF m	Note		
Net sales	5	**1,117.7**	**1,282.2**
Cost of goods sold		– 707.5	– 788.6
Gross profit		**410.2**	**493.6**
Development costs	6	– 15.2	– 16.0
Marketing and distribution costs		– 171.3	– 191.4
Administrative costs		– 86.4	– 92.8
Other operating expenses	7	– 15.2	– 26.2
Other operating income	8	14.9	9.1
Operating profit		**137.0**	**176.3**
Financial income		0.7	0.8
Financial expenses		– 1.6	– 1.8
Group profit before taxes		**136.1**	**175.3**
Income taxes	10	– 29.9	– 37.0
Group profit for the year		**106.2**	**138.3**
Group profit attributable to shareholders of Forbo Holding Ltd		106.2	138.3
Earnings per share, total			
CHF	Note		
Basic earnings per share	11	66.60	86.33
Diluted earnings per share	11	66.60	86.33

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated comprehensive income statement

1.1. – 31.12.		2020	2019
CHF m	Note		
Group profit for the year		**106.2**	**138.3**
Items that will not be reclassified to the income statement:			
Remeasurements of employee benefit obligations, net of taxes	10	– 7.8	– 4.8
Items that are or may be subsequently reclassified to the income statement:			
Translation differences		– 23.3	– 12.5
Other comprehensive income for the year, net of tax		**– 31.1**	**– 17.3**
Total comprehensive income		**75.1**	**121.0**
Total comprehensive income attributable to the shareholders of Forbo Holding Ltd		75.1	121.0

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

2020

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2020	**0.2**	**– 0.1**	**1,002.6**	**– 326.1**	**676.6**
Group profit for the year			106.2		106.2
Other comprehensive income for the year, net of tax			– 7.8	– 23.3	– 31.1
Total comprehensive income			**98.4**	**– 23.3**	**75.1**
Share-based payments			3.0		3.0
Treasury shares		0.0	– 34.4		– 34.4
Dividend payment			– 36.8		– 36.8
December 31, 2020	**0.2**	**– 0.1**	**1,032.8**	**– 349.4**	**683.5**

2019

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2019	**0.2**	**– 0.1**	**903.7**	**– 313.6**	**590.2**
Group profit for the year			138.3		138.3
Other comprehensive income for the year, net of tax			– 4.8	– 12.5	– 17.3
Total comprehensive income			**133.5**	**– 12.5**	**121.0**
Share-based payments			3.2		3.2
Treasury shares		0.0	– 4.1		– 4.1
Dividend payment			– 33.7		– 33.7
December 31, 2019	**0.2**	**– 0.1**	**1,002.6**	**– 326.1**	**676.6**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

1.1. – 31.12.		2020	2019
Cash flow from operating activities			
CHF m	Note		
Group profit for the year		**106.2**	**138.3**
Tax expense	10	29.9	37.0
Financial result		0.9	1.0
Depreciation of property, plant, and equipment and right-of-use assets	14	50.4	52.4
Amortization of intangible assets	15	4.6	5.1
Loss/Profit (–) from the sale of non-current assets		0.0	– 0.5
Share-based payments	9	3.0	3.2
Income tax paid		– 37.4	– 39.0
Increase in provisions and employee benefit obligations		1.0	7.7
Decrease/Increase (–) in net operating working capital[1]		19.3	– 14.1
Increase in other net working capital		– 6.5	– 6.0
Net cash flow from operating activities		**171.4**	**185.1**
Cash flow from investing activities			
CHF m	Note		
Purchase of non-current assets		– 39.7	– 36.1
Proceeds from the disposal of non-current assets		0.1	0.8
Interest received		0.7	0.8
Net cash flow from investing activities		**– 38.9**	**– 34.5**
Cash flow from financing activities			
CHF m	Note		
Payment of lease liabilities	21	– 17.5	– 18.4
Interest paid	21	– 0.9	– 1.0
Purchase of treasury shares		– 34.4	– 4.3
Dividend payment		– 36.8	– 33.7
Net cash flow from financing activities		**– 89.6**	**– 57.4**
Change in cash and cash equivalents			
CHF m	Note		
Increase in cash and cash equivalents		42.9	93.2
Translation differences on cash and cash equivalents		– 4.8	– 2.9
Total cash and cash equivalents at beginning of year		217.7	127.4
Total cash and cash equivalents at year-end		**255.8**	**217.7**

1) Net operating working capital includes the items 'Trade receivables', 'Inventories', and 'Trade payables'.

The accompanying notes are an integral part of the consolidated financial statements.

Notes – accounting principles

1 General information

Forbo Holding Ltd and its subsidiaries (together constituting the 'Group') manufacture floorings, construction adhesives, and drive and conveyor technology. The Group has a global network of locations with production and distribution as well as pure sales companies.

Forbo Holding Ltd is a public limited company under Swiss law, domiciled in Baar, Switzerland. It is listed on the SIX Swiss Exchange (FORN).

These financial statements were approved by the Board of Directors on March 3, 2021, and released for publication on March 4, 2021. This financial report is subject to approval by the Ordinary General Meeting of April 1, 2021.

For information on the economic impact of the COVID-19 pandemic, we refer the reader to the Shareholders' Letter (pages 4 – 8) and the activity reports of the two divisions Flooring Systems (pages 32 – 35) and Movement Systems (pages 38 – 41).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The consolidated financial statements of Forbo Holding Ltd were prepared in accordance with the International Financial Reporting Standards (IFRS) and in compliance with Swiss law.

The consolidated financial statements are prepared in Swiss francs. The Swiss franc is both the functional currency and the reporting currency of the company. Unless otherwise noted, all sums are stated in millions of Swiss francs (CHF m) and are generally rounded to one decimal place.

The consolidation was done on the basis of the audited financial statements of the subsidiaries prepared according to uniform corporate accounting policies. The reporting date for all Group companies is December 31.

The consolidated financial statements were prepared in accordance with the principle of historical costs, with the exception of derivatives measured at fair value and pension fund liabilities measured at the net value of the discounted defined benefit obligations less the fair value of the plan assets.

The preparation of the consolidated financial statements requires management to make discretionary judgements, estimates and assumptions that can affect the application of accounting methods and reported revenues, expenses, assets, liabilities, and contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates and assumptions. Estimates and the underlying assumptions are being reviewed continually. Revised versions of estimates and assumptions are recognized prospectively. Information about discretionary judgements as well as assumptions and uncertainty involved in estimates are contained in note 3 'Critical judgements, estimates and appraisals by management'.

Scope and principles of consolidation
Subsidiaries are companies that are controlled by the Group. The Group exercises control over a company if it is exposed to variable returns from its involvement in the company or possesses rights to the returns and is able to influence these returns by means of its discretionary control over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the point at which control begins.

The purchase method of accounting is used to account for business combinations. The value of the transferred consideration in a business combination and the acquired identifiable net assets are recognized at the fair value on the acquisition date. The consideration includes cash payments and the fair value of the assets transferred, liabilities incurred or acquired, and equity instruments issued by the acquirer on the transaction date. Liabilities dependent on future events, which are based on agreements on contingent considerations, are accounted for at their fair value in the accounting treatment of the acquisition. Acquisition costs are reported as expenditure in the income statement. Non-controlling interests are measured at the acquisition date with their proportionate share in the identifiable net assets of the acquired entity.

Goodwill is the excess of the consideration of the business combination and the amount of the non-controlling interest over the identifiable net assets assessed at fair value.

Inter-company transactions, balances, and unrealized gains or losses on transactions between Group companies are eliminated.

Associates are all entities over which the Group has significant influence but not control, generally accompanied by a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition changes in reserves is recognized in reserves. The cumulative post-acquisition movements are offset against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Changes in the scope of consolidation
In the reporting period, the sales company TOB 'Forbo Flooring Ukraine' was founded in Kiev, Ukraine, within the Flooring Systems segment. In the Corporate segment, Forbo Finanz AG was merged with Forbo Financial Services AG (renamed Forbo Management SA) in order to streamline the corporate structure. Forbo Finanz AG was subsequently deregistred as a result of the merger. Effective as of January 1, 2021, Forbo Management SA took over the activities of the Corporate segment of Forbo International SA, which then moved its domicile from Baar to Wallbach and was renamed Forbo Siegling Schweiz AG.

In the previous year, two new distribution and service companies were founded in the Movement Systems segment: Forbo Siegling Poland sp. z o.o. in Łódź, Poland, and Forbo Siegling Colombia S.A.S. in Bogotá, Colombia. In the Corporate segment, Forbo Finanz II AG was liquidated in order to streamline the corporate structure.

The subsidiaries included in the group of consolidated companies are listed under 'Group companies' (from page 134 of this report).

Foreign currency translation
Transactions in foreign currencies
The individual companies prepare their financial statements in their functional currency. The functional currency is the currency of the primary economic environment in which the company operates and generally corresponds to the local currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign operations
The annual statements of foreign Group companies stated in foreign currencies are translated into Swiss francs as follows: assets and liabilities at year-end exchange rates; the income statement and cash flow statement at average exchange rates for the year. Currency translation differences arising from the different translation of balance sheets and income statements and from equity capital transactions are recognized in other comprehensive income and taken to profit or loss for the period (reclassified) in the event the foreign Group company is disposed of.

On consolidation, exchange differences arising from the translation of net investments in independent foreign operations are recognized in other comprehensive income. When a foreign operation is disposed of, these exchange differences are transferred to the income statement as part of the gain or loss on sale.

The following exchange rates against the Swiss franc have been applied for the most important currencies concerned:

			Income statement (average exchange rates for the year)		Balance sheet (year-end exchange rates)	
			2020	2019	2020	2019
Exchange rates						
Euro zone	EUR	1	1.0706	1.1126	1.0840	1.0859
USA	USD	1	0.9368	0.9937	0.8822	0.9682
Great Britain	GBP	1	1.2027	1.2688	1.2011	1.2722
Japan	JPY	100	0.8785	0.9115	0.8552	0.8912
China	CNY	100	13.5918	14.3900	13.5234	13.9100
Sweden	SEK	100	10.2186	10.5164	10.7469	10.3745

Net sales and revenue recognition
Revenue from contracts with customers is recognized when the control of the goods or services is transferred to the customer. The revenue is based on the contractually agreed transaction price, i.e. the amount to which the Group can be expected to be entitled in return for the transfer of the goods or services to a customer.

Type of product or service	*Type and time of the fulfillment of performance obligation, significant terms of payment*
Flooring Systems	The revenue is generated predominantly by the sale of goods that are recognized at a point in time, in accordance with the agreed terms. The sale of goods is based on fixed prices. In some cases, goal-oriented, variable volume discounts are granted. Volume rebates are deducted from sales in the same amount as expected cash outflows. The payment terms are in line with general business terms and conditions, with payment due dates ranging from 30 to 60 days. The warranty periods granted for goods are in line with the general business terms and conditions in the sector; in some cases, these may be longer than defined by law. Provisions are made on the basis of the expected cash outflow for known warranty claims and those expected in future.
Movement Systems	The type and time of the fulfillment of the performance obligation and the terms of payment are identical with those for Flooring Systems. Movement Systems, in addition, provides services in connection with the servicing, maintenance, and seamless connection of belting products. These services are recognized separately as revenue at the time the service is provided.

Government grants
Government grants are recognized only when there is reasonable assurance that the related conditions are met, and the grants will be received. Grants are deducted when arriving at the carrying amount of the asset concerned and they are recognized in profit or loss over the period of the depreciable asset by means of a reduced depreciation charge.

Government grants that compensate the company for expenses incurred are recognized in the income statement accounts in the period in which the expenses to be compensated accrue.

Research and development
All research costs are posted directly to the income statement in the period in which they are incurred. Development costs are capitalized only if these costs can be reliably measured, the product or process is technically feasible and commercially viable, a future economic benefit is likely, and the Group has sufficient resources and intends to complete the development and exploit the asset. Other development expenses that do not meet these criteria are taken to the income statement as they are incurred. Capitalized development costs are measured at the cost of acquisition or production less cumulative amortizations and impairments.

Share-based payments
Equity-settled share-based payments to employees are valued at the fair value of the equity instrument on the date on which the instruments are granted. The fair value determined on granting equity-settled share-based payments is recognized in the income statement over the vesting period and is included in personnel expenses.

Earnings per share
The number of shares used for calculating earnings per share is determined on the basis of the weighted average number of the shares issued less the weighted average number of treasury shares held. To calculate diluted earnings per share, an adjusted number of shares is determined from the total number of shares used to calculate earnings per share plus the potentially dilutive effects of shares from employee incentive plans. To take account of the dilutive effect of employee incentive plans, the number of shares is determined that could have been purchased at the market price on the basis of the cumulative difference between the market price and the strike price of the future subscription rights. The market price used for this purpose corresponds to the average price of the shares in the business year under review. The earnings or diluted earnings per share is the quotient obtained by dividing the distributable net profit by the relevant number of shares.

Income taxes
Income taxes constitute the total of current and deferred income taxes.

Current income taxes are determined on the basis of taxable profits and the applicable tax laws of the individual countries. They are recognized as an expense in the accounting period in which the profits are made.

Deferred tax liabilities are recognized for temporary differences between assets and liabilities in the balance sheet, and their tax bases if they will result in taxable income in future. Deferred tax assets are reported for temporary differences that will result in deductible amounts in future periods and for tax effects from unused tax losses and tax credits, but only to the extent as it is probable that sufficient taxable profits will be available against which these differences can be offset. Deferred tax liabilities are not recognized if temporary differences arise from the initial recognition of goodwill.

Deferred tax assets and tax liabilities are measured at the tax rates that are expected to be enacted in the period in which the asset will be realized or the liability will be settled. Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting group, relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realized simultaneously.

Current and deferred income taxes are recognized as an income tax benefit or expense in the income statement, with the exception of items posted directly to equity or recognized in other comprehensive income. In this case, the corresponding tax effect is also to be recognized directly in shareholders' equity or in other comprehensive income.

Property, plant, and equipment
Property is recognized at cost on acquisition. Land is not depreciated, but allowances are set aside for impairments that have occurred. All other fixed assets such as buildings, machines and equipment, vehicles and other operational assets are reported at cost on acquisition less accrued depreciation and impairments.

Betterments that increase the useful lives of the assets, significantly improve the quality of the output or enable a substantial reduction in operating costs are capitalized and depreciated over the remaining useful lives.

Depreciation is calculated according to the straight-line method over the following estimated useful life:

Land and buildings	
Land	no depreciation
Buildings	20 to 40 years
Modifications and installations	5 to 10 years or duration of rental contract
Machinery and equipment	
Machines, equipment and tools	5 to 10 years
Vehicles and other property, plant, and equipment	
Vehicles	5 years
IT	3 to 5 years
Other operational assets	3 to 10 years
Assets under construction	
Assets under construction	no depreciation

If there are signs of an impairment, the recoverable amount of the asset is determined. If the carrying amount exceeds the recoverable value, the carrying amount of the asset is reduced accordingly and the difference charged to the income statement.

Intangible assets and goodwill
The goodwill generated in connection with business combinations is measured at the cost of acquisition less cumulative impairment losses.

Goodwill is not amortized but tested for impairment at least at each reporting date or earlier if there are signs of a potential impairment.

The acquisition costs of trademarks, licenses, customer relationships, and technologies acquired in a business combination correspond to the fair value at the date of acquisition.

Trademarks with an indefinite useful life are not subject to amortization but are tested for impairment at least annually. Any impairment is recognized as an expense in the income statement.

Other intangible assets that are acquired by the Group and have a finite useful life are carried at acquisition or production costs less cumulative amortization and impairments. The amortization of other intangible assets with a finite useful life uses the straight-line method; the following estimated useful lives are applied:

Software	3 to 5 years
Customer relations	5 to 15 years
Technologies	up to 30 years

Amortization methods, useful lives, and residual values are reviewed annually at the reporting date and adjusted where necessary.

Financial instruments

Recognition and initial measurement

Trade receivables are recognized when they occur. All other financial instruments are recognized when the Group becomes a contracting party. Financial assets (with the exception of trade receivables with no essential financing component) and financial liabilities are recognized at fair value the first time. Transaction costs, which are directly attributable to acquisition or issuance, are added in addition for financial instruments that are not measured at fair value through profit or loss. Trade receivables with no essential financing components are recognized at the transaction price the first time.

Classification and subsequent measurement of financial assets

Financial assets are classified in one of the following categories:

– 'Amortized cost'
– 'Fair value through other comprehensive income'
– 'Fair value through profit or loss'

A financial asset is measured at amortized cost if the business model provides for the asset to be held in order to receive contractual cash flows on contractually agreed dates. The payments consist only of the nominal value plus interest. Essentially, the financial assets in the Group consist of cash and cash equivalents and trade receivables that are reported at amortized cost using the effective interest method less valuation allowances for expected credit losses. Cash and cash equivalents are stated at nominal value. It includes cash on hand, bank accounts, and fixed-term deposits with maturities up to three months from the date of acquisition.

Derivatives are valued at their fair value. The derivatives used are accounted for on the day the trade is conducted. Derivative financial instruments are recognized in the balance sheet in 'Current financial assets' or in 'Current financial liabilities'.

The Group recognizes allowances for expected credit losses on financial instruments that are reported at amortized costs. The Group applies a permissible, simplified model of valuation allowances ('provision matrix') for trade receivables. In this valuation allowance table, expected losses on receivables are determined on the balance sheet date on the basis of past experience of default probability, and of future-oriented expectations based on experience with the customers and market conditions.

The Group considers a financial asset to be in default if it is unlikely that the borrower can pay his obligation to the Group in full without the Group having to take recourse to measures such as the realization of collateral.

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified and recognized at amortized costs or at fair value through profit or loss. The majority of financial liabilities in the Group are liabilities from leasing contracts. These are recognized at amortized costs using the effective interest method. A financial liability is recognized in the income statement at fair value if it is a derivative.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost includes direct material and, if applicable, other direct costs and related production overheads to the extent that they are incurred in bringing the inventories to their present location and condition. The net realizable value constitutes the estimated sales price less all estimated costs up to completion, as well as the costs of marketing, sales, and distribution.

Inventories are for the greater part measured at average cost. Adjustments are made for unsaleable inventories and inventories with insufficient turnover. Inter-company profits on intra-Group deliveries are eliminated in the income statement.

Shareholders' equity
Registered shares are classified as share capital at their par value. Payments by shareholders above the par value are credited to reserves.

Treasury shares are deducted at their par value from share capital. The acquisition costs in excess of par value arising on the acquisition of treasury shares are debited to reserves. On the sale of treasury shares, gains or losses compared with the par value are credited or debited to reserves.

Dividends are debited to equity in the period in which the resolution on their distribution is adopted.

Employee pension plans
The Group maintains various pension plans designed as defined contribution and defined benefit plans. These pension plans are established in accordance with the local conditions in each country. The plans are funded either by contributions to legally autonomous pension funds and insurance plans or by recognition of the pension plan liabilities in the financial statements of the respective companies.

For defined contribution plans, the costs incurred in the relevant period correspond to the agreed employer contributions.

For defined benefit plans, the pension costs and liabilities are assessed annually on the basis of various economic and demographic assumptions by independent actuaries according to the 'projected unit credit method'. The liabilities correspond to the present value of the expected future cash outflows. The plan assets are stated at market value and deducted from the pension liabilities. Pension costs, consisting of current service costs incurred in the relevant period and net interest expense, less employee contributions, are stated as personnel expenses in the income statement. Past service costs or gains resulting from changes in pension plans are recognized directly in the income statement. Profits or losses resulting from pension plan curtailments or settlements are immediately taken as well to the income statement.

Revaluation components include actuarial gains and losses due to changes in the present value of the pension obligations arising from changes in assumptions and experience adjustments plus the return on plan assets less the contributions contained in net interest expense. Revaluation components are recognized in other comprehensive income, taking deferred taxes into account, and are never subsequently reclassified to the income statement.

Provisions
Provisions are recognized if the Group has a current legal or constructive obligation as a result of a past event, 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. The provision is the best estimate on the reporting date of the amount required to meet the current obligation, taking into account the risks and uncertainties underlying the obligation.

Leasing
The Group is the lessee for various property, plant, and equipment; vehicles and buildings constitute the vast majority of leasing agreements.

The Group recognizes a right-of-use asset that represents its right to control the use of the underlying asset, plus a liability from the lease that represents its obligation to make lease payments. The lease liability is recognized initially at the net present value of the lease payments and subsequently at the book value using the effective interest method. It is restated if the future lease payments change as a result of changes in interest rates or a reassessment of purchase, renewal or termination options. The lease payments are discounted at the implicit interest rate of the leasing arrangement or, if this is not available, at the incremental borrowing rate. Determination of the incremental borrowing rate is based on interest rates of different financial sources and is adjusted to take into account the lease conditions and the type of asset.

The right-of-use is assessed according to the initial recognition of the lease liability and is amortized over the lease term on a straight-line basis. The lease term for leasing contracts that contain extension options reasonably certain to be exercised or no explicitly stated end date is at the discretion of the company within certain limits. Exceptions are made for short-term leases and for leases for low-value assets used by the company. These lease payments are recognized as expenditure over the lease term.

The Group recognizes right-of-use assets under 'Property, plant, and equipment' and leasing liabilities under 'Financial liabilities' in the balance sheet. Further information is disclosed in note 21 'Leasing'.

3 Critical judgements, estimates and appraisals by management

The application of the measurement and accounting principles requires that circumstances and estimates be assessed, and assumptions be made with respect to the carrying amounts of assets and liabilities. The estimates and the underlying assumptions are based on past experience and other factors regarded as relevant, including expectations of future events that appear reasonable in the given circumstances. The actual results may, of course, deviate from the estimates and assumptions of management.

Estimates and the underlying assumptions are reviewed continuously. Revised estimates are recognized prospectively. The following are the main areas in which a significant risk exists in the coming business year involving a significant adjustment of the carrying value of assets and liabilities.

Impairment tests
Along with the regular periodic review of goodwill and intangible assets with an indefinite useful life, the carrying amounts of fixed and intangible assets with a finite useful life are also always reviewed if due to changed circumstances or other triggering events these amounts can possibly no longer be realized. If such a situation occurs, the recoverable amount is determined based on expected future revenues. This corresponds to either the discounted expected cash flows or the expected net sales price.

Important assumptions in the calculations underlying these impairment tests include growth rates, margins, estimates and management's expectations of the future development of net working capital, and discount rates. The actual cash flows may deviate from the planned and discounted values. Likewise, the useful lives may be shortened, or non-current assets impaired in the event of a change in the use of buildings, machinery and facilities, change or abandonment of locations, or lower-than-expected revenues over the medium term. Further information on this topic can be found in note 14 'Property, plant, and equipment' and note 15 'Intangible assets and goodwill'.

Valuation of pension plan liabilities
Various employee pension plans exist for employees of the Group. In the valuation of defined benefit plans, actuarial assumptions are made to estimate future developments. These include assumptions and estimates relating to the discount rate, the inflation rate as well as assumptions for future wage trends. In their actuarial calculations for determining employee benefit obligations, the actuaries also use statistical information such as mortality tables and staff turnover rates. If these parameters change owing to a change in the economic situation or market conditions, the subsequent results may deviate considerably from the actuarial reports and calculations. These deviations may have a significant medium-term effect on expenses and income from the employee pension schemes and on the comprehensive income statement. Further information on this topic can be found in note 18 'Employee benefit obligations'.

Recognition and measurement of provisions
In the conduct of ordinary business activities, a liability of uncertain timing and/or amount may arise. Provisions are determined using available information based on reasonably expected cash outflows. Claims against Group companies may arise that may not be covered, or are covered only in part, by provisions or insurance benefits. Further information on this topic can be found in note 17 'Provisions'.

Income taxes
The Group is obliged to pay income taxes in various countries. Certain key assumptions are necessary in order to determine income tax in the relevant countries. There are business events which have an impact on taxation and taxable profit. Hence, the amount of the final taxation cannot be determined definitively. The measurement of current tax liabilities is subject to the interpretation of tax regulations in the relevant countries. The adequacy of this interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This may result in material changes to tax expenses. Where the definitive taxation of these business events deviates from the previous assumptions, this will have an impact on the current and deferred taxes in the period in which the taxation is definitively determined. Furthermore, determining whether tax losses carried forward can be capitalized requires a critical estimate of the probability that they can be offset against future profits. This assessment is based on planning information. Further information on this topic can be found in note 10 'Income taxes'.

4 Application of new or revised accounting standards

Applied new and revised standards and interpretations
The following relevant new and revised standards and interpretations of the International Accounting Standards Board (IASB) were applied for the first time in the business year that began on January 1, 2020:

- Amendments to IFRS 3 'Definition of a business'
- Amendments to IAS 1 and IAS 8 'Definition of materiality'
- Amendments to IFRS 9, IAS 39, and IFRS 7 'Interest rate benchmark reform'
- Amendments to the references to the conceptual framework in IFRS standards
- Amendments to IFRS 16 'COVID-19-related-rent-concessions' (since June 1, 2020)

The first-time adoption of the above-mentioned revised standards and interpretations had no appreciable impact on the consolidated financial statements presented here.

Introduction of new standards in 2021 and beyond

The following new and revised standards and interpretations that were published by end-2020 but are not yet mandatory were not applied in advance in the present consolidated financial statements.

Standards		Date effective	Planned application
New Standards or Interpretations:			
IFRS 17 'Insurance Contracts'	*	January 1, 2023	2023 business year
Revisions and amendments of standards and interpretations:			
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – Phase 2'	*	January 1, 2021	2021 business year
Annual Improvements to IFRS Standards 2018 – 2020	*	January 1, 2022	2022 business year
Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'	*	January 1, 2022	2022 business year
Amendments to IFRS 3 'Reference to the Conceptual Framework'	*	January 1, 2022	2022 business year
Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'	*	January 1, 2022	2022 business year
Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'	*	January 1, 2023	2023 business year

* No significant impact on the consolidated financial statements is expected.

Notes

5 Segment reporting

The Group is a global producer of Flooring Systems and Movement Systems. The divisions correspond to the internal management structure and are run separately because the products they manufacture, distribute, and sell differ fundamentally in terms of production, distribution, and marketing.

In the Flooring Systems division, the Group develops, produces, and sells linoleum, vinyl floorings, entrance flooring systems, carpet tiles, needle felt floor coverings, Flotex, the washable textile flooring, and building and construction adhesives as well as various accessory products required for laying, processing, cleaning, and care of flooring. In the Movement Systems division, the Group develops, produces, and sells high-quality conveyor and processing belts, as well as plastic modular belts, and drive, timing and flat belts made of synthetic materials. Corporate includes the costs of the Group headquarters and certain items of income and expenses that are not directly attributable to a specific segment.

The Flooring Systems and the Movement Systems divisions are reportable segments. The identification of the reportable segments is based on internal management reporting to the Executive Chairman of the Board of Directors and to the Chief Executive Officer of the Group and hence on the financial information used to review the performance of the operational units in order to reach a decision on the allocation of resources.

Segment information on the reportable segments for the reporting year:

2020 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total sales	757.0	361.0	– 0.3	1,117.7
Inter-segment sales	0.0	– 0.3	0.3	0.0
Net sales to third parties	757.0	360.7		1,117.7
Operating profit (EBIT)	109.9	35.9	– 8.8	137.0
EBITDA[1]	144.6	55.0	– 7.6	192.0
Operating assets	487.5	303.3	18.5	809.3
Capital expenditure[2]	20.5	19.1	0.1	39.7
Number of employees (December 31)	2,967	2,309	41	5,317

1) Operating profit before depreciation and amortization
2) Purchase of tangible and intangible assets (excluding leasing)

Segment information on the reportable segments for the prior year:

2019 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total sales	870.5	411.9	– 0.2	1,282.2
Inter-segment sales	0.0	– 0.2	0.2	0.0
Net sales to third parties	870.5	411.7		1,282.2
Operating profit (EBIT)	135.8	49.8	– 9.3	176.3
EBITDA[1]	172.6	69.3	– 8.2	233.7
Operating assets	520.8	299.5	13.8	834.1
Capital expenditure[2]	22.8	13.2	0.0	36.0
Number of employees (December 31)	3,130	2,441	43	5,614

1) Operating profit before depreciation and amortization
2) Purchase of tangible and intangible assets (excluding leasing)

Management reporting is based on the same accounting principles as external reporting.

The Executive Chairman of the Board of Directors and the Chief Executive Officer assess the performance of the reportable segments based on their operating result (EBIT). The net financial result is not allocated to the segments since it is Corporate Treasury that mainly exercises central control over the financial result. Inter-segment sales are transacted at arm's length. The segments apply the same accounting principles as the Group. Sales to third parties, as they are reported to the Executive Chairman of the Board of Directors and the Chief Executive Officer, are identical with the sales reported in the income statement.

Reconciliation of segment information to the income statement and balance sheet:

CHF m	2020	2019
Total segment result (EBIT)	**137.0**	**176.3**
Financial result	– 0.9	– 1.0
Group profit before taxes	**136.1**	**175.3**

CHF m	31.12.2020	31.12.2019
Total operating assets	**809.3**	**834.1**
Non-operating assets	301.5	263.3
Total assets	**1,110.8**	**1,097.4**

Operating assets include 'Trade receivables', 'Other receivables', 'Accrued income and deferred expenses', 'Inventories', 'Property, plant, and equipment', and 'Intangible assets and goodwill'. Non-operating assets include 'Cash and cash equivalents', 'Current financial assets', 'Non-current financial assets' and 'Deferred tax assets'.

The following table shows revenue broken down by geographic region and by the two product groups that are identical with the reportable segments.

	Flooring Systems		Movement Systems	
CHF m	2020 Third-party sales	2019 Third-party sales	2020 Third-party sales	2019 Third-party sales
Regions				
Europe	585.7	664.7	140.0	156.2
Americas	107.9	131.4	118.9	141.9
Asia/Pacific and Africa	63.4	74.4	101.8	113.6
Total net sales to third parties	**757.0**	**870.5**	**360.7**	**411.7**

Third-party net sales by destination were generated in the following regions:

CHF m	2020 Third-party sales	2019 Third-party sales
Switzerland (domicile)	26.2	27.6
Germany	145.9	155.4
France	124.3	158.2
Benelux	122.2	130.5
Scandinavia	94.6	98.6
Great Britain and Ireland	67.2	90.0
Other countries Europe	145.3	160.6
Europe	**725.7**	**820.9**
USA	186.7	221.2
Other countries Americas	40.1	52.1
Americas	**226.8**	**273.3**
Asia/Pacific and Africa	**165.2**	**188.0**
Total net sales to third parties	**1,117.7**	**1,282.2**

In the period under review, sales to no single customer exceeded 10% of total Group sales.

Operating assets are distributed over the following regions:

CHF m	31.12.2020 Operating assets	31.12.2019 Operating assets
Switzerland (domicile)	31.5	29.7
Germany	91.9	85.7
France	73.5	69.0
Benelux	199.4	205.3
Scandinavia	33.8	31.3
Great Britain and Ireland	103.8	114.9
Other countries Europe	61.3	54.8
Europe	**595.2**	**590.7**
USA	87.3	101.2
Other countries Americas	11.3	14.1
Americas	**98.6**	**115.3**
Asia/Pacific and Africa	**115.5**	**128.1**
Total operating assets	**809.3**	**834.1**

6 Development costs

'Development costs', which mainly comprise product development, amounted to CHF 15.2 million in the reporting year (2019: CHF 16.0 million).

Costs for manufacturing trials, recipe optimization and new collections are not reported within 'Development costs'.

As in the previous year, no development costs were capitalized.

7 Other operating expenses

'Other operating expenses' comprise expenses of different kinds in connection with structural measures, legal costs, warranties, taxes on capital, levies based on local legislation, and allowances for doubtful trade receivables.

8 Other operating income

'Other operating income' comprises a range of income, mainly in connection with the sale of tangible assets, the release of provisions for legal proceedings, insurance payments, rental income, the sale of material for recycling purposes, and the release of allowances for doubtful trade receivables.

9 Personnel expenses

	2020	2019
Personnel expenses		
CHF m		
Salaries and wages	279.7	308.5
Social security contributions	73.8	78.8
Employee benefit expenses for defined benefit plans	5.8	5.0
Total personnel expenses	**359.3**	**392.3**

As at December 31, 2020, the headcount was 5,317 (2019: 5,614). The weighted average headcount over the year was 5,491 (2019: 5,716).

Personnel expense decreased year-on-year mainly because of the lower headcount. Further contributory factors were savings owing to the reduction of unused holidays and overtime and some cases of compensation from individual programs related to the COVID-19 pandemic.

Salaries and wages include share-based payments expenses of CHF 3.0 million (2019: CHF 3.2 million). A bonus program is available for around 150 managers, which is linked to achieving financial targets set for the Group, the divisions, and individual objectives (see also note 19 'Employee participation plan').

The cost of the contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 14.1 million (2019: CHF 14.8 million).

10 Income taxes

	2020	2019
Income taxes		
CHF m		
Current income taxes	30.5	42.0
Deferred income taxes	– 0.6	– 5.0
Total income taxes	**29.9**	**37.0**

Analysis of tax expense

The following reconciliation explains the difference between the expected and the effective tax expense:

	2020	2019
CHF m		
Group profit before taxes	136.1	175.3
Tax expense at the expected tax rate	**– 33.1**	**– 43.8**
Expected tax rate in %	24.3%	25.0%
Tax effects of:		
Non-tax-deductible expenses	– 0.9	– 1.8
Tax-exempt income	2.4	3.5
Recognition of previously unrecognized tax losses		2.1
Utilization of previously unrecognized tax losses	0.2	
Previous-year taxes and other positions	1.5	3.0
Effective income tax expenses	**– 29.9**	**– 37.0**
Effective income tax rate in %	22.0%	21.1%

Since the Group operates in various countries with different tax laws and rates, the expected and effective tax expense depends every year on the origin of the profits or losses in each country. The expected tax expense is the sum of the expected individual tax income/expense of all subsidiaries. The expected individual tax income/expense in a country is calculated by multiplying the individual profit/loss by the tax rate applicable in the country concerned.

Capitalized and non-capitalized tax loss carry-forwards, by expiry date:

2020

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	0.0		0.0
2 years	1.8		1.8
3 years	4.6		4.6
4 years	3.8		3.8
5 years			
More than 5 years	17.9	42.2	60.1
Total tax loss carry-forwards	**28.1**	**42.2**	**70.3**

2019

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year			
2 years	0.4		0.4
3 years	2.1		2.1
4 years	4.6		4.6
5 years	3.8		3.8
More than 5 years	22.6	45.2	67.8
Total tax loss carry-forwards	**33.5**	**45.2**	**78.7**

As in the previous year, no tax loss carry-forwards expired in the year under review.

Deferred income tax assets and liabilities are offset when they relate to the same tax jurisdiction, provided that the legal right to offset exists, and they are intended either to be settled net or to be realized simultaneously.

The following amounts are shown in the balance sheet:

	31.12.2020	31.12.2019
CHF m		
Deferred tax assets	45.4	45.4
Deferred tax liabilities	– 8.9	– 11.2
Deferred taxes, net	**36.5**	**34.2**

Deferred tax assets and liabilities, tax credits and tax charges from deferred taxes:

Deferred tax assets

CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry-forwards	Employee benefit obligations	Other	Total
January 1, 2019	**7.5**	**1.4**	**10.2**	**10.8**	**14.9**	**5.0**	**49.8**
Changes recognized in income statement	1.6	– 0.4	3.6	2.1	– 1.5	0.8	6.2
Changes recognized in other comprehensive income					1.8		1.8
Translation differences	– 0.2	0.0	– 0.3	– 0.3	– 0.4	– 0.1	– 1.3
As at December 31, 2019	**8.9**	**1.0**	**13.5**	**12.6**	**14.8**	**5.7**	**56.5**
Changes recognized in income statement	– 1.0	1.4	– 0.7	– 0.5		0.0	– 0.8
Changes recognized in other comprehensive income					2.0		2.0
Translation differences	– 0.2	0.0	0.0	– 0.2	– 0.2	– 0.1	– 0.7
As at December 31, 2020	**7.7**	**2.4**	**12.8**	**11.9**	**16.6**	**5.6**	**57.0**
Netting with deferred tax liabilities							– 11.6
As at December 31, 2020							**45.4**

Deferred tax liabilities

CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Employee benefit obligations	Other	Total
January 1, 2019	**2.7**	**3.2**	**2.1**	**12.2**	**0.0**	**1.7**	**21.9**
Changes recognized in income statement	0.3	1.8	– 1.9	– 0.7		1.7	1.2
Translation differences	– 0.1	– 0.1	– 0.1	– 0.4	0.0	– 0.1	– 0.8
As at December 31, 2019	**2.9**	**4.9**	**0.1**	**11.1**	**0.0**	**3.3**	**22.3**
Changes recognized in income statement	0.0	0.7	0.0	– 2.1		0.0	– 1.4
Translation differences	– 0.1	– 0.1	– 0.0	– 0.2	0.0	0.0	– 0.4
As at December 31, 2020	**2.8**	**5.5**	**0.1**	**8.8**	**0.0**	**3.3**	**20.5**
Netting with deferred tax assets							– 11.6
As at December 31, 2020							**8.9**
Increase in deferred tax assets 2019							6.4
Increase in deferred tax assets 2020							2.3

As at December 31, 2020, no deferred tax liabilities on undistributed profits from consolidated companies have been recognized, since this income is deemed to have been reinvested for an indefinite period. Should there be a distribution, withholding and other taxes might be incurred, which upon decision may be provided for accordingly.

Tax expense and income recognized directly in the other comprehensive income statement:

			2020			2019
CHF m	Before tax	Tax income	After tax	Before tax	Tax income	After tax
Actuarial losses (–)/gains on employee benefit obligations	– 9.8	2.0	– 7.8	– 6.6	1.8	– 4.8
Translation differences	– 23.3		– 23.3	– 12.5		– 12.5
Other comprehensive income	**– 33.1**	**2.0**	**– 31.1**	**– 19.1**	**1.8**	**– 17.3**

11 Earnings per share

Undiluted earnings per share are calculated by dividing the net profit or loss for the year attributable to shareholders of Forbo Holding Ltd by the weighted average number of registered shares issued and outstanding in the year under review.

The figure for diluted earnings per share also takes into account the potential dilution effects if all issued and in-the-money share entitlements (Long-Term Incentive Plan) were to be exercised.

The calculations are based on the following information:

	2020	2019
Group profit for the year in CHF million	106.2	138.3
Weighted average number of shares	1,594,494	1,601,927
Amount of shares adjusted for long-term incentive plans (LTI)	16	42
Weighted average number of shares used to calculate diluted earnings per share	1,594,510	1,601,969
Basic earnings per share in CHF	66.60	86.33
Diluted earnings per share in CHF	66.60	86.33

12 Trade receivables

	31.12.2020	31.12.2019
Trade receivables		
CHF m		
Accounts receivable	134.7	149.7
Notes receivable	12.8	16.7
Allowance	– 6.1	– 6.0
Total trade receivables	**141.4**	**160.4**

Information with regards to the Group's credit and market risks and allowances for doubtful trade receivables are found in note 23 'Risk assessment and financial risk management'.

13 Inventories

	31.12.2020	31.12.2019
Inventories		
CHF m		
Raw materials and supplies	48.7	47.8
Work in progress	71.2	80.1
Finished goods	131.4	137.5
Valuation allowance for inventories	– 32.8	– 29.9
Total inventories	**218.5**	**235.5**

Expenses for inventories recognized in the reporting year came to CHF 436.2 million (2019: CHF 495.3 million).

14 Property, plant, and equipment

Cost on acquisition

CHF m	Land and buildings	Machinery and equipment	Vehicles and other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
As at January 1, 2019	**165.5**	**723.0**	**130.2**	**19.2**	**1,037.9**
Additions	7.9	8.3	7.9	26.0	50.1
Disposals	– 1.5	– 5.9	– 1.7		– 9.1
Transfers	3.2	22.6	1.9	– 27.9	– 0.2
Translation differences	– 8.2	– 19.7	– 3.9	– 0.4	– 32.2
As at December 31, 2019	**166.9**	**728.3**	**134.4**	**16.9**	**1,046.5**
Additions	27.7	8.0	7.3	23.0	66.0
Disposals	– 7.4	– 7.7	– 3.4		– 18.5
Transfers	4.8	11.7	1.3	– 17.8	0.0
Translation differences	– 8.0	– 12.3	– 2.4	– 0.2	– 22.9
As at December 31, 2020	**184.0**	**728.0**	**137.2**	**21.9**	**1,071.1**

Accumulated depreciation and impairments

CHF m	Land and buildings	Machinery and equipment	Vehicles and other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
As at January 1, 2019	**29.3**	**598.5**	**108.6**	**0.0**	**736.4**
Depreciation	16.2	26.0	10.2		52.4
Disposals	– 1.3	– 5.9	– 1.6		– 8.8
Translation differences	– 5.6	– 16.5	– 3.2		– 25.3
As at December 31, 2019	**38.6**	**602.1**	**114.0**	**0.0**	**754.7**
Depreciation	15.3	25.4	9.7		50.4
Disposals	– 3.6	– 7.6	– 3.2		– 14.4
Translation differences	– 4.5	– 9.3	– 1.5		– 15.3
As at December 31, 2020	**45.8**	**610.6**	**119.0**	**0.0**	**775.4**
Net carrying amount					
As at January 1, 2019	136.2	124.5	21.6	19.2	301.5
As at December 31, 2019	128.3	126.2	20.4	16.9	291.8
As at December 31, 2020	138.2	117.4	18.2	21.9	295.7

Property, plant, and equipment is recognized at amortized cost. As in the previous year, no impairments occurred in the year under review.

Included under property, plant, and equipment are right-of-use assets amounting to CHF 46.9 million (2019: CHF 41.8 million). Further information are found in note 21 'Leasing'.

Maintenance and repair costs amounted to CHF 22.7 million (2019: CHF 23.7 million). The depreciation expense of CHF 50.4 million (2019: CHF 52.4 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.

As at December 31, 2020, there were no assets for which interest on borrowed capital was capitalized during the preparation phase.

As at December 31, 2020, the Group had outstanding purchase orders for capital goods amounting to CHF 2.1 million (2019: CHF 8.3 million).

15 Intangible assets and goodwill

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2019	**85.8**	**32.7**	**80.8**	**199.3**
Additions			0.2	0.2
Transfers			0.2	0.2
Translation differences	– 1.5	0.1	0.3	– 1.1
As at December 31, 2019	**84.3**	**32.8**	**81.5**	**198.6**
Additions			0.3	0.3
Disposals			– 0.1	– 0.1
Translation differences	– 1.2	– 0.3	– 3.7	– 5.2
As at December 31, 2020	**83.1**	**32.5**	**78.0**	**193.6**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2019	**9.0**	**26.3**	**50.9**	**86.2**
Amortization			5.1	5.1
Translation differences	– 0.2	0.0	– 0.4	– 0.6
As at December 31, 2019	**8.8**	**26.3**	**55.6**	**90.7**
Amortization			4.6	4.6
Disposals			– 0.1	– 0.1
Translation differences	0.0	0.0	– 2.4	– 2.4
As at December 31, 2020	**8.8**	**26.3**	**57.7**	**92.8**
Net carrying amount				
As at January 1, 2019	76.8	6.4	29.9	113.1
As at December 31, 2019	75.5	6.5	25.9	107.9
As at December 31, 2020	74.3	6.2	20.3	100.8

The position 'Trademarks' consists mainly of the trademarks acquired in connection with the acquisition of Bonar Floors in 2008. 'Other intangible assets' consists primarily of the customer relations and technologies, as well as software, acquired as part of the acquisition of Bonar Floors.

Goodwill is distributed among the following groups of cash-generating units:

	31.12.2020	31.12.2019
Flooring Systems	70.3	71.5
Movement Systems	4.0	4.0
	74.3	**75.5**

The goodwill in Flooring Systems comprises primarily the goodwill acquired in connection with the acquisition of Bonar Floors. The annual impairment test of goodwill yielded a value in use that was greater than the carrying amount.

Intangible assets with an indefinite useful life (goodwill and trademarks) are subject to an annual impairment test at cash-generating unit level. The test is carried out using a standardized method with discounted cash flow for calculating the value in use. Cash flow for the first five years is estimated on the basis of the plan approved by management (detailed planning period).

Cash flows beyond the detailed planning period are extrapolated to the terminal value by means of using sustainable earnings. The growth rate underlying the terminal value equals the expected inflation. During the detailed planning period, relatively constant EBITDA margins are assumed, which are around 19% (2019: 20%) for Flooring Systems and around 15% (2019: 17%) for Movement Systems.

The discount rate corresponds to the total weighted cost of capital before taxes including an average risk charge estimated by management, and is 8.9% (previous year: 8.7%). The intangible assets with an indefinite useful life were subject to impairment testing also in the form of sensitivity analyses.

No change in the basic assumptions that can be regarded as reasonably realistic will result in the carrying amounts exceeding the recoverable amounts.

16 Accrued expenses and deferred income

Accrued expenses and deferred income	31.12.2020	31.12.2019
CHF m		
Accrued expenses for compensation and employee benefits	37.4	38.5
Other accrued expenses	38.8	39.7
Total accrued expenses and deferred income	**76.2**	**78.2**

Accrued expenses for compensation and employee benefits mainly comprise overtime accruals and commissions. Other accrued expenses include accrued volume rebates, commissions, premiums, interest and goods and services received but not yet invoiced.

17 Provisions

Provisions CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total
As at January 1, 2020	**5.0**	**8.1**	**36.6**	**13.6**	**4.0**	**67.3**
Additions	2.7		3.8	2.0		8.5
Used during the year	– 1.9		– 0.3	– 1.5	– 0.5	– 4.2
Released during the year	– 0.3		– 3.9	– 0.8	– 0.1	– 5.1
Translation differences	– 0.2	0.0	0.0	0.0	0.0	– 0.2
As at December 31, 2020	**5.3**	**8.1**	**36.2**	**13.3**	**3.4**	**66.3**
Of which current provisions	4.0	0.0	0.5	13.0	2.3	19.8
Of which non-current provisions	1.3	8.1	35.7	0.3	1.1	46.5

Warranty provisions are linked to product sales and are based on past experience. The provisions for legal claims relate in part to product liability claims in which the Group is involved in the course of its normal business. Personnel provisions comprise possible obligations arising from employment contracts.

18 Employee benefit obligations

The Group has established several pension plans on the basis of the specific requirements of the countries in which it operates. Both defined contribution and defined benefit plans exist in the Group that insure employees against the risks of death and invalidity and provide old-age pensions.

The liabilities and assets under the main defined benefit plans are assessed annually by independent actuaries using the 'projected unit credit method'.

Pension plans in the United Kingdom
The Group has two defined benefit pension plans in the United Kingdom. The main one is the Forbo Superannuation Fund (the FSF), which accounts for about 60% of the Group's total pension liabilities. The FSF is a pension plan whose benefits are based on the final salary and which pays out a guaranteed pension for life to its members. The FSF is closed to new entrants. The composition of the pension liabilities is as follows: 2% to active employees, 29% to deferred members and 69% to current beneficiaries. New employees in the United Kingdom who meet certain criteria are now offered a defined contribution plan.

The FSF operates under trust law and is managed and administered by the trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The FSF's assets are held by the trust. Responsibility for governance of the FSF – including investment decisions and contribution schedules – lies jointly with the company and the trustees. The board of the trustees must be composed of representatives of the company and plan participants in accordance with the FSF's regulations and British pension law.

The pension plan follows an investment strategy that is geared to the structure of the pension liabilities ('liability-driven investment' approach).

The use of any ultimate surplus is not subject to any restriction under the FSF's articles of incorporation and be used freely by the Group. These surpluses are therefore recognized in the balance sheet as assets in accordance with IAS 19 revised.

Pension plan in Switzerland
The Group pays contributions to an independent pension fund as part of the occupational pension provision (known in Switzerland as the 'second pillar'). As a minimum benefit, this independent pension fund must provide the beneficiary with an old-age pension at the time of retirement. This pension is paid out of the retirement savings capital at the start of the pension. The Group meets these liabilities through agreements with pension funds that cover the pension liabilities in full.

The pension liabilities of the Swiss Group companies account for about 19% of the Group's entire pension liabilities. 95% of the liabilities are to employees and 5% to beneficiaries.

The Swiss pension system includes guarantees that expose the company to the risk that it may have to provide additional financing, for instance, if the pension fund is unable to meet its obligations or decides to end the insurance relationship. The pension fund guarantees a minimum return and is responsible for the payment of a pension for life once the insurance benefits fall due. As a result of these guarantees, Swiss pension plans are treated as defined benefit plans under IFRS, even though they contain essential elements of defined contribution plans.

The company cannot participate in any surplus of the pension plan. According to Swiss pension law, all surpluses belong to the pension plan and hence to its members.

Other pension plans

Other notable defined benefit plans exist in France, Germany, Japan, Sweden, and the USA.

The latest actuarial valuations of the present values of defined benefit liabilities and of service costs were performed as at December 31, 2020, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2020, based on the information available when the annual financial statements were prepared. The weighted average duration of the pension plans ('plan duration') is 13.5 years for the United Kingdom, 19.1 years for Switzerland, and 16.9 years for the other countries.

The principal assumptions underlying the actuarial calculations are summarized as follows.

Actuarial assumptions	2020				2019			
	Switzerland	UK	Other	Weighted	Switzerland	UK	Other	Weighted
Discount rate (in %)	0.1	1.2	1.0	1.0	0.3	1.8	1.1	1.4
Future increases in salaries (in %)	1.8	3.6	2.7	2.4	1.9	3.7	2.8	2.4
Inflation rate (in %)	1.3	2.9	1.9	2.5	1.3	3.0	1.9	2.6
Life expectancy at age of 65 (in years)								
Year of birth 1955								
Men	23	21	20	21	23	21	20	21
Women	25	23	24	23	25	23	24	23
Year of birth 1970								
Men	24	22	22	22	24	22	22	22
Women	26	24	25	25	26	24	25	24

The pension costs for defined benefit plans recognized in the consolidated income statement can be summarized as follows:

Pension costs	2020				2019			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Service cost	2.1	0.4	2.6	5.1	2.0	0.6	1.4	4.0
Interest costs	0.2	3.8	0.7	4.7	0.5	5.6	1.0	7.1
Interest income on plan assets	–0.1	–3.7	–0.2	–4.0	–0.3	–5.6	–0.2	–6.1
Total actuarial net periodic pension costs	**2.2**	**0.5**	**3.1**	**5.8**	**2.2**	**0.6**	**2.2**	**5.0**

Changes in pension liabilities under the defined benefit plans:

	2020				2019			
Benefit obligations								
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**63.4**	**228.9**	**61.3**	**353.6**	**57.1**	**211.3**	**58.2**	**326.6**
Service cost	2.1	0.4	2.6	5.1	2.0	0.6	1.4	4.0
Employee contributions	0.9		0.0	0.9	0.9		0.0	0.9
Interest costs	0.2	3.8	0.7	4.7	0.5	5.6	1.0	7.1
Benefits paid	– 1.0	– 9.1	– 2.6	– 12.7	– 1.6	– 9.7	– 3.3	– 14.6
Actuarial losses/gains (–)	3.4	19.8	0.5	23.7	4.5	18.9	6.0	29.4
Curtailments and settlements							– 0.1	– 0.1
Translation differences		– 12.8	– 0.5	– 13.3		2.2	– 1.9	0.3
As at December 31	**69.0**	**231.0**	**62.0**	**362.0**	**63.4**	**228.9**	**61.3**	**353.6**

Changes in plan assets of the defined benefit plans at fair value:

	2020				2019			
Plan assets								
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**44.7**	**224.9**	**5.4**	**275.0**	**37.8**	**209.5**	**5.6**	**252.9**
Interest income on plan assets	0.1	3.7	0.2	4.0	0.3	5.6	0.2	6.1
Employer contributions	1.6	0.2	2.6	4.4	1.6	0.3	3.0	4.9
Employee contributions	0.9		0.0	0.9	0.9		0.0	0.9
Return on pension assets (excluding amounts in interest income)	– 0.9	14.9	– 0.1	13.9	5.7	17.1	0.0	22.8
Benefits paid	– 1.0	– 9.1	– 2.6	– 12.7	– 1.6	– 9.7	– 3.3	– 14.6
Curtailments and settlements							– 0.1	– 0.1
Translation differences		– 12.6	– 0.2	– 12.8		2.1	0.0	2.1
As at December 31	**45.4**	**222.0**	**5.3**	**272.7**	**44.7**	**224.9**	**5.4**	**275.0**

Actuarial gains and losses are recognized in the balance sheet under 'Pension liabilities' and accounted for directly in the other comprehensive income.

Most of the pension plans are financed in full or in part via outsourced funds. Pension liabilities amounting to CHF 38.8 million (2019: CHF 39.9 million) out of a total of CHF 362.0 million (2019: CHF 353.6 million) are unfunded.

Changes in the net liabilities of defined benefit plans recognized in the balance sheet:

Net liabilities	2020				2019			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**18.7**	**4.0**	**55.9**	**78.6**	**19.3**	**1.8**	**52.6**	**73.7**
Net pension cost	2.2	0.5	3.1	5.8	2.2	0.6	2.2	5.0
Employer contributions	– 1.6	– 0.2	– 2.6	– 4.4	– 1.6	– 0.3	– 3.0	– 4.9
Actuarial losses/gains (–)	4.3	4.9	0.6	9.8	– 1.2	1.8	6.0	6.6
Translation differences		– 0.2	– 0.3	– 0.5		0.1	– 1.9	– 1.8
Net liabilities as at December 31	**23.6**	**9.0**	**56.7**	**89.3**	**18.7**	**4.0**	**55.9**	**78.6**

Gains and losses of defined benefit pension plans offset in the comprehensive income statement for all segments:

Recognized gains and losses in the comprehensive income statement	2020				2019			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial losses (–)/gains in the current period:	– 3.4	– 19.8	– 0.5	– 23.7	– 4.5	– 18.9	– 6.0	– 29.4
Based on adjustment of demographic assumptions	0.0	– 0.6	0.0	– 0.6	2.1	4.1	0.0	6.2
Based on adjustment of financial assumptions	– 2.6	– 19.3	– 1.8	– 23.7	– 7.3	– 23.3	– 6.4	– 37.0
Experience adjustment	– 0.8	0.1	1.3	0.6	0.7	0.3	0.4	1.4
Return on pension assets (excluding amounts in interest income)	– 0.9	14.9	– 0.1	13.9	5.7	17.1	0.0	22.8
Total losses (–)/gains recognized in the comprehensive income statement before taxes	**– 4.3**	**– 4.9**	**– 0.6**	**– 9.8**	**1.2**	**– 1.8**	**– 6.0**	**– 6.6**

Change in the present value of defined benefit liabilities:

	2020			2019		
Sensitivities + 50bp			+ 50bp			+ 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	– 6.3	– 14.9	– 4.8	– 6.0	– 14.6	– 4.7
Increases in salaries	1.9	0.1	2.7	1.7	0.1	2.8
Inflation rate	1.4	9.0	4.5	1.3	8.6	4.4
Interest credits on retirement assets	1.6			1.5		

Sensitivities – 50bp			– 50bp			– 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	7.2	16.6	5.4	6.7	16.2	5.3
Increases in salaries	– 1.8	– 0.1	– 2.5	– 1.7	– 0.1	– 2.5
Inflation rate	– 1.4	– 8.3	– 4.1	– 1.3	– 7.9	– 3.9
Interest credits on retirement assets	– 1.5			– 1.5		

The above table describes the effect of the principal actuarial assumptions on pension liabilities. The table shows the effect of an isolated change of a single parameter, assuming that all other parameters remain unchanged. However, sensitivities may differ for individual plans. The sensitivity analysis aims to visualize the uncertainty in valuating pension liabilities under market conditions at the date of valuation. The results cannot be extrapolated owing to possible non-linear effects in the event of changes to the actuarial assumptions. Moreover, the analysis cannot say anything about the likelihood of these changes occurring, nor can it present the view of the Group regarding anticipated future changes in pension liabilities. Any measures taken by management to reduce the risks are also not taken into account in the analysis.

Weighted average asset allocation of the defined benefit plan assets as at December 31:

	2020	2019
%		
Shares	5.6	5.3
Bonds	44.5	44.5
Real Estate	3.9	3.8
Other securities	42.6	39.1
Cash and cash equivalents	3.4	7.3
Total plan assets as at December 31	**100.0**	**100.0**

'Shares', 'Bonds', 'Real Estate' and 'Other securities' were quoted investments. The plan assets did not include any direct shares or other securities of the Forbo Group.

Future contributions to defined benefit plans in the following year are estimated on the basis of the period under review.

Other non-current benefits
The Group does not finance any other non-current benefits. The plans for long-service bonuses and other benefits related to years of service are negligible or do not qualify as plans for other non-current benefits.

19 Employee participation plan

As of December 31, 2020, there existed the following share-based remuneration elements:

Remuneration of the Executive Board
Long-term incentive plan
The long-term Incentive consists of a performance share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share. The PSUs are subject to a three-year vesting period. At the end of the performance period, the company will determine whether the objectives set by the Board of Directors at the start of the performance period for the performance indicators have been reached. Depending on the degree to which the objectives are reached, a given percentage of the PSUs will be converted into shares after the three-year vesting period. Converted shares are locked up for a period of three years. The relevant share price for the allocation of PSUs at the start of the performance period is calculated from the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the year in which the PSUs were allocated.

Management investment plan

Short-term variable compensation for the Executive Board is linked to the Management Investment Plan (MIP). According to this plan, at least 50% of the annual short-term variable remuneration of Executive Board members is paid into the MIP. As for the remaining 50% of the annual short-term variable remuneration, the Executive Board members may either draw all or part of it in cash or pay it into the MIP. They may redefine the allocation of this remaining 50% every year. The shares are locked up for a period of three years.

The portion of variable remuneration that is settled in the form of shares is recognized at fair value and reported as a corresponding increase in equity. The shares distributed under the MIP are issued at the unweighted average closing price of the Forbo share for the first 14 trading days in January of the year in which they were issued.

The number of shares of Forbo Holding Ltd issued in the year under review under the MIP was 92 (2019: 472). A further 193 shares (2019: 230) were allocated to Executive Board members in the reporting year as part of the fixed base salary. Within the framework of the Long-Term Incentive Plan launched in 2017, for the first time 81 shares were allocated in the year under review for the period 2017 – 2020. The share price at measurement date was CHF 1,673.71 (2019: CHF 1,414.57).

Remuneration of the Board of Directors

The remuneration of the Executive Chairman of the Board of Directors is mainly in locked-up shares. The details and figures for this remuneration model are to be found on page 133 of this Financial Report and on pages 78 and 85 of the Remuneration Report. The number of shares with a three-year vesting period allocated to the non-executive members of the Board of Directors came to 266 in the reporting year (2019: 207).

The amount charged to the income statement in application of IFRS 2 for shares issued came to CHF 3.0 million in the year under review (2019: CHF 3.2 million).

20 Share capital and capital management

Share capital

As at December 31, 2020, the share capital of Forbo Holding Ltd stood at CHF 165,000 (2019: CHF 165,000), divided into 1,650,000 registered shares with a par value of CHF 0.10 each. Of this amount 21,419 registered shares without voting or dividend rights are unchanged at the disposal of the Board of Directors. Consequently, 1,628,581 (2019: 1,628,581) registered shares were eligible for dividends as at December 31, 2020.

Change of shares issued and outstanding:

	31.12.2020 Number	Change Number	31.12.2019 Number
Total shares outstanding	**1,650,000**		**1,650,000**
Treasury shares			
Treasury shares	49,346	22,080	27,266
Own shares with no dividend rights	21,419		21,419
Total treasury shares	**70,765**	**22,080**	**48,685**
Total shares issued and outstanding	**1,579,235**	**– 22,080**	**1,601,315**

Capital management

By capital management, the Group means management of consolidated shareholders' equity as well as optimization of the capital employed. The former includes the fully paid up share capital, the positions 'Treasury shares', 'Reserves', and 'Translation differences' and, as per December 31, 2020, it amounted to CHF 683.5 million (2019: CHF 676.6 million).

21 Leasing

The Group is the lessee for various fixed assets, in particular vehicles and buildings.

The table below shows the right-of-use assets recognized under property, plant, and equipment.

Right-of-use assets

CHF m	Land and buildings	Machinery and equipment	Vehicles and other property, plant, and equipment	Total property, plant, and equipment
As at January 1, 2019	**30.2**	**1.6**	**13.7**	**45.5**
Additions	6.8	1.0	6.5	14.3
Derecognition	0.0	0.0	0.0	0.0
Depreciation	– 9.4	– 0.9	– 6.8	– 17.1
Translation differences	– 0.6	0.0	– 0.3	– 0.9
As at December 31, 2019	**27.0**	**1.7**	**13.1**	**41.8**
Additions	20.6	0.3	5.7	26.6
Derecognition	– 3.7	0.0	– 0.3	– 4.0
Depreciation	– 8.9	– 0.7	– 6.6	– 16.2
Translation differences	– 0.8	– 0.1	– 0.4	– 1.3
As at December 31, 2020	**34.2**	**1.2**	**11.5**	**46.9**

Interest from lease liabilities amounted to CHF 0.9 million in the year under review (2019: CHF 1.0 million). Expenditure and payments for short-term leases came to CHF 3.2 million (2019: CHF 3.6 million) and for leases of low-value assets to CHF 0.9 million (2019: CHF 0.9 million). The recognized lease liabilities came to CHF 45.2 million at year-end (2019: CHF 40.0 million), stated in the current and non-current financial liabilities (see note 22 'Financial instruments'.

The lease payments for recognized lease liabilities, including interest, came to CHF 18.4 million in the reporting year (2019: CHF 19.4 million).

The maturity analysis of the leasing liabilities as at December 31, 2020, is reported in note 23 'Risk assessment and financial risk management'.

22 Financial instruments

Classification and fair values

The table below shows the carrying amounts and fair values of financial assets and financial liabilities. It does not contain any information on the fair value of financial assets and financial liabilities if the book value constitutes an appropriate approximate value for their current fair value.

Classification of financial instruments

	Carrying amount			
CHF m	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
31.12.2020				
Financial assets valued at fair value:				
Derivative financial instruments	0.0			0.0
Financial assets valued at amortized costs:				
Cash and cash equivalents			255.8	255.8
Current financial assets			0.1	0.1
Trade receivables			141.4	141.4
Other receivables			13.0	13.0
Non-current financial assets			0.2	0.2
Financial liabilities valued at amortized costs:				
Current financial liabilities			14.1	14.1
Trade payables			94.4	94.4
Other current liabilities			11.1	11.1
Non-current financial liabilities			31.1	31.1

The item 'Derivative financial instruments' contains open foreign exchange hedging and swap transactions with a contract value at December 31, 2020, totaling CHF 31.5 million (2019: CHF 41.5 million). The foreign exchange rates can be directly observed or determined. The derivatives are therefore assigned to hierarchy level 2. 'Current financial liabilities' and 'Non-current financial liabilities' reflect the liabilities from leasing.

Classification of financial instruments

	Carrying amount			
CHF m	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
31.12.2019				
Financial assets valued at amortized costs:				
Cash and cash equivalents			217.7	217.7
Trade receivables			160.4	160.4
Other receivables			4.7	4.7
Non-current financial assets			0.2	0.2
Financial liabilities valued at fair value:				
Derivative financial instruments	0.2			0.2
Financial liabilities valued at amortized costs:				
Current financial liabilities			13.2	13.2
Trade payables			98.1	98.1
Other current liabilities			14.4	14.4
Non-current financial liabilities			26.8	26.8

The carrying amount of the financial assets and financial liabilities valued at amortized cost is a reasonable approximation for the fair value. The Group did not hold any significant financial instruments measured at recurring fair value nor was there any regrouping between the levels of the fair value hierarchy.

23 Risk assessment and financial risk management

The tasks of the Board of Directors include identifying risks, determining suitable measures, and implementing those measures or having them implemented. The Board of Directors of Forbo Holding Ltd conducted a Group-wide risk assessment in the reporting year and also determined the risks to be managed by particular management levels. The Board of Directors is closely involved in the assessment of strategic risks and, in consultation with the Executive Board, ensures that operational risks are dealt with appropriately and that they are duly reported. This approach gives the Board a complete overview of the key risks and measures. This broad overview enables the Group to set priorities and allocate the necessary resources.

The Group is exposed to the following risks arising from the use of financial instruments:

– Market risk
– Liquidity risk
– Default risk

Market risk
In its day-to-day operations, the Group uses derivative and non-derivative financial instruments to manage the risks and opportunities arising from fluctuations in exchange rates and interest rates. The various risks associated with existing assets and liabilities as well as planned and anticipated transactions are monitored and managed centrally – with due regard to the Group's overall risk exposure. In line with the Group's hedging policy, Corporate Treasury constantly monitors both the risk exposure and the effectiveness of the hedging instruments and issues recommendations with regard to partial or complete hedging of existing risks.

The Group uses derivative financial instruments solely to manage financial risks and not for the purpose of speculation. To hedge its currency risks, the Group uses mainly currency cash transactions, forward currency contracts, and currency swap transactions. In order to manage counterparty risk, derivative financial transactions are concluded only with first-class banks. The creditworthiness of these institutions is assessed on the basis of evaluations by leading rating agencies.

No hedge accounting was used in this context in 2020 or 2019.

Foreign exchange risk management
Risks arising from short-term currency exposure created by purchases and sales of goods and services (transaction risks) are identified, and selective hedging strategies are implemented in line with an ongoing assessment of exchange rate movements. The Group uses foreign exchange forward and option contracts with maturities of up to 15 months to hedge against transaction risk.

Furthermore, risks associated with the translation of assets and liabilities denominated in foreign currencies (translation risks) are managed by establishing an appropriate financing policy.

A realistic assessment of changes in interest rates for the US dollar, the euro, the pound sterling and the Swiss franc has no significant impact on the result and the equity of the Group from the valuation of transactions with financial instruments.

Interest rate risks
Interest rate risks arise from changes in the fair value of interest-bearing assets and liabilities caused by fluctuations in interest rates. Since these risks may have a negative effect on net financial profit and shareholders' equity, the Group uses derivatives to manage them on a case-by-case basis. A realistic assessment of changes in interest rates for the US dollar, the euro, the pound sterling and the Swiss franc has no significant impact on the result and the equity of the Group from the valuation of transactions with financial instruments.

Liquidity risk
Liquidity risk is the risk that the Group may possibly be unable to meet contractually agreed financial obligations that are settled by delivering cash or other financial assets. Group companies need sufficient cash in order to meet their commitments. Corporate Treasury is responsible for managing liquidity. The share of the aggregate cash and cash equivalents managed by Corporate Treasury was around 70% on December 31, 2020. At present, the Group regards a cash level of roughly CHF 60 million as sufficient to meet its payment obligations at all times.

The maturity structure of the existing financial liabilities is shown in the following table. These liabilities correspond to contractually agreed maturities and represent nominal payment outflows. Inflows and outflows of funds from derivative financial instruments are shown separately.

As at December 31, 2020

CHF m	Total Cash outflow/ -inflow (–)	Remaining term to maturity up to 1 year	Remaining term to maturity 1 – 2 years	Remaining term to maturity 2 – 5 years	Remaining term to maturity over 5 years
Interest-free liabilities	105.5	105.5			
Liabilities from leasing	46.8	15.8	12.4	14.3	4.3
Cash inflow from financial derivatives	– 0.0	– 0.0			

As at December 31, 2019

CHF m	Total Cash outflow/ -inflow (–)	Remaining term to maturity up to 1 year	Remaining term to maturity 1 – 2 years	Remaining term to maturity 2 – 5 years	Remaining term to maturity over 5 years
Interest-free liabilities	112.5	112.5			
Liabilities from leasing	42.1	15.6	13.1	12.2	1.2
Cash outflow from financial derivatives	0.2	0.2			

Default risk

Default risk is the risk of financial losses in the event that a customer or the counterparty in a financial instrument fails to meet his or its obligations. The risk consists mainly of trade receivables and bank accounts or short-term deposits with banks. The maximum amount of the default risk is the book value of the financial assets.

The Group recognizes allowances for expected credit losses on financial instruments that are reported at amortized costs. It assesses at the end of each reporting period whether there is an objective basis for further impairment of a financial asset and whether the allowances made are still appropriate.

The Group considers a financial asset to be in default if it is unlikely that the borrower can pay his obligation to the Group in full without the Group having to take recourse to measures such as the realization of collateral.

Cash and cash equivalents

With regard to counterparty risk exposure to banks, Group-wide directives stipulate that financial investments and other financial transactions are to be made only with first-class banks. Given the credit ratings of these counterparties, the Group does not anticipate any defaults.

Trade receivables

The Group's default risk is affected mainly by the individual characteristics of its customers. Management, however, also takes into account the characteristics of the customer base as a whole, including the default risk of the sector and of the countries in which the customers operate, since these factors may also affect the default risk.

To manage this risk adequately, the financial creditworthiness of various customers is constantly monitored. Credit risks are diversified by the company's broad customer base in various business segments and geographic regions.

Carrying amounts of trade receivables by currency:

	31.12.2020	31.12.2019
CHF m		
CHF	1.2	1.2
EUR	67.5	77.6
USD	22.4	24.2
JPY	12.0	14.7
GBP	8.3	9.7
CNY	6.1	5.7
SEK	4.1	4.0
Other	25.9	29.3
Total trade receivables, before loss allowance	**147.5**	**166.4**

The Group employs a model of valuation allowances ('provision matrix') for trade receivables. In this valuation allowance table, expected losses on receivables are determined on the balance sheet date on the basis of past experience of default probability and of future-oriented expectations based on experience with the customers and market conditions.

As at December 31, 2020

CHF m	Gross carrying amount	Loss allowance	Weighted average loss rate	Credit impaired
Not due	131.6	3.0	2.3%	0.0
Overdue ≤ 30 days	8.1	0.3	3.7%	0.0
Overdue 31 – 90 days	4.0	0.3	7.5%	0.2
Overdue 91 – 180 days	1.7	0.4	23.5%	0.1
Overdue > 180 days	2.1	1.6	76.2%	0.2
Total	**147.5**	**5.6**	**3.8%**	**0.5**

As at December 31, 2019

CHF m	Gross carrying amount	Loss allowance	Weighted average loss rate	Credit impaired
Not due	142.2	2.8	2.0%	0.2
Overdue ≤ 30 days	12.8	0.1	0.8%	0.1
Overdue 31 – 90 days	6.3	0.2	3.2%	0.1
Overdue 91 – 180 days	2.5	0.4	16.0%	0.1
Overdue > 180 days	2.6	1.8	69.2%	0.2
Total	**166.4**	**5.3**	**3.2%**	**0.7**

Changes in valuation allowances for doubtful trade receivables during the reporting year:

	2020	2019
CHF m		
January 1	**– 6.0**	**– 6.5**
Additions	– 1.3	– 1.2
Release	0.3	1.2
Use	0.6	0.4
Translation differences	0.3	0.1
As at December 31	**– 6.1**	**– 6.0**

The creation and release of allowances for doubtful trade receivables are included in 'Other operating expenses and income' in the income statement.

24 Related party transactions

Compensation paid to members of the Board of Directors and Executive Board:

	Executive Board		Board of Directors		Total	
CHF m	2020	2019	2020	2019	2020	2019
Remuneration	1.45	1.38	1.01	1.03	2.46	2.41
Employer contributions to the pension scheme	0.21	0.21	0.19	0.18	0.40	0.39
Share-based payments	0.39	0.47	2.60	2.60	2.99	3.07
Total payments	**2.05**	**2.06**	**3.80**	**3.81**	**5.85**	**5.87**

The compensation paid to the Executive Board consists of a fixed gross base salary, short-term variable remuneration in cash, private use of the company car, and social security payments made by the company. Employer contributions to the pension fund are reported separately. The share-based remuneration paid to the Executive Board consists of the following elements: a fixed base salary portion, which is paid in shares; short-term variable remuneration under the Management Investment Plan (MIP) for the reporting year; and the future subscription rights, awarded pro rata for the reporting year and weighted in accordance with target achievement in the reporting year in the form of performance share units for the long-term incentive plans 2018 – 2020, 2019 – 2021 and 2020 – 2022 (see note 19 'Employee participation plan').

The remuneration paid to the Board of Directors includes a gross base remuneration in cash, employer contributions to the usual social insurances, lump sum and on-site expenses, and private use of the company car (only for the Executive Chairman).

The share-based remuneration paid to the Board of Directors includes a gross base remuneration in shares, consisting on the one hand of a 40% portion of the remuneration in shares for the non-executive Board members and, on the other hand, of the share-based portion of the remuneration for the Executive Chairman.

As at December 31, 2020 and 2019, the Group had no significant receivables due from or liabilities to related parties.

25 Events after the balance sheet date

Between the balance sheet date and the date of publication of this annual report no event occurred that could have a significant effect on the 2020 annual financial statements.

Group companies (as at December 31, 2020)

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Movement Systems	Holding/ Services
Australia								
Forbo Floorcoverings Pty. Ltd.	Wetherill Park, NSW		AUD	1,400,000	100%	S		
Forbo Siegling Pty. Ltd.	Wetherill Park, NSW		AUD	7,100,000	100%		S	
Austria								
Forbo Flooring Austria GmbH	Vienna		EUR	73,000	100%	S		
Forbo Siegling Austria Ges.m.b.H.	Vienna		EUR	330,000	100%		S	
Belgium								
Forbo Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S		
Brazil								
Forbo Pisos Ltda.	São Paulo		BRL	16,564,200	100%	S		
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%		MS	
Canada								
Forbo Flooring Canada Corp.	Halifax		CAD	500,200	100%	S		
Forbo Siegling Canada Corp.	Halifax		CAD	501,000	100%		S	
Chile								
Forbo Siegling Chile S.A.	Santiago	N	CLP	313,090,945	50%		S	
Colombia								
Forbo Siegling Colombia S.A.S.	Bogotá, D.C.		COP	1,500,000,000	100%		S	
Czech Republic								
Forbo Siegling Česká republika s.r.o.	Liberec		CZK	100,000	100%		S	
Forbo s.r.o.	Prague		CZK	500,000	100%	S		
Denmark								
Forbo Flooring A/S	Glostrup		DKK	500,000	100%	S		
Forbo Siegling Danmark A/S	Brøndby		DKK	33,000,000	100%		MS	
Finland								
Forbo Flooring Finland Oy	Helsinki		EUR	33,638	100%	S		
France								
Forbo Château-Renault S.A.S.	Château-Renault		EUR	1,000,000	100%	MS		
Forbo Participations S.A.S.	Reims	D	EUR	5,000,000	100%			H
Forbo Reims SNC	Reims		EUR	3,879,810	100%	MS		
Forbo Sarlino S.A.S.	Reims		EUR	6,415,500	100%	S		
Forbo Siegling France S.A.S.	Lomme		EUR	819,000	100%		S	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2020
D Direct participation of Forbo Holding Ltd

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Germany								
Forbo Beteiligungen GmbH	Lörrach	D	EUR	15,400,000	100%			H
Forbo Eurocol Deutschland GmbH	Erfurt		EUR	2,050,000	100%	MS		
Forbo Flooring GmbH	Paderborn		EUR	500,000	100%	S		
Forbo Siegling GmbH	Hanover		EUR	10,230,000	100%		MS	
Realbelt GmbH	Lörrach		EUR	100,000	100%		S	
Great Britain								
Forbo Flooring UK Ltd.	Derbyshire		GBP	22,000,000	100%	MS		
Forbo Floors UK Ltd.	Kirkcaldy		GBP	4	100%			H
Forbo-Nairn Ltd.	Derbyshire		GBP	8,000,000	100%			H
Forbo Siegling (UK) Ltd.	Dukinfield		GBP	50,774	100%		S	
Forbo UK Ltd.	Derbyshire		GBP	49,500,000	100%			H
Westbond Ltd.	Derbyshire		GBP	400,000	100%			H
Hong Kong								
Forbo International Hong Kong Ltd.	Hong Kong		HKD	1	100%			H
India								
Forbo Flooring India Pvt. Ltd.	Delhi		INR	15,000,000	100%	S		
Forbo Siegling Movement Systems India Pvt. Ltd.	Pune		INR	26,000,000	100%		S	
Indonesia								
PT Forbo Siegling Indonesia	Kabupaten Bandung		IDR	6,344,580,000	100%		S	
Ireland								
Forbo Ireland Ltd.	Dublin		EUR	125,000	100%	S		
Italy								
Forbo Resilienti S.r.l.	Segrate (Milan)		EUR	60,000	100%	S		
Forbo Siegling Italia S.p.A.	Paderno Dugnano (Milan)		EUR	120,000	100%		S	
Tema S.r.l.	Parma		EUR	50,000	100%		S	
Japan								
Forbo Siegling Japan Ltd.	Tokyo		JPY	330,000,000	100%		MS	
Malaysia								
Forbo Siegling SDN. BHD.	Johor Bahru		MYR	2,500,002	100%		S	
Mexico								
Forbo Siegling, S.A. de C.V.	Tlalnepantla	D	MXN	24,676,404	100%		MS	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2020
D Direct participation of Forbo Holding Ltd

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Netherlands								
Forbo Eurocol Nederland B.V.	Zaanstad		EUR	454,000	100%	MS		
Forbo Flooring B.V.	Krommenie		EUR	11,350,000	100%	MS		
Forbo Flooring Coral N.V.	Krommenie		EUR	1,944,500	100%	MS		
Forbo NL Holding B.V.	Krommenie		EUR	13,500,000	100%			H
Forbo-Novilon B.V.	Coevorden		EUR	3,624,000	100%	MS		
Forbo Siegling Nederland B.V.	Spankeren		EUR	113,445	100%		S	
New Zealand								
Forbo Siegling Ltd.	Auckland		NZD	650,000	100%		S	
Norway								
Forbo Flooring AS	Asker		NOK	1,000,000	100%	S		
Forbo Siegling Norge AS	Oslo		NOK	100,000	100%		S	
People's Republic of China								
Forbo Movement Systems (China) Co., Ltd.	Pinghu		USD	25,000,000	100%		MS	
Forbo Shanghai Co., Ltd.	Shanghai		CHF	4,000,000	100%	S		
Forbo Siegling (China) Co., Ltd.	Shenyang		USD	16,221,000	100%		MS	
Poland								
Forbo Siegling Poland sp. z o.o.	Łódź		PLN	600,000	100%		S	
Portugal								
Forbo-Revestimentos, S.A.	Maia (Porto)		EUR	74,850	100%	S		
Romania								
Forbo Siegling Romania S.R.L.	Bucharest		RON	38,000	100%		S	
Russia								
OOO 'Forbo Flooring'	Moscow		RUB	500,000	100%	S		
OOO 'Forbo Kaluga'	Moscow		RUB	158,313,780	100%	MS		
OOO 'Forbo Siegling CIS'	Saint Petersburg		RUB	400,000	100%		S	
OOO 'Forbo Eurocol RUS'	Stary Oskol		RUB	187,181,000	100%	MS		
Slovakia								
Forbo Siegling s.r.o.	Malacky		EUR	1,000,000	100%		MS	
South Korea								
Forbo Korea Ltd.	Seoul		KRW	900,000,000	100%	S	S	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2020
D Direct participation of Forbo Holding Ltd

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment Systems	Holding/ Services
Spain								
Forbo Pavimentos, S.A.	Barcelona		EUR	60,101	100%	S		
Forbo Siegling Iberica, S.A.U.	Montcada i Reixac (Barcelona)		EUR	1,532,550	100%		S	
Sweden								
Forbo Flooring AB	Gothenburg		SEK	8,000,000	100%	S		
Forbo Siegling Svenska AB	Kållered (Gothenburg)		SEK	1,000,000	100%		S	
Switzerland								
Forbo Management SA	Baar	D	CHF	100,000	100%			H
Forbo-Giubiasco SA	Bellinzona		CHF	100,000	100%	MS		
Forbo International SA	Baar		CHF	100,000	100%		MS	H
Thailand								
Forbo Siegling (Thailand) Co. Ltd.	Samut Prakan	D	THB	13,005,000	100%		S	
Turkey								
Forbo Hareket ve Zemin Sistemleri Ticaret Limited Şirketi	Istanbul		TRY	17,500,000	100%	S	S	
Ukraine								
TOB 'Forbo Flooring Ukraine'	Kiev		UAH	2,000,000	100%	S		
United Arab Emirates								
Forbo Flooring Middle East DMCC	Dubai		AED	499,000	100%	S		
USA								
Forbo America Inc.	Wilmington, DE	D	USD	19,957,259	100%			H
Forbo America Services Inc.	Wilmington, DE		USD	50,000	100%			H
Forbo Flooring, Inc.	Wilmington, DE		USD	3,517,000	100%	S		
Forbo Siegling, LLC	Wilmington, DE		USD	15,455,000	100%		MS	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2020
D Direct participation of Forbo Holding Ltd

Report of the statutory auditor

Statutory Auditor's Report

To the General Meeting of Forbo Holding Ltd, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Forbo Holding Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 92 to 137) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Revenue recognition

Valuation of inventories

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Revenue recognition

Key Audit Matter	Our response
Total consolidated net sales of the financial year 2020 amounted to CHF 1,117.7 million (2019: CHF 1,282.2 million). The segment Flooring Systems contributed CHF 757.0 million (2019: CHF 870.5 million) or 67.7% (2019: 67.9%) to total net sales, while the segment Movement Systems realized CHF 360.7 million (2019: CHF 411.7 million), representing 32.3% of total net sales (2019: 32.1%). Net sales are a key performance indicator for Forbo and therefore in the focus of internal and external stakeholders. Consequently, when performing the audit we had a focus on existence of revenue transactions and their recognition in the appropriate period. Revenue from contracts with customers is recognized when the control of the goods or services is transferred to the customer. This point in time depends on specific terms of contracts and may vary between regions and the industry of the buyer. Owing to the types of products sold by either segment of the Group, the contractual sales arrangements are not complex. Due to the large number of transactions, the proper recognition of revenue nevertheless depends on a functioning internal control system, adapted to local circumstances. Furthermore, accurate data on volumes and prices are central to revenue recognition.	We mainly performed the following audit procedures: — We analyzed the process from the purchase order to the receipt of payment and assessed whether transactions are completely and accurately recorded in the accounts. — Considering the diverse design of internal control and IT systems of individual subsidiaries, we tested the operating effectiveness of identified key controls relating to the proper recognition of revenue. — Based on a statistical sample of delivery notes and payments received, we assessed the existence of revenues and their recognition in the correct period. — We furthermore performed analytical procedures on a segment level as well as on the level of specific individual entities. These included analyses of price and volume deviations, margin development, the largest clients and the most-sold products as well as analyses of the distribution of sales throughout the year and specific months.

For further information on revenue recognition refer to the following:

— Note 2 – Summary of significant accounting policies: net sales and revenue recognition, page 99

— Note 5 – Segment reporting, pages 107 – 109

Report of the statutory auditor

Valuation of inventories

Key Audit Matter

Inventory as at 31 December 2020 amounted to CHF 218.5 million (31 December 2019: CHF 235.5 million) and represents one of the most material asset positions. Valuation allowance for inventories as at 31 December 2020 amounted to CHF -32.8 million (31 December 2019: CHF -29.9 million). Valuation of inventories is consequently of significance to an understanding of the financial statements.

Inventory is recognized at acquisition or manufacturing costs and periodically assessed in terms of recoverability. There is a risk that for work in progress and finished goods the manufacturing costs exceed the actual sales price less selling, distribution and administrative costs (net realizable value).

Furthermore, determining valuation allowances therefore involves a certain degree of judgment.

Our response

We mainly performed the following audit procedures:

— We obtained an understanding of the process related to controls on incoming and outgoing goods and related to the identification of obsolete inventories. Based on this we critically assessed whether transactions are completely and accurately recorded in the accounts.

— Considering the diverse design of internal control and IT systems of individual subsidiaries, we tested the operating effectiveness of identified key controls relating to existence and valuation of inventories.

— We critically assessed the adequacy of the processes to identify, as well as the basis and the method to value, obsolete inventories. We recalculated the valuation allowance for obsolete inventories and, based on a sample, reconciled it to the underlying documentation.

— Furthermore, in testing the valuation of inventories at lower of cost or net realizable value, we compared costs and sales prices. This was done on a case-by-case basis based on a sample or mass data analysis.

For further information on inventories refer to the following:

— Note 2 – Summary of significant accounting policies: inventories, page 102

— Note 13 – Inventories, page 115

KPMG

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Report of the statutory auditor

KPMG

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Rolf Hauenstein Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 3 March 2021

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

Consolidated balance sheets 2016 – 2020

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Assets					
CHF m					
Current assets	**668.7**	**652.1**	**567.3**	**638.2**	**601.2**
Cash and cash equivalents	255.8	217.7	127.4	195.4	209.7
Current financial assets	0.1	0.0	0.1	0.0	0.0
Trade receivables	141.4	160.4	168.9	169.2	151.4
Other receivables	39.7	23.7	26.0	27.6	19.8
Accrued income and deferred expenses	13.2	14.8	14.8	19.4	13.9
Inventories	218.5	235.5	230.1	226.6	206.4
Non-current assets	**442.1**	**445.3**	**412.7**	**429.3**	**388.1**
Non-current financial assets	0.2	0.2	0.3	0.3	0.2
Deferred tax assets	45.4	45.4	39.9	39.0	40.5
Property, plant, and equipment	295.7	291.8	259.4	267.6	227.6
Intangible assets and goodwill	100.8	107.9	113.1	122.4	119.8
Total assets	**1,110.8**	**1,097.4**	**980.0**	**1,067.5**	**989.3**

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Shareholders' equity and liabilities					
CHF m					
Current liabilities	**251.5**	**257.3**	**261.9**	**275.3**	**241.8**
Current financial liabilities	14.1	13.4	0.1	0.2	0.1
Trade payables	94.4	98.1	109.2	105.9	95.4
Other current liabilities	30.4	28.2	28.7	32.4	24.2
Current tax liabilities	16.6	19.0	16.2	26.5	20.4
Current provisions, accrued expenses, and deferred income	96.0	98.6	107.7	110.3	101.7
Non-current liabilities	**175.8**	**163.5**	**126.5**	**131.0**	**126.1**
Non-current financial liabilities	31.1	26.8	0.0	0.2	0.4
Deferred tax liabilities	8.9	11.2	12.1	10.8	10.9
Non-current provisions	46.5	46.9	40.7	32.3	26.1
Employee benefit obligations	89.3	78.6	73.7	87.7	88.7
Total liabilities	**427.3**	**420.8**	**388.4**	**406.3**	**367.9**
Shareholders' equity	**683.5**	**676.6**	**591.6**	**661.2**	**621.4**
Share capital	0.2	0.2	0.2	0.2	0.2
Treasury shares	– 0.1	– 0.1	– 0.1	– 0.1	– 0.1
Reserves and retained earnings	683.4	676.5	591.5	661.1	621.3
Total shareholders' equity and liabilities	**1,110.8**	**1,097.4**	**980.0**	**1,067.5**	**989.3**

Consolidated income statements 2016 – 2020

1.1. – 31.12.	2020	2019	2018	2017	2016
CHF m					
Net sales	**1,117.7**	**1,282.2**	**1,327.0**	**1,246.4**	**1,185.5**
Cost of goods sold	– 707.5	– 788.6	– 824.9	– 764.5	– 715.2
Gross profit	**410.2**	**493.6**	**502.1**	**481.9**	**470.3**
Development costs	– 15.2	– 16.0	– 16.6	– 15.5	– 15.1
Marketing and distribution costs	– 171.3	– 191.4	– 198.1	– 195.8	– 190.7
Administrative costs	– 86.4	– 92.8	– 96.1	– 94.7	– 95.0
Other operating expenses	– 15.2	– 26.2	– 23.5	– 106.5	– 16.7
Other operating income	14.9	9.1	7.5	10.5	4.4
Operating profit	**137.0**	**176.3**	**175.3**	**79.9**	**157.2**
Financial income	0.7	0.8	0.9	0.9	2.0
Financial expenses	– 1.6	– 1.8	– 0.6	– 0.8	– 0.1
Group profit before taxes	**136.1**	**175.3**	**175.6**	**80.0**	**159.1**
Income taxes	– 29.9	– 37.0	– 38.0	– 43.5	– 31.5
Group profit for the year from continuing operations	**106.2**	**138.3**	**137.6**	**36.5**	**127.6**
Group profit for the year from discontinued operations after taxes	**0.0**	**0.0**	**0.0**	**2.2**	**0.0**
Group profit for the year	**106.2**	**138.3**	**137.6**	**38.7**	**127.6**

FINANCIAL REPORT

Balance sheet for Forbo Holding Ltd (before appropriation of available earnings)

		31.12.2020	31.12.2019
Assets			
CHF	Note		
Current assets		**43,320,189**	**35,302,652**
Cash and cash equivalents		21,103,730	24,028,419
Other receivables from Group companies	2	21,914,140	11,274,233
Accrued income and deferred expenses		302,319	
Non-current assets		**395,379,970**	**423,918,675**
Loans to Group companies	3	106,022,466	106,208,299
Investments in Group companies	4	289,357,504	317,710,376
Total assets		**438,700,159**	**459,221,327**

		31.12.2020	31.12.2019
Shareholders' equity and liabilities			
CHF	Note		
Current liabilities		**660,922**	**2,726,730**
Current liabilities to third parties		158,632	152,444
Other liabilities to Group companies	2	121,707	2,297,686
Accrued expenses and deferred income		380,583	276,600
Shareholders' equity		**438,039,237**	**456,494,597**
Share capital	6	165,000	165,000
Statutory reserves:			
General reserves		15,600,000	15,600,000
Capital contribution reserves		15,302	15,302
Reserves for treasury shares	8	4,114,262	4,811,654
Available earnings:			
Retained earnings		434,644,705	444,436,650
Net profit for the year		50,422,233	26,266,218
Treasury shares	8	– 66,922,265	– 34,800,227
Total shareholders' equity and liabilities		**438,700,159**	**459,221,327**

Income statement for Forbo Holding Ltd

	1.1. – 31.12.	2020	2019
Income			
CHF	Note		
Financial income:			
From investments in and loans to Group companies	9	55,392,500	31,122,672
From securities and current investments	10	224,169	
Total income		**55,616,669**	**31,122,672**

	1.1. – 31.12.	2020	2019
Expenses			
CHF	Note		
Administrative expenses	11	4,984,068	4,554,734
Financial expenses:			
From investments in and loans from Group companies	12	231,091	303,255
Taxes	5	– 20,723	– 1,535
Total expenses		**5,194,436**	**4,856,454**
Net profit for the year		**50,422,233**	**26,266,218**

Notes to the financial statements for Forbo Holding Ltd

1 Accounting

These financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (32nd title of the Swiss Code of Obligations). Forbo Holding Ltd publishes consolidated financial statements according to a generally accepted accounting standard (IFRS). Therefore, in accordance with the provisions on accounting and financial reporting, the financial statements are presented without disclosure notes relating to audit fees or a cash flow statement.

2 Other receivables from and liabilities to Group companies

'Other receivables from Group companies' comprised the credit balances on the cash pool accounts. 'Other liabilities to Group companies' comprised the current account liability to Forbo International SA in the reporting year and claims on the cash pool accounts the previous year.

3 Loans to Group companies

The loans were valued at the rate prevailing on the balance sheet date; unrealized exchange losses were booked, while unrealized exchange gains were not recognized.

The item contained loans at an unchanged level of EUR 97.8 million.

4 Investments in Group companies

'Investments in Group companies' are measured at the cost of acquisition less necessary valuation allowances.

Investments in Group companies declined in the year under review since, for one thing, the subsidiary of Forbo International SA was sold within the Group at book value to Forbo Management SA (formerly Forbo Financial Services AG) and, for another, Forbo Finanz AG was liquidated following the merger with Forbo Management SA.

As at December 31, 2020, Forbo Holding Ltd held the following direct investments:

Investments in Group companies

Company	Registered office	Activity	Currency	Share capital (in 1,000)	Equity interest
Forbo America Inc.	US-Wilmington, DE	Holding/Services	USD	19,957	100%
Forbo Beteiligungen GmbH	DE-Lörrach	Holding/Services	EUR	15,400	100%
Forbo Management SA	CH-Baar	Holding/Services	CHF	100	100%
Forbo Participations S.A.S.	FR-Reims	Holding/Services	EUR	5,000	100%
Forbo Siegling, S.A. de C.V.	MX-Tlalnepantla	Manufacturing and Sales	MXN	24,676	< 0.1%
Forbo Siegling (Thailand) Co. Ltd.	TH-Samut Prakan	Sales	THB	13,005	69.1%

5 Taxes

As in the previous year, Forbo Holding Ltd was able to claim the entire participation deduction on dividend income.

6 Share capital

As at December 31, 2020, the share capital of Forbo Holding Ltd totaled CHF 165,000 (2019: CHF 165,000), divided into 1,650,000 registered shares with a par value of CHF 0.10 each. 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors.

7 Conditional capital

Originally, conditional capital of CHF 8.5 million for the exercise of shareholder options and warrants in connection with a bond issue was created by a resolution of the Annual General Meeting held on April 27, 1994. Following the exercise of options in 1994, 1995 and 1997 and reductions in the par value by CHF 22 per share in 2003, CHF 8 per share in 2004, CHF 6 per share in 2007, CHF 10 per share in 2008, and CHF 3.90 per share in 2009, the conditional capital on December 31, 2020, remained unchanged against the previous year at CHF 16,645.

8 Treasury shares

The treasury shares directly held in Forbo Holding Ltd amounting to CHF 66.9 million on the balance sheet date correspond to the value of all treasury shares valued at cost. The item 'Reserve for treasury shares' reflects the treasury shares held by subsidiaries of Forbo Holding Ltd, amounting to CHF 4.1 million. Overall, the treasury shares held directly and indirectly developed as follows over the period under review:

Treasury shares	Cost CHF	Number of registered shares
As at January 1, 2020	39,614,023	48,685
Additions	34,403,192	24,158
Disposals	– 2,978,545	– 2,078
As at December 31, 2020	**71,038,670**	**70,765**

9 Financial income from investments in and loans to Group companies

Financial income from investments and loans to Group companies amounting to CHF 55.4 million (2019: CHF 31.1 million) consisted mainly of dividend income in both periods.

10 Financial income from securities and current investments

The financial income from securities and non-current investments consisted of the book profit resulting from the allocation of treasury shares for share-based compensation.

11 Administrative expenses

Administrative expenses included stewardship costs, the fees paid to the members of the Board of Directors, the auditor's fees, and usual administrative costs, mainly for the Ordinary General Meeting, the share register, insurance and legally required announcements. Forbo Holding Ltd does not employ any personnel.

12 Financial expenses from investments in and loans from Group companies

The financial expense from investments in and loans from Group companies contained in the main losses on foreign currencies amounting to CHF 0.2 million (2019: CHF 0.3 million).

13 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 6.7 million at year-end 2020 (2019: CHF 6.8 million), of which as in the previous year none were utilized.

The Group companies in Switzerland are treated for purposes of value-added tax as a single-entity subject to value-added tax (group taxation regime, Article 13, Federal Act on Value-Added Tax). If one of the Group companies is unable to meet its payment obligations to the Federal Tax Administration, the other Group companies bear joint and several liability.

14 Significant shareholders

According to information available to the Board of Directors, the following shareholders or groups of shareholders with restricted voting rights constituted significant shareholders in the company pursuant to Article 663c Swiss Code of Obligations as at the reporting date:

	Number of shares	As percentage
Michael Pieper, Hergiswil, and Artemis Beteiligungen I AG, Hergiswil	486,856	29.51

Shareholdings

IN 2020

As at December 31, 2020, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2020

Name and function	Amount of shares
This E. Schneider, Executive Chairman	42,352
Michael Pieper, Vice Chairman	486,856
Dr. Peter Altorfer, Vice Chairman and Lead Independent Director	1,406
Claudia Coninx-Kaczynski, member	357
Dr. Reto Müller, member	714
Vincent Studer, member	1,019
Total Board of Directors	**532,704**
Stephan Bauer, Chief Executive Officer	2,345
Marc Deimling, Executive Vice President Movement Systems	54
Urs Uehlinger, Chief Financial Officer	253
Jean-Michel Wins, Executive Vice President Flooring Systems	275
Total Executive Board	**2,927**

IN 2019

As at December 31, 2019, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2019

Name and function	Amount of shares
This E. Schneider, Executive Chairman	38,648
Michael Pieper, Vice Chairman	486,804
Dr. Peter Altorfer, Vice Chairman	1,339
Claudia Coninx-Kaczynski, member	248
Dr. Reto Müller, member	668
Vincent Studer, member	964
Total Board of Directors	**528,671**
Stephan Bauer, Chief Executive Officer	2,671
Marc Deimling, Executive Vice President Movement Systems	40
Urs Uehlinger, Chief Financial Officer	188
Jean-Michel Wins, Executive Vice President Flooring Systems	134
Total Executive Board	**3,033**

15 Events after the balance sheet date

Between the balance sheet date and the date of publication of this annual report no event occurred that could have a significant effect on the 2020 annual financial statements.

Proposal for appropriation of available earnings of Forbo Holding Ltd

The Board of Directors proposes to the Ordinary General Meeting that the available retained earnings, consisting of:

	2020
CHF	
Net profit	50,422,233
Retained earnings	434,644,705
Treasury shares	– 66,922,265
Total at the shareholders' meeting's disposal[1)]	**418,144,673**

be appropriated as follows:

	2020
CHF	
Distribution ordinary dividend	31,584,700
To be carried forward	386,559,973
Total at the shareholders' meeting's disposal[1)]	**418,144,673**

1) At the Ordinary General Meeting of April 1, 2021, the Board of Directors will propose an ordinary gross dividend of CHF 20.00 per registered share (2019: CHF 23.00). No distribution will be made for treasury shares held by Forbo Holding Ltd or any of its subsidiaries on the record date, which explains why the amount of ordinary dividends may therefore still change.

Report of the statutory auditor

KPMG

Statutory Auditor's Report

To the General Meeting of Forbo Holding Ltd, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Forbo Holding Ltd, which comprise the balance sheet as at 31 December 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 148 to 154) for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of the statutory auditor

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Rolf Hauenstein Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 3 March 2021

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

Publisher: Forbo Holding Ltd, Baar/**Concept and design:** Hotz Brand Consultants, Steinhausen/Zug
Photos: Luxwerk, Zurich/**Layout, lithography, and printing:** Neidhart + Schön AG, Zurich

Our Annual Report appears in **German** language and in **English** translation and can be downloaded from our website www.forbo.com. The printed German version is authoritative.

All statements in this report that do not refer to historical facts are forward-looking statements which are no guarantee of future performance. They are based on assumptions and involve risks and uncertainties as well as other factors beyond the control of the company.

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C016003

Climate neutral
Print product
ClimatePartner.com/53232-2102-1012

flooring. movement.

Forbo Holding Ltd
Lindenstrasse 8
CH-6340 Baar

Forbo Management SA
Lindenstrasse 8
CH-6340 Baar

Phone + 41 58 787 25 25
Fax + 41 58 787 20 25

info@forbo.com
www.forbo.com