ANNUAL REPORT 2022

CONNECT.

WELL-BEING
EFFICIENCY

FORBO – IN EVERYDAY LIFE

flooring. movement.

WELL-BEING.

Our floor coverings meet the most exacting demands. They are hard-wearing and cost-effective, and come in attractive designs. The wide-ranging product portfolio matches the requirements of diverse customer segments. Our textile, linoleum, and vinyl floor coverings will be the right choice for different applications, thanks to their specific properties. We select raw materials with sustainability in mind and use recycled components where possible. The individual and innovative design of our products is an ideal basis for a whole variety of flooring and creative interior design concepts.


forbo
FLOORING SYSTEMS

EFFICIENCY.

Conveyor belts are used in a wide range of applications. They ensure a streamlined flow of goods and efficient operational processes. We work constantly to increase the added value offered by our versatile drive and processing belts and to maximize their environmental compatibility, providing individual solutions for a wide variety of industries and applications. To make sure our customers' operational processes run smoothly, we work closely with their own specialists to develop new products and services. This way, we can accommodate individual needs optimally.


forbo
MOVEMENT SYSTEMS

This E. Schneider
Executive Chairman
and CEO ad interim

'After some challenging years and the positive signs towards the end of 2021, we responded to volume growth in the first half of 2022 by increasing investment in markets and sales activities, accompanied by the expansion of operating structures and personnel. When demand abruptly weakened in late summer 2022, especially in Flooring Systems, we reacted with a delay in taking necessary actions, which put further pressure on earnings in the second half of 2022.

The relevant measures have now been introduced, and we are well-prepared to face the challenges ahead, despite a business environment that remains demanding.

We will continue to broaden our attractive and innovative product portfolio, expand our range of services, and invest in growth markets, digitization, and new product technologies.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo looks back on a mixed year. We made a good start to 2022 after the pandemic-affected performances of previous years. This changed in an environment that became challenging once again from spring 2022 due to the difficult geopolitical and financial situation. Profitability was held back by significant increases in the cost of raw materials, transport, and energy along with higher personnel and other costs. It was possible to reduce the extent of this effect, though with a certain time lag, by raising sales prices. In addition, the sales development in Asia/Pacific was affected by renewed Covid lockdowns in China.

Overall, Forbo dealt well with most of these challenges in the first half of 2022. Afterwards, however, demand began to decline in late summer 2022, with this trend accelerating in the fourth quarter 2022. Volume growth in the first half of 2022 gave way to an unexpectedly sharp fall in demand in the second half – with Flooring Systems being increasingly hard hit. As a result, volumes were lower for the year as a whole.

In 2021, Forbo's sales and earnings had returned to the pre-pandemic levels of 2019. In the first half of the reporting year, the Group expanded structures and staffing levels significantly, with a view to achieving further growth. From late summer 2022, this much higher cost base was set against an increasingly sharp decline in volumes, which together resulted in substantially lower earnings. At the same time, the cost of raw materials, energy, and logistics continued to rise. However, thanks to our innovative, high-quality products and services, we were able to offset most of these increases with corresponding sales price increases.

Owing to the stronger Swiss franc, the translation of local results into the corporate currency produced a negative currency effect year on year, with a CHF 67 million impact on sales. Many of our main operating currencies were affected, in particular the euro, the pound sterling, the Japanese yen, and the Swedish krona. Only the US dollar yielded a positive effect.

Significant decline in demand from late summer 2022

Sales growth in all regions thanks to sales price increases
In the year under review, Forbo generated net sales of CHF 1,293.2 million (previous year: CHF 1,254.0 million), up 8.5% in local currencies. This was largely attributable to increases in sales prices amounting to 11.0%. Due to negative currency effects, this equates to a rise in sales of 3.1% in the corporate currency. All three regions contributed to this sales growth in local currencies: + 12.0% in Asia/Pacific, + 8.0% in Europe, and + 7.6% in the Americas.

Net sales at Flooring Systems rose by 9.0% in local currencies to CHF 878.0 million (previous year: CHF 851.8 million). This corresponds to an increase of 3.1% in the corporate currency. After a positive first half-year, demand declined sharply from late summer 2022, becoming even stronger in the fourth quarter. One of the reasons for this was the shift away from renovation projects to energy-saving projects due to the energy crisis. This came at the expense of flooring orders. There was also caution in general about taking on new major projects, due to the significant rise in construction costs.

Movement Systems recorded net sales of CHF 415.2 million (previous year: CHF 402.2 million), a rise of 7.3% in local currencies and 3.2% in the corporate currency. In all customer segments, sales returned to pre-pandemic levels, as in some areas there was a discernible catch-up effect. There was an above-average increase in demand for conveyor and processing belts used in industrial production, for flat belts used in packaging plants, and for conveyor belts for sports treadmills in fitness centers and for processing raw materials.

Profitability affected by slump in demand and one-time impacts

Declining volumes and a significant increase in the cost structure resulted in a strong decrease in EBIT and margins
On the basis of the positive market development at the end of 2021 and beginning of 2022, structures were expanded and staffing levels significantly increased in the first half of 2022. From late summer 2022, this was set against an increasingly strong decline in volumes, which together resulted in substantially lower earnings. At the same time, costs of raw materials, energy, and logistics continued to rise. Sales price increases had a positive effect on the result, as did the initiatives to increase earnings introduced in the second half of 2022.

The operating result was further impaired by a number of one-time impacts totaling CHF 20 million, the majority of which affected Flooring Systems. Due to the political and economic situation in Russia, impairments were made on goodwill and property, plant, and equipment. Added to this was the cost of structural adjustments and various elements recognized in other operating expenses and income, including the creation of provisions for a number of legal cases.

Operating profit before depreciation and amortization (EBITDA) reduced by CHF 42.2 million, or 17.9%, to CHF 193.4 million (previous year: CHF 235.6 million). Group operating profit (EBIT) decreased by CHF 46.4 million, or 25.9%, to CHF 132.6 million (previous year: CHF 179.0 million). This resulted in an EBITDA margin of 15.0% (previous year: 18.8%) and an EBIT margin of 10.3% (previous year: 14.3%).

Group profit lower than in previous year

Lower earnings reflected in Group profit
As a result of the significantly lower operating profit (EBIT), a slightly higher tax rate of 22.6% (previous year: 22.1%), and a lower financial result of CHF – 1.6 million (previous year: CHF + 2.2 million) due to exchange rate losses on foreign currencies, Group profit decreased by 28.2% or CHF 39.8 million to CHF 101.4 million (previous year: CHF 141.2 million).

Solid balance sheet

Significant decline in cash and cash equivalents, but sound equity base
Inventories increased by 20.3% or CHF 53.3 million to CHF 316.2 million due to higher procurement and manufacturing costs, complex supply chains, and challenges in the coordination of sales and production planning. Net liquidity came to CHF 21.4 million at year-end 2022 (previous year: CHF 56.2 million). This decrease was mainly attributable to the lower earnings and the significantly higher operating working capital. In addition, as at December 31, 2022, Forbo held treasury shares valued at CHF 78.6 million. Free cash flow declined by 60.6% to CHF 50.5 million (previous year: CHF 128.1 million), due to the strong decrease in earnings and the higher value of inventories.

The solid equity ratio increased to 57.3% (previous year: 53.2%).
The undiluted earnings per share reflect the significantly lower earnings and therefore declined by 21.7% to CHF 71.76 (previous year: CHF 91.63).

Changes to the Executive Board

Changes to the Executive Board
In view of the earnings performance and differences of opinion about the management and direction of the company, the Board of Directors and CEO Michael Schumacher decided to terminate the employment. He left the company at the end of November 2022. The Board of Directors would like to thank Michael Schumacher for his commitment and wishes him all the best for the future.
The role of CEO has been assumed on an interim basis by This E. Schneider, Executive Chairman, who will oversee the introduction of the measures to increase earnings.

Jens Fankhänel takes over as the new CEO on March 1, 2023. As the former Chairman of the Executive Board of the publicly listed Kardex Holding AG, he will quickly be able to bring his wide-ranging operational and strategic experience of managing industrial companies to bear. He will continue to pursue the proven strategy and implement operational matters in a focused way. Jens Fankhänel has been a member of the Board of Directors and the Strategy Committee of Forbo Group since April 2022. With his appointment to the position of CEO, he will step down from the Forbo Board of Directors at the coming Ordinary General Meeting.

Proposals to the Ordinary General Meeting

Elections to the Board of Directors
With the exception of Jens Fankhänel, all the current members of the Board of Directors will stand for re-election for a further one-year term of office.

This E. Schneider – Executive Chairman since 2014 – will, at the request of the Board of Directors and as previously communicated in summer 2022, stand for election as full-time Chairman of the Board of Directors at the upcoming Ordinary General Meeting.

Dividend adjusted in line with the decline in earnings
Due to the lower earnings and reduced cash flow in the reporting year, though with a sound equity base and confidence that the earnings situation will improve, the Board of Directors will propose to the Ordinary General Meeting that a dividend of CHF 23 per share be paid for the 2022 business year (previous year: CHF 25 per share), corresponding to a payout ratio of 32 percent.

Authorization for a share buyback program
The Board of Directors will propose to the Ordinary General Meeting that it be authorized, over a period of three years, to repurchase treasury shares up to a maximum of 10 percent of the share capital via a second trading line on the SIX Swiss Exchange or by another means in order to reduce capital.

Priorities and outlook for 2023

Priorities 2023
Measures have been introduced and are being implemented to improve operating profitability and accelerate the implementation of operational and strategic projects. These include focusing on essential projects, optimizing aspects of sales and production planning, taking measures to increase efficiency, and adapting structures in accordance with the lower volumes.

Forbo will continue to pursue the successful strategy of recent years. We have an attractive product portfolio in both divisions. We are continuing to invest in line with the strategy in our range of products and services, in growth markets, in digitization, and in new production technologies and expansion – combined as always with an improved carbon footprint and increased efficiency. We will exploit external opportunities for growth if they create long-term added value.

Outlook for 2023
Thanks to its solid and healthy financial foundations, proven strategy and leading market position, Forbo is well-placed to achieve further sustainable and profitable growth again and build on the levels of profitability we have been accustomed to.

We expect the first half of 2023 to be a demanding period with volumes decreasing slightly compared with the same period of 2022. Despite further inflation-related cost increases and ongoing high raw material prices, we are convinced that the implemented measures and initiatives, a clear focus, as well as higher sales prices will mitigate these factors.

Assuming there is no significant change in the geopolitical and economic environments, we anticipate slightly higher sales in local currencies compared with the previous year. With the elimination of the one-time impacts and implementation of the measures to improve operating profitability, we expect a Group profit in the magnitude of CHF 130 million if foreign exchange rates remain the same.

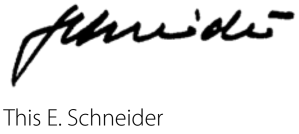
Thank you

Thanks to employees, business partners, and shareholders
This reporting year once again demanded a special effort and commitment from our employees to meet the various challenges we faced efficiently and effectively. With great commitment, flexibility, good communications, teamwork, and creativity we were able to respond to the changing circumstances, and overcome supply chain bottlenecks and massive increases in costs in order to provide our customers with the reliable and competent service they have come to expect. Thank you all for your tireless commitment!

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

On behalf of the Board of Directors and the Executive Board, we would also like to thank you, our shareholders, for your ongoing loyalty and the trust you place in Forbo.

Baar, March 2023



This E. Schneider
Executive Chairman
and CEO ad interim

Financial calendar

Ordinary General Meeting	**Thursday, March 30, 2023**
Publication of Half-Year Report 2023	**Friday, July 28, 2023**
Publication of Annual Report 2023	**Tuesday, March 5, 2024**

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AT A GLANCE

2022 AT A GLANCE

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

The company employs about 5,400 people and has an international network of 25 production and distribution companies, 6 fabrication centers and 47 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 production facilities
- Building and construction adhesives production facilities
- Other local distribution companies

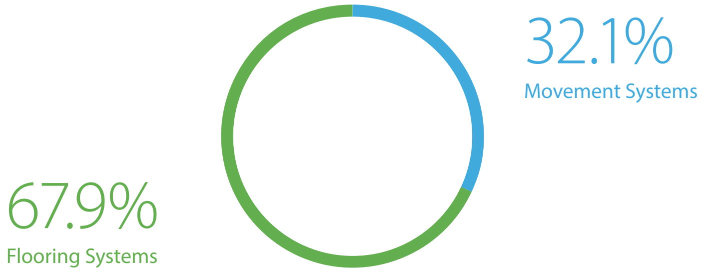
Movement Systems
10 production sites and 6 fabrication centers in 9 countries and distribution companies in 32 countries. Over 300 sales and service offices worldwide.

- Production facilities and fabrication centers
- Other local distribution companies

Net sales	**CHF 1,293.2 million**
EBIT	**CHF 132.6 million**
EBIT margin	**10.3%**
Group profit	**CHF 101.4 million**
Earnings per share undiluted	**CHF 71.76**

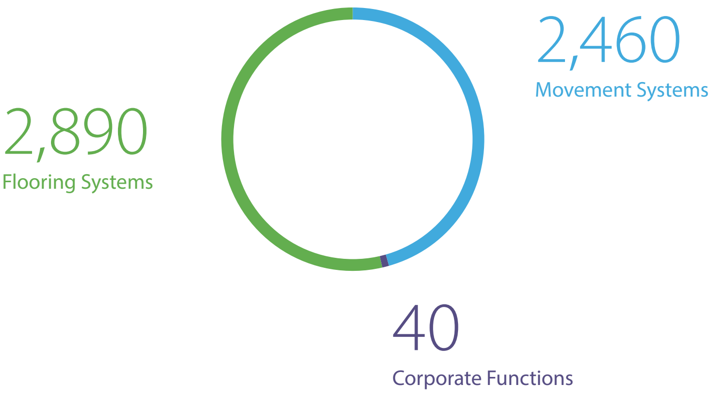
Net sales by division

	2022 CHF m	Change on previous year in %	Change on previous year in local currencies in %	In % of total
Flooring Systems	878.0	3.1	9.0	67.9
Movement Systems	415.2	3.2	7.3	32.1
Total	**1,293.2**	**3.1**	**8.5**	**100.0**



Employees by division

	2022 number	Change on previous year in %	In % of total
Flooring Systems	2,890	–4.3	53.6
Movement Systems	2,460	–0.5	45.6
Corporate Functions	40	2.6	0.8
Total	**5,390**	**–2.6**	**100.0**



Financial overview Forbo Group

	2022	2021	2022	2021
Income statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Net sales	1,293.2	1,254.0	1,288.0	1,159.9
Flooring Systems	878.0	851.8	874.5	787.9
Movement Systems	415.2	402.2	413.5	372.0
Operating profit before depreciation and amortization (EBITDA)	193.4	235.6	192.6	217.9
Operating profit (EBIT)	132.6	179.0	132.1	165.6
Group profit	101.4	141.2	101.0	130.6
Balance sheet	CHF m	CHF m	EUR m[1]	EUR m[1]
Total assets	960.2	981.6	956.4	908.0
Operating assets	879.2	850.7	875.7	786.9
Shareholders' equity	550.1	521.8	547.9	482.7
Net cash[2]	21.4	56.2	21.3	52.0
Cash flow statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Cash flow from operating activities	80.6	166.5	80.3	154.0
Cash flow from investing activities	– 30.1	– 38.4	– 30.0	– 35.5
Free cash flow	50.5	128.1	50.3	118.5
Key ratios	%	%		
ROS (EBITDA/net sales)	15.0	18.8		
Equity ratio (shareholders' equity/total assets)	57.3	53.2		
Gearing (net debt/shareholders' equity)	– 3.9	– 10.8		
Employees (as at December 31)	Number	Number		
Total employees	5,390	5,532		
Ratios per share	CHF	CHF	EUR[1]	EUR[1]
Earnings per share (undiluted)[3]	71.76	91.63	71.47	84.76
Equity (undiluted)	389.16	338.52	388.03	313.13
Dividend	23.00[4]	25.00[5]	22.91[4]	23.12[5]
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[1]	EUR m[1]
Stock market capitalization[6]	1,615.7	3,085.5	1,609.2	2,854.0

1) Euro values translated at the average annual exchange rate of CHF 1.0040/1 EUR (2022) and CHF 1.0811/1 EUR (2021).

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

3) See note 11 'Earnings per share' on page 124 of the financial report.

4) The Board of Directors proposes to the Ordinary General Meeting of March 30, 2023, the distribution of a dividend in the amount of CHF 23.00 per registered share.

5) Approval of a dividend of CHF 25.00 per registered share at the Ordinary General Meeting of April 1, 2022.

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

SLUMP IN DEMAND HITS PROFITABILITY

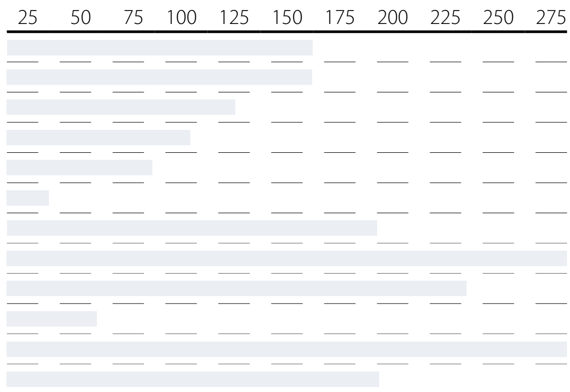
For all areas of the Forbo organization 2022 proved to be a challenging year. After a positive start to 2022, the business environment became increasingly demanding from the spring onward due to the difficult geopolitical and financial situation. The consequence was a significant slump in demand, which made its mark from the late summer and worsened during the fourth quarter. The ongoing Covid lockdowns in China reinforced this trend in Asia/Pacific.

Volume growth in the first half of 2022 gave way to an unexpectedly significant decline in the second semester, with Flooring Systems being increasingly affected. The result was a decline in volumes for the year overall.

Sharply rising costs for raw materials, transport, and energy, along with increases in personnel and other costs as well as negative currency effects, served to undermine operating profitability further. Combined with one-time impacts, this resulted in a significant reduction in earnings.

Net sales by geographic area

		Change on previous year		
	2022 in %	in %	in local currencies in %	2022 CHF m
France	12.0	3.4	11.3	155.0
Germany	11.9	– 1.1	6.5	154.2
Benelux	9.5	– 5.3	1.9	122.5
Scandinavia	7.4	– 6.5	3.5	96.0
Great Britain/Ireland	6.2	7.0	14.4	79.7
Switzerland	2.4	11.5	11.5	31.1
Other countries Europe	14.3	6.5	10.3	185.6
Europe	***63.7***	***1.2***	***8.0***	***824.1***
USA	17.7	10.3	6.0	228.8
Other countries Americas	4.2	15.8	14.5	54.2
Americas	***21.9***	***11.3***	***7.6***	***283.0***
Asia/Pacific and Africa	***14.4***	***0.5***	***12.0***	***186.1***
Total	**100.0**	**3.1**	**8.5**	**1,293.2**



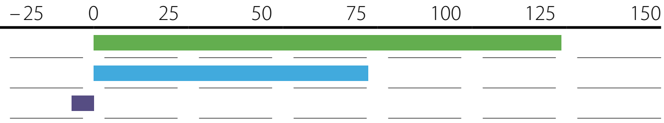
Sales growth in all regions due to sales price increases
Group net sales rose by 8.5% in local currencies to CHF 1,293.2 million (previous year: CHF 1,254.0 million), attributable in particular to sales price increases of 11.0%. This corresponds to an increase of 3.1% in the corporate currency, once negative currency effects of CHF 67 million are factored in. Overall, the Asia/Pacific region saw the biggest sales growth in local currency terms, followed by Europe and the Americas.

The Flooring Systems division generated net sales of CHF 878.0 million in the 2022 business year (previous year: CHF 851.8 million), which reflects growth of 9.0% in local currencies (+3.1% in the corporate currency). Asia/Pacific saw the highest effect with growth almost in double-digit figures in the Americas as well, and a similar outcome in Europe.

The Movement Systems division generated net sales of CHF 415.2 million in the year under review (previous year: CHF 402.2 million), which reflects an increase of 7.3% in local currencies (+3.2% in the corporate currency). Sales increased most substantially in Europe, growth in Asia/Pacific was slightly lower, with the Americas about the same level.

EBITDA by division

	2022 CHF m	Change on previous year in %
Flooring Systems	127.3	–23.6
Movement Systems	75.4	1.6
Corporate	–9.3	–75.5



Profitability affected by slump in demand and one-time impacts
Following the pandemic-affected performances of previous years, the successes achieved in 2021 were the basis for further growth in the first half of 2022, resulting in significant expansion of structures and workforce. This higher cost base was set against an increasingly sharp decline in volumes. The combined effect was a substantial reduction in earnings. At the same time, the costs of raw materials, energy, and logistics continued to rise. Price increases had a positive effect, though after a delay in some cases, as did the measures and initiatives designed to increase earnings. The operating result was further impacted by one-time impacts totaling CHF 20 million, the majority of which affected Flooring Systems. The political and economic situation in Russia required impairments, particularly on goodwill and property, plant, and equipment. Added to this were costs arising from structural adjustments and various elements affecting other operating expenses and income.

Group operating profit before depreciation and amortization (EBITDA) declined by 17.9% to CHF 193.4 million (previous year: CHF 235.6 million). EBITDA at Flooring Systems decreased by 23.6% to CHF 127.3 million (previous year: CHF 166.7 million). At Movement Systems, EBITDA rose slightly, by 1.6% to CHF 75.4 million (previous year: CHF 74.2 million).

This resulted in a Group EBITDA margin of 15.0% (previous year: 18.8%). At Flooring Systems, the EBITDA margin declined from 19.6% the previous year to 14.5% in the year under review, while at Movement Systems the EBITDA margin decreased by 0.2 percentage points to 18.2% (previous year: 18.4%).

Group operating profit (EBIT) was 25.9% lower, at CHF 132.6 million (previous year: CHF 179.0 million). The Group EBIT margin decreased from 14.3% the previous year to 10.3% in the year under review.

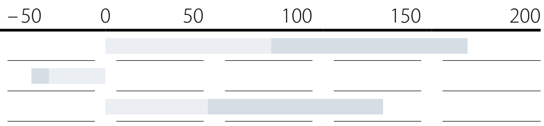
Due to the significantly lower operating profit (EBIT), a slightly higher tax rate, and a reduced financial result caused by exchange rate losses on foreign currencies, Group profit reduced by 28.2% or CHF 39.8 million to CHF 101.4 million (previous year: CHF 141.2 million).

Taxes and financial result
The tax rate in the year under review was 22.6% (previous year: 22.1%), slightly above the long-term average.

Financial expense in 2022 came to CHF 2.5 million (previous year: CHF 0.8 million), which includes comparable interest expense for both years and foreign exchange losses in the year under review. By contrast, financial income decreased year on year to CHF 0.9 million (previous year: CHF 3.0 million). This again included interest income on a par with the previous year, whereas exchange rate gains were made on foreign currencies in 2021. On balance, the net financial result came to CHF –1.6 million (previous year: CHF +2.2 million).

Free cash flow

	2022 CHF m	2021 CHF m
Cash flow from operating activities	80.6	166.5
Cash flow from investing activities	– 30.1	– 38.4
Free cash flow	50.5	128.1



Cash flow performance affected by lower earnings and increased inventories

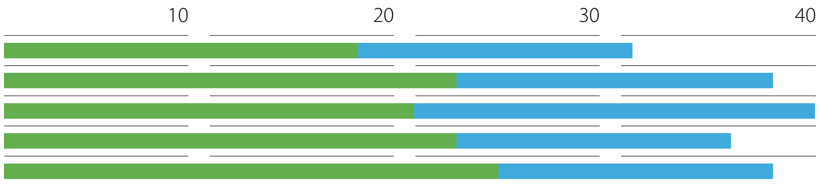
In the reporting year, cash flow from operating activities was CHF 80.6 million (previous year: CHF 166.5 million), a marked decrease due to much lower earnings and higher inventories. The significant increase in inventories is attributable to the rise in prices of raw materials and challenges in the coordination of sales and production planning. On the other hand, inventories of raw materials were deliberately built up to ensure availability because of the complex supply chains. Beside the increased stock level, the amount of trade receivables also rose. Cash flow from investing activities declined due to increased delivery times for components for technical upgrades and new production plant parts and came to CHF – 30.1 million (previous year: CHF – 38.4 million). Free cash flow thus totaled CHF 50.5 million (previous year: CHF 128.1 million).

Solid balance sheet

Total assets as at December 31, 2022, reduced by CHF 21.4 million and stood at CHF 960.2 million (previous year: CHF 981.6 million). This was mainly attributable to currency translation differences and the 2022 portion of the share buyback. Net cash decreased by CHF 34.8 million to CHF 21.4 million (previous year: CHF 56.2 million), which was mainly due to the significantly higher operating working capital as well as lower earnings and the share buyback. Shareholders' equity rose by CHF 28.3 million, mainly due to Group profit, and as at the end of December 2022 was CHF 550.1 million (previous year: CHF 521.8 million). By comparison, the previous year included a much higher amount for repurchased shares. The equity ratio remained solid at 57.3% (previous year: 53.2%).

Investments 2018 – 2022

	Flooring Systems CHF m	Movement Systems CHF m	Total CHF m
2022	18	13	31
2021	23	15	39
2020	21	19	40
2019	23	13	36
2018	25	13	39



Value-adding investments

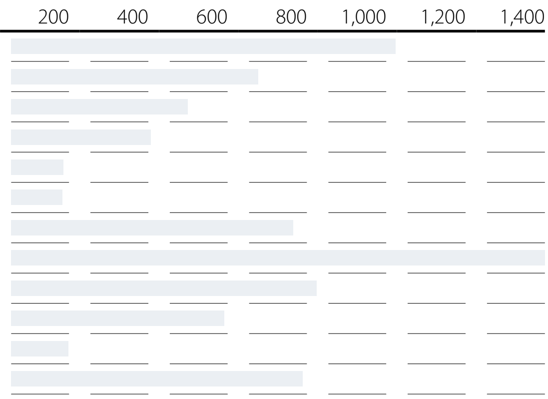
Our investments are wide-ranging, combining the demands of sustainability with efficiency gains in operating processes. In the reporting year, both divisions invested in important activities and strategic projects. These spanned product portfolio, technology, infrastructure, and specific capacity expansion projects. Total Group investments in property, plant, and equipment and intangible assets in 2022 were CHF 30.9 million (previous year: CHF 38.8 million). The lower value in the year under review was the result of delays in the supply of plant and machinery parts for technical upgrades. These were caused by bottlenecks in availability on the part of suppliers, along with more difficult logistics and shipping terms and conditions.

In the reporting year, Flooring Systems invested CHF 17.9 million (previous year: CHF 23.4 million) in various production sites, accompanied by environmental improvements to optimize the circular economy. Technical upgrades enable offcuts and recycled coverings from the vinyl production process to be reused in a number of collections – for vinyl backing on Flotex floor coverings or acoustic vinyl products. New mist filter technology at the vinyl floor coverings plant in Coevorden significantly reduces gas and CO_2 output. A new laminating line for loose lay design flooring raises the service level. In linoleum production, a number of processing stages, including cutting lines and mixers, were upgraded or redesigned for new collections and installing options.

Investment in property, plant, and equipment at Movement Systems came to CHF 13.0 million (previous year: CHF 15.4 million). This amount includes various upgrades and technical additions to production plants, long-term infrastructure projects and capacity expansions, for example new control systems for mixing equipment and coating machines at several locations, a photovoltaic installation, a high-tech exhaust air system, and a dual-fuel burner. New slitting equipment was purchased for the manufacturing centers in Germany and Slovakia, along with a storage rack system. Additional injection molding machines and the relevant specialist tools were acquired for the Prolink plastic modular belts in Denmark, rounding off the capacity expansion. A major part of the investments went into a new production line for Transilon belts at the site in Pinghu/China.

Employees by geographic area

	2022 in %	Change on previous year in %	2022 number
Benelux	19.7	– 10.2	1,061
Germany	12.6	1.8	681
Great Britain/Ireland	9.2	– 5.0	497
France	7.6	– 0.2	407
Switzerland	3.5	2.8	186
Scandinavia	3.4	2.2	183
Other countries Europe	14.1	– 2.9	762
Europe	***70.1***	***– 3.8***	***3,777***
Asia/Pacific and Africa	***15.3***	***0.4***	***826***
USA	10.9	0.5	588
Other countries Americas	3.7	0.5	199
Americas	***14.6***	***0.5***	***787***
Total	**100.0**	**– 2.6**	**5,390**



Operating structures and headcount adjusted
At year-end 2022, the Forbo Group employed 5,390 people. This is a total of 142 fewer than at the end of the previous year. The individual percentage changes in staffing levels mostly reflect market trends and the business performance in the different countries and regions. They mirror the situation on the reporting date at the end of the year.

In order to cushion the negative impact of the sharp downturn in demand from late summer 2022 and the associated downturn in volumes, an adjustment to operating structures was unavoidable in addition to a wide range of further measures. We mainly reduced flexible resources at major production sites and scaled back new hires to the absolute minimum. The significant reduction in personnel at the biggest production sites in the Netherlands and Great Britain reflect the pronounced downturn in demand at Flooring Systems. Headcount in the Americas and Asia/Pacific regions remained approximately at the level of the previous year.

COMMITTED TO SUSTAINABILITY

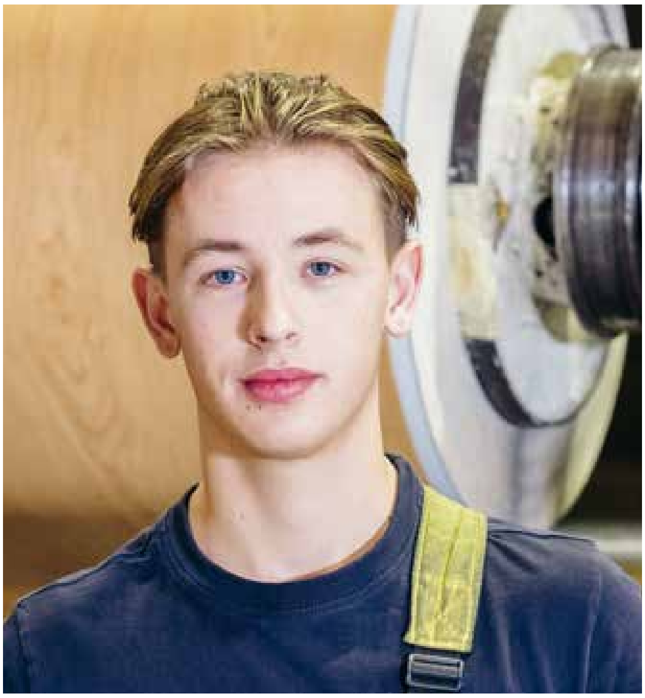
The responsible use of resources of every kind is a guiding principle at Forbo. We are committed to the protection of the environment, and we invest in concepts that contribute to a sustainable future for us and for society at large. As a responsible manufacturer and employer, Forbo sets benchmarks for health and safety, the environment, and quality. That is why innovative ideas, research, and development are the driving forces behind our business concept.

Social dimension
Forbo fosters a performance culture in order to meet the high expectations of our customers and business partners as well as the demands we make on ourselves. That is why we promote the necessary capabilities and competences at all organizational levels, and support this internally with seminars and further training activities.

The divisions provide internal training in a wide range of areas covering products and applications, sales and marketing, finance, operations, project management, strategy implementation, as well as instruction in Forbo's values. Continuous intensive training in health and safety includes measures relating to accident prevention, risk awareness, and occupational health and safety, alongside general ongoing preventive activities.

The health and safety of its employees in the workplace is of prime importance to Forbo and is the focus of various local training programs aimed at reducing and preventing accidents. A range of activities took place during the reporting year with the aim of improving the health of employees and reducing health risks. Among the subjects discussed were ergonomics in the workplace and fitness, along with the promotion of related activities, and access to free medical check-ups.

At 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 train-



ing 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 areas of strategy implementation and leadership such as dealing with organizational and team changes, as well as performance management. A third training week, building on this foundation, deals mainly with topics regarding the implementation of strategy across different organizational levels. This is combined with appropriate tools to aid communications and collaboration in international, culturally diverse teams.

Forbo works closely with universities in many countries – Flooring Systems engages mainly with students of design and architecture, Movement Systems with graduates of technology and chemistry faculties and of application-specific courses. Forbo cares about the training of young, motivated school leavers. A basic principle applying to the promotion and recruitment of trainees is that the apprenticeships offered by Forbo are open to all applicants, irrespective of gender, and the same requirements are placed on everybody. During the reporting year, the company hosted trainees in commercial occupations, logistics, mechatronics, electronics, and plastics technology. Another important task is to ensure continuity through the transfer of know-how and experience assimilated over the years by the older generation for the long-term benefit of younger recruits.

DIVERSITY AND INCLUSIVITY

A binding commitment set out in the Code of Conduct is that Forbo does not tolerate any form of discrimination on the grounds of race, gender, belief, religion, background, disability, age, sexual orientation, political opinion, or other characteristics.

As a future-oriented company, Forbo prefers to draw on the wider diversity of the population as a resource for the success of the company. Organizations that

take this approach are often more open to new ideas and, thanks to the diversity of people they employ, generally more flexible. Despite our complex technical production processes and the physically demanding work they entail, we do our best to take many aspects of diversity into consideration. The lived experience of diversity and flexibility in working models also reinforces the attractiveness of a company for future employees and specialists from home and abroad.

At Forbo, in common with companies in many technical industries, female staff work mainly in finance, administration, human resources, marketing and purchasing. In Flooring Systems, roles in the design and sales departments are often occupied by women. It is worth highlighting in this regard that two very successful Forbo plants are run by women.

Forbo is also strongly committed to the inclusion of people with disabilities. We are working in a number of countries with the relevant companies and institutions to promote their integration into the world of work and business.

Environmental dimension

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

In linoleum, Flooring Systems offers a floor covering made from up to 98% renewable raw materials, of which 73% are renewable within ten years. Linoleum is CO_2-neutral (cradle to gate, without offsetting) and made from natural raw materials: linseed oil, natural resin, wood flour and powdered limestone, as well as jute and pigments. A natural product through and through, which, in view of its long service life and positive environmental balance, is regarded as the most environmentally friendly resilient floor covering available and is biodegradable. In addition to this, linoleum is made from about 45% recycled material, which lowers the consumption of primary raw materials accordingly.

The Tessera Struktur 1 carpet tile collection is based on new microtufting technology and consists of 100% regenerated Econyl yarn made from scrap and waste from carpets, and yarn and fibers from fishing nets and car hubcaps. Thanks both to the composition of the raw materials in the recycled yarn and the substrate material and to the production process, which uses 100% renewable energy, this collection is a leading performer among our textile products in terms of its environmental footprint.

Vinyl floor coverings acquire their elasticity, pliability, and flexibility from plasticizers. Flooring Systems uses phthalate-free plasticizers of the latest generation. Vinyl floor coverings also contain up to 25% recycled material in relation to their total product weight. Within the framework of our 'back to the floor' program, we collect offcuts 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.

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 that are biodegradable.

In January 2023, a new Ecofiber conveyor and processing belt was launched that saves primary raw materials by using a tension member made of PET recyclate. Recycled polyester yarns are obtained from used beverage bottles, which are first separated by color, then thoroughly cleaned, and finally shredded once

the labels and caps have been removed. The flakes obtained in this process are washed again, melted down and made into pellets, which can be used as the starting material for various types of yarn. The quality obtained is identical to that of primary materials, whilst saving valuable resources. At the same time, the process uses far less energy and therefore cuts down on CO_2 emissions.

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. Movement Systems has now launched new generations of these energy-saving conveyor belts that are even more efficient. The AmpMiser™ 2.0 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.

Another of our aims is to continually improve the sustainability and efficiency of our own activities. We do this by using less material and energy to realize equivalent or even better solutions. Both divisions are working constantly on optimizing 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

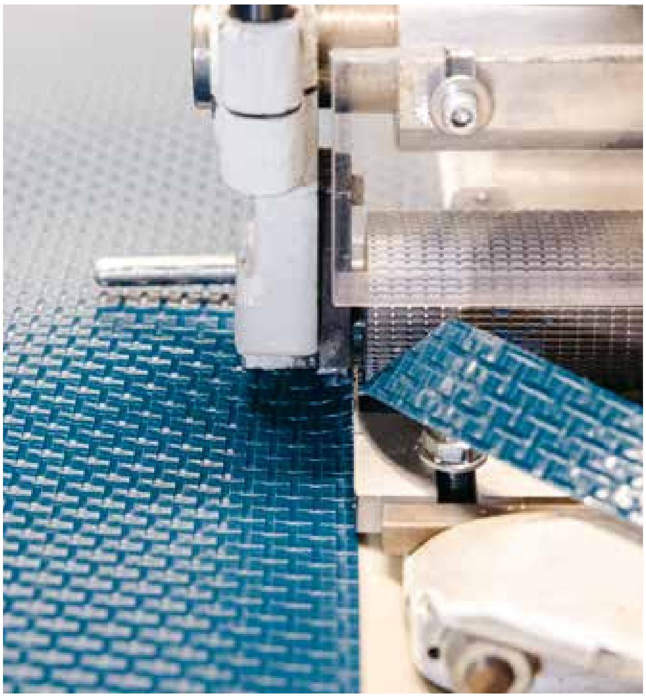
Floor coverings are part of our everyday lives and define our living, leisure, and working spaces. Whether as a direct end-customer, building contractor on a major project, architect or installer, the topic of sustainability plays an important role in the decision-making process for every stakeholder group. It is therefore important for Flooring Systems to differentiate itself from its competitors with persuasive, easy-to-understand

arguments, including where sustainability is concerned. 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.

For the manufacture of vinyl floorings at our production site in the Netherlands, we set up a pilot installation last year to evaluate and implement a new afterburner filter technology for processing waste air from recirculation ovens. The new technology will gradually replace the existing installations in the coming years. Further installations were made during the reporting year. This innovation will enable CO_2 emissions to be reduced by around 1,200 tonnes per year.

The return programs for post-consumer waste materials (gate to recycle) in the Netherlands, France, Great Britain, Sweden, and the USA generated return amounts of 364 tonnes in the reporting year. The types of waste taken back include floor coverings from demolished buildings and material disposed of in renovation work, but also offcuts from new installations.

MOVEMENT SYSTEMS
Movement Systems' resource management is based on the continuous improvement of consumption efficiency through the development and targeted implementation of measures to optimize consumption of electricity, gas, oil, and water. Alongside ongoing energy-saving measures, energy recovery is an important factor, i.e. the use of energy released in the downstream incineration plant for heating. In order to reduce water consumption and avoid unnecessary waste, Movement Systems is increasingly using closed water circulation systems. Some of the wastewater 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. Cutoffs 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 by external partners as a material for use in their production. Some of the waste from plastic modular belts as well as polyurethane and polyamide cutoffs from flat belts are recycled back into our own production.

During the upgrade and capacity expansion at the manufacturing site for Prolink module belts in Denmark, the focus of our environmental considerations was on saving, recovering, and reusing energy. Thanks to the newly installed heat recovery system in the production facility, process energy can be reused to heat the offices and production building. In the new cooling units on the roof, water is cooled directly by the ambient air, relieving the strain on the refrigeration system and enabling substantial savings in kilowatt hours. The refrigeration units also use an environmentally friendly propane-based coolant. The savings in primary energy consumption reduce CO_2 emissions by over 800 tonnes per year.

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.

Forbo's Code of Conduct is based on the principles of integrity, transparency, and fairness and describes how we should conduct ourselves. It sets out our most important business principles and basic values and is of key importance in determining how we should protect and continue to enhance our reputation. It shows our commitment to behaving ethically and with integrity and respecting individual rights. We expect our own employees and our business partners to abide by these principles. Maintaining high standards in our business relations is the foundation for enduring success.

In the year under review, we also constantly maintained our efforts to ensure responsible conduct: we continued to strengthen awareness of a variety of compliance topics through e-learning modules and systematically implemented risk management processes.

This enabled us to deepen understanding of the Code of Conduct, competition law and anticorruption guidelines in refresher courses for existing employees and training for new employees, with a stronger focus on data protection and IT security. IT security measures were covered in several e-learning modules, which dealt with phishing protection, recognition of phishing e-mails, handling passwords and using social media with caution, as well as the general subject of fraud. Phishing e-mails were simulated to further increase awareness.

The reporting year saw the introduction of an e-learning module that looked in detail at the topic of respectful behavior as outlined in the Code of Conduct and raised employees' awareness of subjects including discrimination, bullying, and sexual harassment in the workplace.

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 marketplace 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, sustainability, digital transformation, and a strong global brand, we are creating global leadership positions in clearly defined market segments.
- Thanks 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.

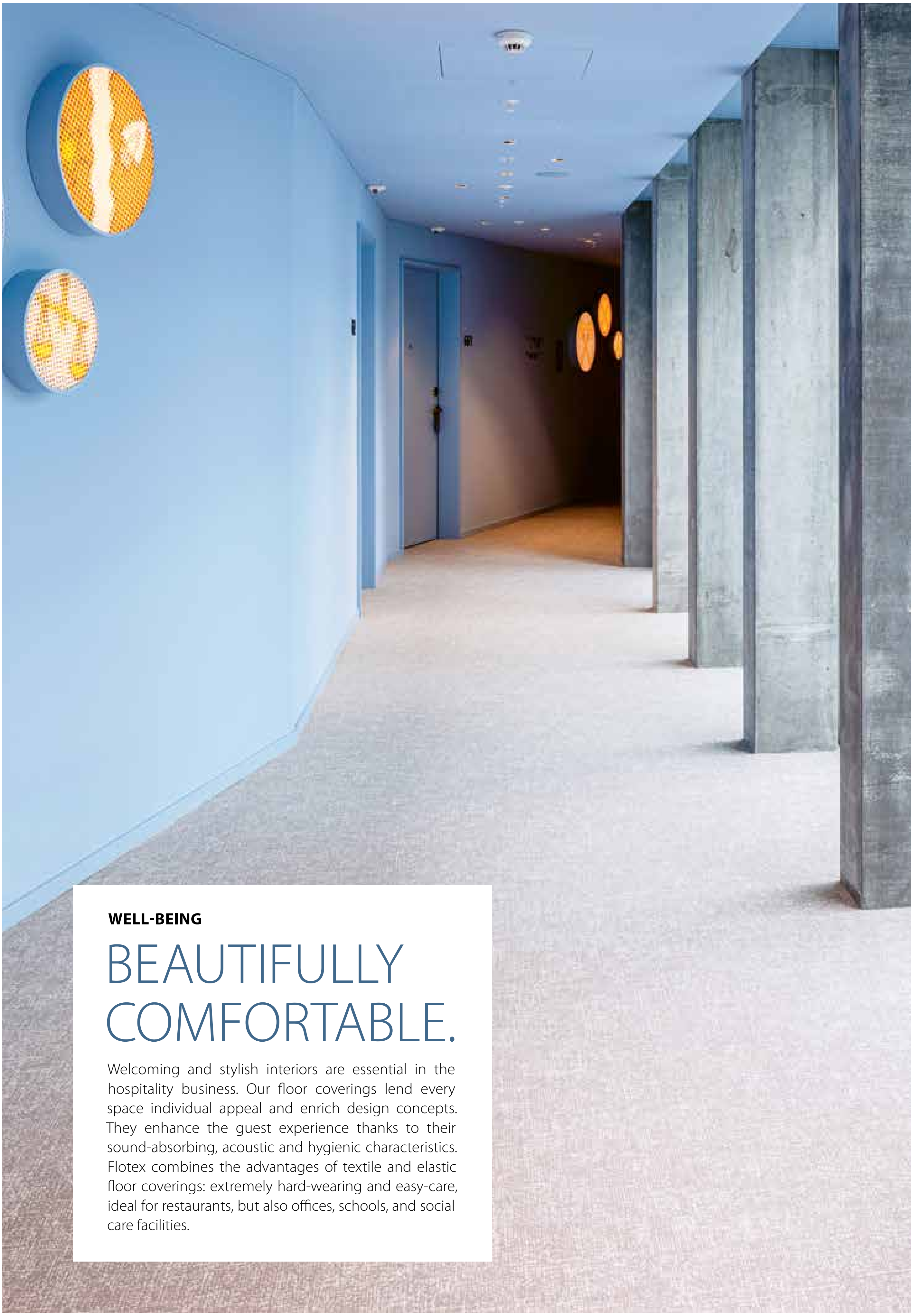
Movement Systems

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.


WELL-BEING.


EFFICIENCY.


FLOORING
SYSTEMS



WELL-BEING

BEAUTIFULLY COMFORTABLE.

Welcoming and stylish interiors are essential in the hospitality business. Our floor coverings lend every space individual appeal and enrich design concepts. They enhance the guest experience thanks to their sound-absorbing, acoustic and hygienic characteristics. Flotex combines the advantages of textile and elastic floor coverings: extremely hard-wearing and easy-care, ideal for restaurants, but also offices, schools, and social care facilities.

FLOORING SYSTEMS: NOTICEABLE SLUMP IN DEMAND

Jean-Michel Wins
Executive Vice President
Flooring Systems

'The challenges we faced in the reporting year were manifold and affected the Group in different ways. In North America, product availability was affected and depended on the complexity and reliability of international and local supply chains. In the Asia/Pacific region, the ongoing Covid lockdowns in China hindered personal contact with customers and caused more projects to be postponed. In Europe, the availability of raw materials was crucial to the ability of the various production plants to ensure product availability and service levels. Added to this, there was a slump in demand in the second half of the year that was more severe than expected and required special measures to be taken. A notable success was the branding campaign launched in the fall, which increases the visibility of our circular flooring solutions.'

The Flooring Systems division generated net sales of CHF 878.0 million in the 2022 business year (previous year: CHF 851.8 million), corresponding to an increase of 9.0% in local currencies and equating to a growth of 3.1% in the corporate currency, taking negative currency effects into account. This increase is entirely due to sales price increases. After a positive first half-year, demand declined from late summer 2022, significantly so from the fourth quarter. The division accounted for 67.9% of Group sales in 2022. Operating profit (EBIT) reduced by 32.6% to CHF 88.4 million (previous year: CHF 131.2 million). This substantial downturn can be attributed in particular to the fall in volumes and to one-time impacts. The significantly higher cost of raw materials, transport, energy, and personnel, and negative currency effects were also factors. The EBIT margin declined by 5.3 percentage points to 10.1% (previous year: 15.4%).

Sales growth thanks to sales price increases in all regions

The sharp fall in demand in the second half of 2022 was mainly caused by a shift away from renovation projects to energy-saving projects due to the energy crisis, which led to a significant slump in demand. There was also a generally cautious approach to new major projects due to shortages of materials and the significant rise in construction costs.
We were able to pass on our much higher costs for the manufacture of floor coverings via sales price increases, though after a delay in many cases. All three regions recorded good overall sales growth in local currencies; Asia/Pacific saw the highest effect, while growth was almost in double-digit figures in the Americas as well, and Europe recording a similar outcome.

The sales picture in Europe was mixed, with catch-up effects discernible in some places after the effects of the pandemic in previous years. Great Britain, France, and Southern and Eastern Europe posted double-digit growth; other markets including Germany, the Netherlands, Scandinavia and Switzerland recorded a moderate increase in sales.
The building and construction adhesives activity reported pleasing sales growth.
In the Americas, projects in the healthcare and retail sectors in the key US market contributed most to sales, while demand in the education sector reduced. In Canada, a significant Covid catch-up effect was seen with an above-average increase in both privately and publicly funded projects in aged care. Brazil recorded sales growth in double-digit figures.
The above-average sales increase in Asia/Pacific was attributable to projects in the healthcare sector and the electronics industry. Double-digit growth was reported in Japan, South Korea, and Southeast Asia. Australia also recorded healthy growth. In China, sales

declined due to the ongoing lockdowns and associated stringent restrictions and corresponding challenges.

Innovative collections in all product groups

We have attractive, high-quality collections with unique selling propositions and a wide selection of installing options in all our product lines.

In the linoleum business, we launched the newly developed "TopshieldPro" surface coating for all collections in April. It provides improved protection against scratches and wear. The new 'marmoluem sport' collection, on offer since September, meets the latest standards for indoor sports floors and is available in two thicknesses.

The vinyl business launched 'sphera element and elite' and 'eternal original and deluxe', high-performance homogeneous vinyl floorings, which are particularly suitable for areas with heavy traffic. A loose-lay, slip-resistant collection, 'surestep fast fit', was developed specially for the British market. In France, the new 'sarlon habitat' loose-lay vinyl flooring is winning over the important multi-family housing segment thanks to its enhanced acoustic properties. All 'allura' collections were completely revamped, with the luxury vinyl tiles due for launch in March 2023.

In the textile business, the new 'tessera' carpet tile collections based on the latest microtufting technology proved popular, with improved acoustic properties from reclaimed yarns. An attractive Flotex range was developed specially for the hospitality and leisure customer segment, featuring innovative designs, including some created specifically for use in corridors. Investment over recent years in state-of-the-art digital print technology for vinyl and Flotex floorings led to the development of 'created by' collections in collaboration with local famous artists, who were able to display their creativity and signature styles through digital printing. The Spanish artist José Median Galeote and the award-winning architect and designer Mac Stopa from Poland created a number of new and distinctive designs.

Sales growth in all product groups

The product lines also reported various degrees of sales growth in line with the overall trend. Most of the versatile and application-specific vinyl flooring collections, and conductive floorings in particular, reported above-average results. Among the textile floor coverings, Flotex and carpet tiles recorded a pleasing upswing, with a discernible catch-up effect seen in Great Britain. Needle felt floor coverings and entrance matting systems both saw moderate increases in sales. Linoleum floorings generated modest sales growth.

Investments supporting an improved circular economy

In addition to numerous initiatives to enhance the product portfolio, we also invested in upgrades at various production sites. These invariably also involved environmental improvements to optimize the circular economy.

At the Flotex production location in Ripley/Great Britain, a section of the plant was refurbished to enable off-cuts from the vinyl production plant in Coevorden/Netherlands to be used in the manufacture of tough waterproof vinyl backing for Flotex floorings. At the site in Reims/France, newly installed technology makes it possible to feed recycled vinyl floor coverings into the production process for acoustic vinyl floorings, increasing the recycling rate. The adoption of new mist-filter technology at the vinyl floorings plant in Coevorden achieves significant reductions in gas and CO_2 emissions. In addition, a new line for the end-stage of the lamination process for luxury vinyl tiles was installed. At the linoleum plants, a number of elements of the production process were modernized, including cutting lines and mixers, and production lines for new collections and installing options were redesigned. The broad expanded production plant for Flotex flooring in the USA is in the planning stages at the moment and will become an important local growth driver from end-2024.

2023 will also challenge us

The significant slump in demand in the second half of 2022 will continue to present us with challenges in the first six months of 2023. We expect to see further inflation-related increases in costs, including personnel costs. However, we have initiated measures to adapt structures and improve profitability. These will have a positive effect.

The proximity to local markets and the challenges they face is an important factor in our ability to respond swiftly and agilely to changes. We have an attractive product portfolio and can now support and promote our sales activities with well-established digital channels.

CREATIVITY AND TECHNOLOGY COMBINED

Forbo floor coverings fuse functionality and high product quality with innovative designs. They enhance interiors in accordance with the needs of the users. With every new development, we strive to make our products and production processes more sustainable and to meet the highest functional demands. We keep our finger on the pulse of technical innovation and design trends by maintaining an open dialogue with designers, architects, builders, and suppliers.

Our floor coverings are mostly designed for applications in the project business, which means that they have to be very hard-wearing. They are based on proven, state-of-the-art production and digital printing technologies and combine trendy designs, diverse color palettes, innovative embossed structures, and a range of installation options using environmentally friendly materials. Diversely inspired, we developed attractive new products for a wide range of applications in the past year.

Leading in developing sustainable floor coverings
We worked diligently to create a branding campaign that highlights our commitment to sustainability and the circularity of our entire product portfolio. The circular economy and users are central to product development and design, in harmony with a high proportion of sustainable and renewable raw materials.

Since April 2022, the completely carbon-neutral linoleum floor coverings have been finished with the developed surface coating "TopshieldPro". It increases resistance and protection against scratches and disinfectants based on extensive tests with a new formula.

LINOLEUM WITH NEW "TOPSHIELD PRO" SURFACE COATING

LINOLEUM "MARMOLEUM SPORT"

LUXURY VINYL TILES "ALLURA"

FLOTEX COLLECTION WITH DESIGNS FROM MAC STOPA

Launched in September 2022, the "marmoleum sport" linoleum collection meets the latest standards for indoor sports flooring. It comes in two thicknesses and eleven fresh colors. Installed on a proper sports underlay, it minimizes the risk of injury.

'ATTRACTIVE CIRCULAR FLOORING SOLUTIONS'

Digital printing enables creative designs
The new digital printers for vinyl and Flotex floor coverings, installed in previous years, serve as the basis for creative work. Under the designer label "created by", Flooring Systems is introducing new touches in collaboration with well-known artists who bring their signature style to these types of flooring with their unmistakable designs. Now, individual building areas can be stylishly and creatively designed to match their functionality. Spanish artist José Medina Galeote is known for his abstract drawings evoking calligraphy. The designs of Mac Stopa, an award-winning architect and designer with Polish roots, are inspired by flowers, wickerwork and trapezoidal shapes.

All-round revamped luxury vinyl tiles
The outcome of the intensive work on the completely renewed "allura" collections, the luxury vinyl tiles, will be available globally from March 2023. They bring inspiring new designs, embossed structures, formats, sizes, and various covering heights and thicknesses with different acoustic properties. They are available in a diverse range of installation options, such as "click" and "puzzle," alongside traditional glue-down.

MOVEMENT SYSTEMS

EFFICIENCY

SAFELY ON THE MOVE.

Precision and efficiency in logistics and distribution centers are increasingly important factors for success. Our conveyor belts comfortably handle complex processes and requirements, often running 24 hours a day, 7 days a week, efficiently and reliably. They save energy and come in compact, space-saving layouts. Our production processes, combinations of materials, and assembly operations ensure that every belt has the characteristics specified for each area of application. The AmpMiser™ 2.0, for example, achieves up to 50 percent savings in operating energy, enabling customers to significantly reduce their environmental footprint.

MOVEMENT SYSTEMS: BROAD-BASED INVESTMENTS

'Given the varied ongoing diverse challenges, we look back on a relatively positive reporting year. Continued Covid lockdowns in China and reduced availability of raw materials and shipping capacity placed demands on our operations and supply chain management. Substantially higher costs of raw materials, logistics, and energy required us to respond with price adjustments, especially in Europe. At the same time, we successfully launched the first belt types for the new Fullsan product line and, in addition to product innovations, invested selectively in a wide range of areas including capacity expansion and new technology.'

Marc Deimling
Executive Vice President
Movement Systems

The Movement Systems division generated net sales of CHF 415.2 million in the year under review (previous year: CHF 402.2 million), corresponding to a year-on-year increase of 7.3% in local currencies and equating to growth of 3.2% in the corporate currency, taking negative currency effects into account. This increase is entirely due to sales price increases. Most markets reported growing sales. The division accounted for 32.1% of Group sales in 2022. Operating profit (EBIT) decreased slightly by 0.6% to CHF 54.0 million (previous year: CHF 54.3 million), which was attributable to the increased cost of raw materials, transport, and energy as well as to negative currency effects. The EBIT margin declined by 0.5 percentage points to 13.0% (previous year: 13.5%).

Sales growth thanks to sales price increases in all regions

All three regions contributed in roughly equal measure to the growth in sales. In local currencies, sales increased most substantially in Europe, with growth in the high single digits. It was slightly below that in Asia/Pacific and equally pleasing in the Americas.

Most of the European markets – the key German market along with Switzerland, France, Scandinavia, and Eastern Europe – saw double-digit growth. Sales growth in Southern Europe was good, although a bit less pronounced, with Italy and Spain contributing the most. The Netherlands recorded a satisfying increase; however, Great Britain saw a slight decline in sales.

In the Americas, the key US market generated pleasing sales growth, as did Mexico. There was a double-digit increase in Canada thanks to catch-up effects after Covid. The newly established manufacturing site in Colombia has become well-established and is posting gratifying growth.

In Asia/Pacific, the sales picture was mixed. In the key Chinese market, sales reduced due to the ongoing lockdowns and associated wide-ranging operational restrictions and challenges. Other bigger foreign subsidiaries including Japan, Australia, and India generated pleasing sales growth. Thailand and Indonesia recorded double-digit growth. Sales in South Korea was below the previous year level.

Different trends in the customer segments

Levels of demand and general trends varied across the main customer segments. In some cases they were still dependent on specific circumstances relating to recent years. Double-digit sales increases were recorded in sports treadmills, raw material processing and industrial production. Some of these were attributable to an increase in demand after the pandemic. Conveyor belts for the wood, stone, insulation material, and gypsum processing industries were in high demand as well as for tires, cars, machine parts, and industrial roll-up doors. Equally pleasing, albeit less strong, were the sales increases in the food, paper and printing, and textile segments. After some years of strong growth, the logistics segment saw sales declining slightly, mainly because demand for new e-commerce centers had not returned to pre-pandemic levels.

Application-specific innovations

During the year under review, we launched application-specific innovations in all product lines for various customer segments with particular requirements for products and services.

Modules with a grid structure have been added to Series 18 of the Prolink plastic modular belt. They are particularly suitable for the food-processing industry and for steep curves. With a high proportion of open spaces, they guarantee excellent air circulation and drainage.

The newly developed Fullsan product line introduced a number of belt types with various surface structures for use in the food industry. Depending on the properties of the belt, they are suitable for the meat, poultry, and fish industries, for vegetable, fruit and dough preparation, and for use in dairies and cheesemaking.

In the area of Transilon, an iron-gray logistics belt was developed for cross-belt sorters. The surface coating has a ribbed, non-reflective structure, making it ideal for applications involving the scanning of bar codes.

With the sustainable objective of saving primary raw materials, a versatile conveyor belt was developed with tension members made of recyclate from PET bottles.

The Extremultus product line produced elastic belts for the electronics industry. These are used in the production of semiconductors and the manufacture of photovoltaic modules. They have optimum tracking properties and are quick, easy, and safe to assemble on site.

A new Transtex processing belt was developed specially for the tire industry, for use as a collecting belt after the steam vulcanization process. The special Texglide™ coating ensures the tires remain properly positioned in the center of the belt.

Broad-based investments

We invested in infrastructure, technology upgrades, and capacity expansion at many of our manufacturing and production sites, as well as in a wide range of product developments.

At the production plant in Pinghu/China, an additional production line for Transilon conveyor belts is to be installed. It will be able to operate in different production modes. It was planned and built during 2022 and is due to be assembled in spring 2023. It is expected to come on-stream towards the end of the year.

To increase capacity for the manufacture of Prolink plastic modular belts in Denmark, additional injection molding machines were installed along with the relevant specialist tools. They will also allow new module series to be produced.

At the production location in Germany, the control system for the mixing plant was replaced, and a dual-fuel burner that can operate on natural gas and heating oil was installed. In the nearby manufacturing center in Garbsen, longitudinal cutting equipment was upgraded and solar panels were installed.

At the Extremultus flat belt production plant in Switzerland, the control system for the coating machine and the air extractor in the compounding area were updated with state-of-the-art technology.

Storage capacity was increased at the European manufacturing center in Slovakia. A modern shelving system was installed.

The main plant in the USA received a camera-based product inspection system to make the quality control process more efficient, and the control system for the compounding machine was upgraded.

Situation-specific action required in 2023

In 2023, we will again be challenged to respond to the limited availability of some raw materials and address the rising costs of logistics, raw materials, and personnel with sales price increases. The economic trend in Europe is uncertain, but we do anticipate a recovery in China. We must react locally and with agility to market developments and fine-tune our sales and production planning accordingly. Key projects for the year ahead include bringing the new production line in China on-stream, finalizing the planning of a new coating machine in Japan, and adding further belt types to the new Fullsan product line.

CUSTOM DEVELOPMENTS

Wherever drive forces are being transmitted and automated production and conveying processes are running smoothly, Movement Systems is usually not far away. Our solutions for a wide range of configurations and demands in numerous industries are renowned for innovation, precision, reliability, and cost-effectiveness. We draw on our know-how to stand out as a competent partner in developing industry-specific and individual solutions.

With our application know-how in a wide range of production and manufacturing processes, our customers enjoy real benefits and are able to increase their efficiency. Inspired by these experiences, we developed new products for various customer segments during last year.

Hygiene-sensitive applications for the food industry

The first high-quality belt grades of the new homogeneous Fullsan product line were launched in the reporting year. Their properties ensure the highest level of hygiene for the food industry. They defy thermal and mechanical challenges, are easy to clean, and withstand cleaning chemicals. They are completely sealed, which means they do not offer any entry points for contamination by oil, grease, or moisture. High UVC resistance enables regular disinfection with UVC irradiation. There are belt types with a matt surface for dry and packaged foods such as fruits and vegetables, and a glossy surface with high cleanability for wet and moist foods such as meat, fish, and cheese. Another surface with an inverted pyramid structure reduces product contact area and improves product release, especially for dough and vegetable items.

The extended Prolink plastic modular belt Series 18 is a boon for the food-processing industry. Large bakeries and processors of meat, fish, and seafood use it in the

FULLSAN BELT WITH GLOSSY SURFACE COATING...

... AND WITH AN INVERTED PYRAMID STRUCTURE

PROLINK PLASTIC MODULAR BELT SERIES 18

TRANSILON BELT FOR LOGISTICS APPLICATIONS

return of trays, baking sheets, and product packaging materials. It enables the conveyed product to be pushed off to the side without interference. Conveyed products can also exceed the actual width of the belt. With a surface permeability of 44 percent, it ensures excellent air circulation and drainage. There is another special version for tight radius curves in the processing line. This range can now be upgraded with additional rubber-like "friction top" elements, attached to the top of the modules. This feature is particularly suitable for inclined transport, where it prevents boxes, trays, and other packaging materials from sliding down.

‘CONVEYOR PROPERTIES OFFER ADDED VALUE’

Customized industrial applications

A new conveyor belt from the Transilon product group has been specially developed for use in cross-belt sorters in logistics applications, where goods are fed from several belt conveyors coming together at right angles to the conveying direction. It boasts a low-noise running side and an inverted pyramid surface structure. Its iron-gray belt color and non-reflective properties make it ideal for barcode scanning applications on cross-belt sorters.

A new Extremultus elastic flat belt has been developed for the electronics industry. It is designed and developed for the production of semiconductors and the manufacture of photovoltaic modules. The structured belt surface enables optimum grip and exact positioning of printed circuit boards and modules. The homogeneous belt design prevents dust formation and contamination of electronic components. The elastic properties allow a simple joining technique, for fast and reliable on-site belt assembly

ORGANIZATION

EXECUTIVE BOARD

Jean-Michel Wins, Michael Schumacher, Andreas Jaeger, Marc Deimling

Michael Schumacher

Chief Executive Officer

Michael Schumacher, born in 1969, is a Swiss citizen. He graduated in Materials Engineering from the Swiss Federal Institute of Technology (ETH) in Zurich and completed an MBA at INSEAD in France. He began his international professional career in 1995 at McKinsey, where he occupied a number of roles during a ten-year period, ultimately as Associate Principal in Switzerland and Canada. In 2005, he moved to the Geberit Group, where he was Head of Group Marketing until 2007, and subsequently held the positions of CEO Asia/Pacific and Head Greater China until 2011. From 2011 to 2021, he was with Saint-Gobain, first as CEO of Sanitas Troesch and then from 2017 to 2018 as CEO of Saint-Gobain Building Distribution Germany. From 2019 to 2021, he held the position of CEO Saint-Gobain Switzerland. He joined our company in September 2021 and took over as Chief Executive Officer and Chairman of the Executive Board of the Forbo Group as of October 2021. He left the company end of November 2022.

Andreas Jaeger

Chief Financial Officer

Andreas Jaeger, born in 1972, is a Swiss citizen. He has a degree in Business Administration from the University of Applied Sciences in Zurich and an Executive Master's in European and International Business Law from the University of St. Gallen. He is also a certified public accountant. He began his professional career as an accountant at PricewaterhouseCoopers in 1998 and was promoted to a management position in 2002. He subsequently worked for IBM Business Consulting Services and ifb Suisse as a managing consultant from 2003 to 2006. In 2006, he joined Holcim Group Support Ltd as Corporate Controller, and in 2008 took on the role of Head of Corporate Reporting. From 2012 to 2016, he was Chief Financial Officer at Holcim in Ecuador. Back in Switzerland, he worked as Head of Corporate Controlling at the Geberit Group from 2016 until the end of 2020. Andreas Jaeger joined the Forbo Group in January 2021 as Chief Financial Officer and a member of the Executive Board.

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 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 possesses significant resources necessary for further strategic development. Within the framework of the strategy, Forbo will continue the successful trend of recent years to further strengthen its positions in the global marketplace.

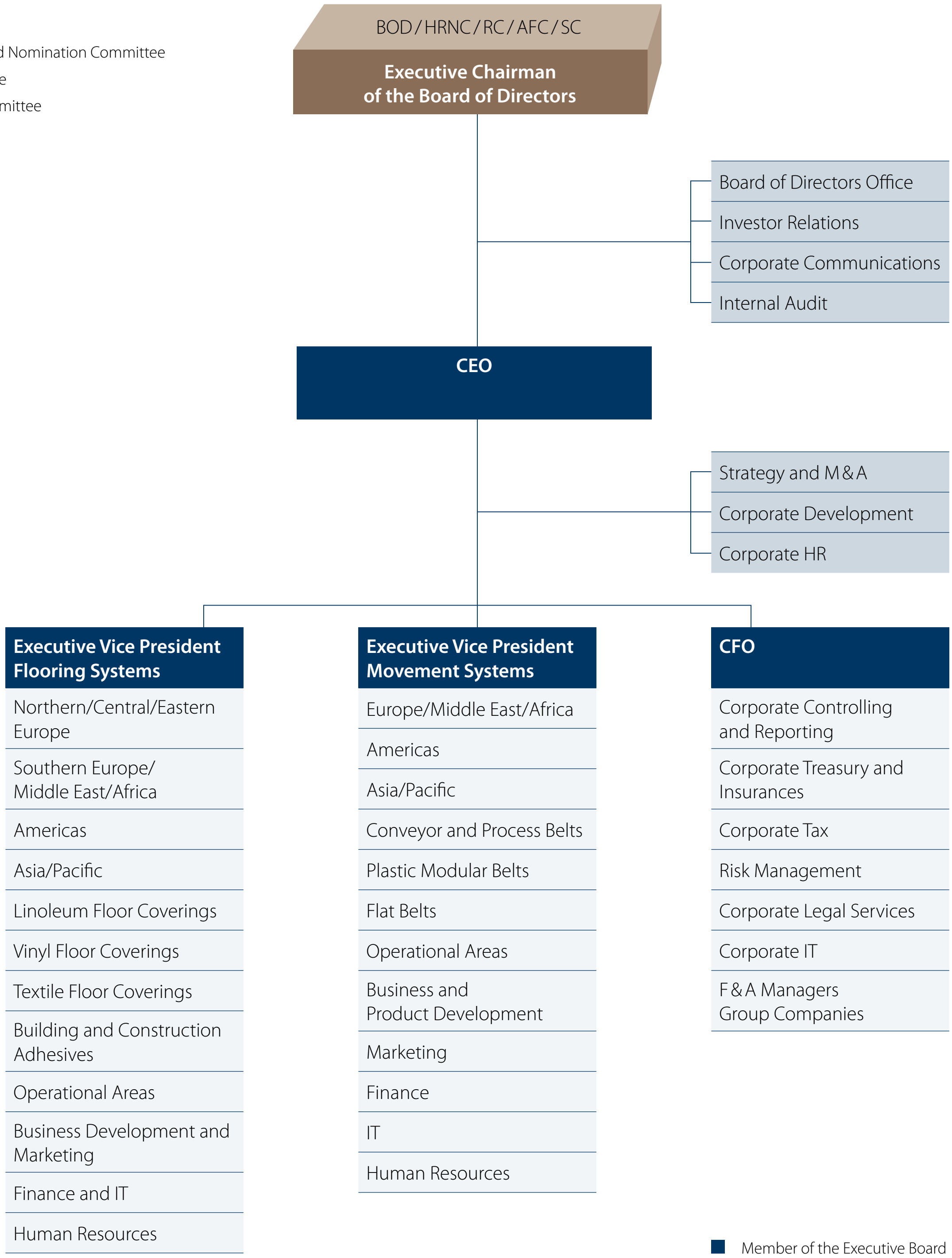
Tasks of the Executive Chairman of the Board of Directors

- 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 eye
- Overall management of strategy development and involvement in realizing key strategic projects
- Management of relationships with key accounts and business as well as with 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
SC Strategy Committee



BOARD OF DIRECTORS

Vincent Studer, Dr. Peter Altorfer, Dr. Eveline Saupper, This E. Schneider, Claudia Coninx-Kaczynski, Michael Pieper, Jens Fankhänel

This E. Schneider
Executive Chairman

Michael Pieper
Vice Chairman and independent[1] member

Owner of the Artemis Holding AG, Hergiswil
Chairman of the Management Board of Artemis Group, Hergiswil
Board of Directors of Franke Holding AG, Aarburg
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 Autoneum Holding AG, Winterthur
Member of the Board of Directors of Bergos AG, Zurich
Member of the Supervisory Board of Duravit AG, Hornberg, Germany
Member of the Board of Directors of Reppisch-Werke AG, Dietikon

Dr. Peter Altorfer
Vice Chairman, Lead Independent Director and independent[1] member

Legal adviser at the law firm Wenger & Vieli AG, Zurich
Member of the Board of Directors of Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona
Vice Chairman 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
Further mandates with non-listed investment and real estate companies
as well as charitable foundations in Switzerland

Claudia Coninx-Kaczynski
Independent[1] 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

Jens Fankhänel
Independent[1] member

CEO Kardex Holding AG, Zurich

Dr. Eveline Saupper
Independent[1] member

Member of the Board of Directors Clariant AG, Muttenz
Member of the Board of Directors Georg Fischer AG, Schaffhausen
Member of the Board of Directors Flughafen Zurich AG, Zurich
Member of the Board of Directors Staubli Holding AG, Pfaffikon
Member of the Board of Directors Tourismus Savognin Bivio Albula AG, Savognin
Foundation Board mandates

Vincent Studer
Independent[1] member

Partner and member of the Board of Directors of the trust and auditing company 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

[1] Independent as defined in the 'Swiss Code of Best Practice for Corporate Governance'

THE FORBO SHARE

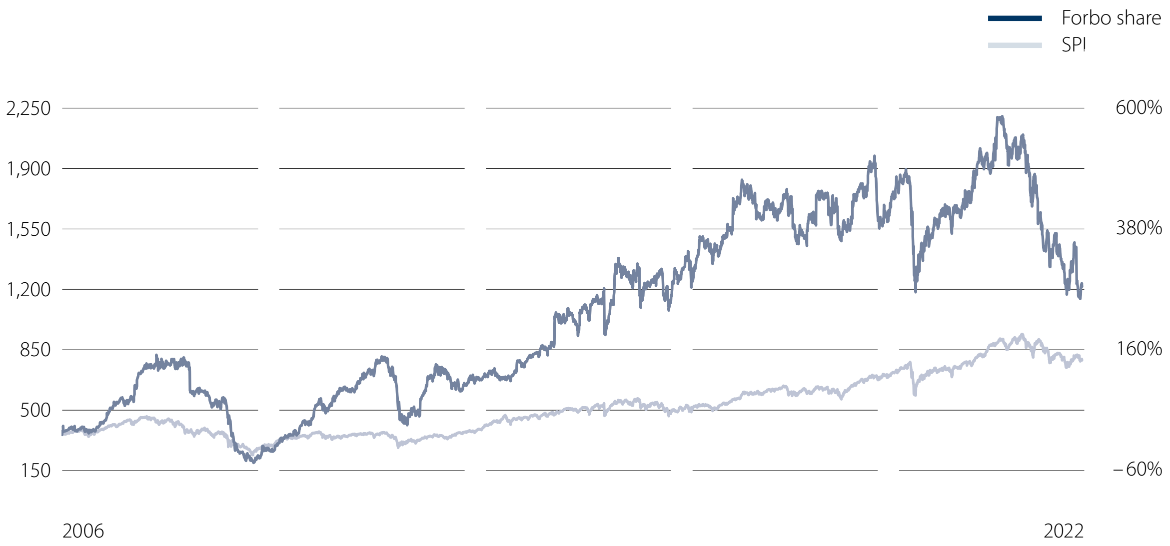
THE FORBO SHARE

On the stock markets, 2022 was characterized by dramatic price fluctuations and sharp falls in global stock markets. The war in Ukraine had a direct impact on millions of people, the international security situation, and reliability of supply – especially in the energy markets. Inflation was already a cause for concern at the end of 2021, but the consequences of the high rates, particularly in Europe and the USA, only became manifest during the course of 2022.

The Swiss Performance Index (SPI) had fallen by almost 15 percent by the beginning of March but managed to recoup most of the lost ground by mid-April. A second slump subsequently led to a temporary deficit of around 18 percent, before an upward trend was recorded in the second half of June. From a level of minus 12 percent in mid-August, a third decline set in, hitting a low of around minus 22 percent at the end of September. In the last three months of 2022, the SPI showed a recovery for the most part, and finally closing at 13,735 points – corresponding to a fall of 16.5 percent year on year.

For once, the Forbo share price trended significantly below the SPI in 2022. Up to the beginning of March, it performed more or less in line with the SPI, but it went on to lose a considerable amount of ground, closing the year at CHF 1,088. For a number of years now, the performance of the Forbo share has been steady and above average. Since 2005, the Forbo share has performed at a level considerably above that of the SPI – even before taking dividends into account.

The Forbo share in comparison with the SPI



Share capital

		2022 number	2021 number	2020 number	2019 number	2018 number
Issued registered shares[1]		1,485,000	1,650,000	1,650,000	1,650,000	1,800,000
Thereof:						
Shares outstanding		1,412,760	1,424,870	1,579,235	1,601,315	1,601,718
Share buyback programs		0	150,625	0	0	150,000
Other treasury shares		50,821	53,086	49,346	27,266	26,863
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		148,500	165,000	165,000	165,000	180,000
Thereof:						
Shares outstanding		141,276	142,487	157,924	160,132	160,172
Share buyback programs		0	15,063	0	0	15,000
Other treasury shares		5,082	5,309	4,935	2,727	2,686
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]		389	339	429	422	354
Group profit per share (undiluted)[2] [3]		71.8	91.6	66.6	86.3	82.4
Gross dividend and cash distribution		23.0[4]	25.0	20.0	23.0	21.00
Gross dividend yield (in %)[4] [5]	High	1.2[4]	1.2[5]	1.2[5]	1.3[5]	1.3[5]
	Low	2.3[4]	1.7[5]	1.9[5]	1.7[5]	1.6[5]
Payout ratio[6] (in %)		32	27	30	27	25

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	1,922	2,040	1,729	1,799	1,620
	Low	1,020	1,498	1,044	1,353	1,302
	Year-end	1,088	1,870	1,518	1,648	1,381
Market capitalization (million)[7]	High	2,854	3,366	2,853	2,968	2,916
	Low	1,515	2,472	1,723	2,232	2,344
	Year-end	1,616	3,086	2,505	2,719	2,486

1) Par value per share in 2022, 2021, 2020, 2019 and 2018: 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 124 of the financial report.
3) See note 11 'Earnings per share' on page 124 of the financial report.
4) Proposal of the Board of Directors to the 2023 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 REPORT

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 19. The operational structure of the Group is shown in the organizational chart on page 53. 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 144 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, 2022, 4,327 shareholders were listed in the share register of Forbo Holding Ltd, or 404 (10.3%) more than in the previous year. As of December 31, 2022, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2022 as a percentage
Michael Pieper[1)]	27.80
Forbo Holding Ltd[2)]	4.86
UBS Fund Management (Switzerland) AG	3 – 5
Swisscanto Fondsleitung 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 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 June 22, 2022, Forbo Holding Ltd reported that it had fallen below the 5% threshold limit and held 73,295 treasury shares directly and indirectly through Forbo Management SA, Baar, corresponding to 4.94% of the voting rights.

On September 8, 2022, UBS Fund Management (Switzerland) AG reported that it had fallen below the 5% threshold and held 73,753 shares, corresponding to 4.97% 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).

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, 2022, Forbo Holding Ltd had a fully paid-up share capital of CHF 148,500, divided into 1,485,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

– 73.70% were registered in the name of 4,301 shareholders with voting rights
– 21.86% were shares held by banks or SIX SIS AG pending registration of transfer
– 4.45% 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 58 and 59. Further information on the rights of participation associated with the Forbo share can be found on pages 74 and 75 of this Annual Report.

By resolution of the Ordinary General Meeting of Forbo Holding Ltd on April 5, 2019, the Board of Directors was authorized to buy back 10% of the share capital over a period of three years either via a second trading line on the SIX Swiss Exchange or by another means. These shares will be definitively canceled. On the basis of this authorization, the Board of Directors launched a buyback via a second trading line on the SIX Swiss Exchange on March 22, 2021. On November 26, 2021, the Board of Directors suspended the buyback via the second trading line and placed an offer for the buyback of treasury shares at a fixed price. This was successfully concluded on December 10, 2021, with the repurchase of 74,835 (4.54%) registered shares. On December 14, 2021, the suspension was lifted and the buyback via the second trading line continued. By December 31, 2021, a total of 75,790 (4.59%) treasury shares had been bought back during the buyback scheme. A further 14,375 (0.87%) treasury shares were bought back via the second trading line in the year under review prior to the termination of the buyback program 2019 – 2022 on March 16, 2022. The Ordinary General Meeting of April 1, 2022, approved the cancelation of all 165,000 shares purchased under this share buyback program.

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 11.21%, from the current level of CHF 148,500 to CHF 165,145. 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

The Ordinary General Meeting of Forbo Holding Ltd on April 1, 2022, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 16,500 from CHF 165,000 to CHF 148,500 by canceling 165,000 shares with a par value of CHF 0.10 each. It was further resolved to amend the Articles of Association accordingly. The capital reduction was effected, and the new share capital of CHF 148,500 was entered in the Commercial Register on June 21, 2022.

No changes to the capital of Forbo Holding Ltd were made in 2021 and 2020.

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 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, under which future subscription rights are outstanding, can be found on pages 90 to 94 as well as on pages 134, 135, and 143 of this Annual Report.

Board of Directors

Members of the Board of Directors
The cut-off date for the following information is December 31, 2022.

The Board of Directors brings together expertise and competencies in all the relevant areas (in particular entrepreneurial skills and leadership, industry and technology, strategy, 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 53 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. Due to the change of CEO, he assumed the role of CEO of the Forbo Group on an interim basis from December 2022 up to and including February 2023.

Independent[1)] members of the Board of Directors

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 1986 and has been its owner and CEO since 1989. Since 1986, he has been a member of the Board of Directors at Franke Holding AG and various subsidiaries of Artemis and Franke around the world. He is also a member of the Boards of Directors of Arbonia AG in Arbon, Autoneum Holding AG in Winterthur, Bergos AG in Zurich, Reppisch-Werke AG in Dietikon, and a member of the Supervisory Board of Duravit AG in Hornberg, Germany. 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 an 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 consultant, specializing in bank and company law as well as estate planning. Peter Altorfer sits on the Boards of Directors of several companies, including Schweizerische Cement-Industrie-Aktiengesellschaft in Rapperswil-Jona, Privatbank Bellerive AG in Zurich, Nomura Bank (Schweiz) AG in Zurich, H. Kracht's Erben AG in Zurich 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.

[1)] Independent as defined in the 'Swiss code of best practice for corporate governance'

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.

Jens Fankhänel
Jens Fankhänel was born in 1965 and is a German citizen. He studied at the University of Chemnitz in Germany and graduated in electronic engineering, specializing in automation technology and technical cybernetics. In 1994, he entered professional life at io-Consultants in Germany, first as a Project Manager and later as Director and Business Unit Manager Consulting and Engineering. After eight years, he moved to Swisslog, where he was Managing Director ANZAC from 2002 to 2005. He then worked for Dematic GmbH in Germany as CEO of its Central European Hub from 2005 to 2008, at which point he returned to Swisslog Holding AG for just over three years, holding the post of Managing Director WDS Central Europe. Since 2011, he has worked at Kardex Holding AG in Switzerland, until the end of 2018 he was Head Kardex Remstar Division, and he has been CEO of Kardex Holding AG since 2016. Jens Fankhänel has been a member of the Board of Directors of Forbo Holding AG since April 2022. He was appointed CEO of the Forbo Group with effect from March 1, 2023, and will retire from the Board of Directors accordingly at the next Ordinary General Meeting.

Dr. Eveline Saupper
Dr. Eveline Saupper was born in 1958 and is a Swiss citizen. She graduated in law from the University of St. Gallen and went on to obtain her doctorate (Dr. iur.). She was admitted to the bar in Zurich and is also a qualified tax expert. She began her career in 1983, working as a tax consultant at Peat Markwick Mitchell (now KPMG) in Zurich. From 1985 to 2017, she worked for Homburger AG in Zurich as an attorney and tax adviser, serving for around twenty years of that period as a partner and for over two years as Of Counsel. She spent an interim year in 1990 in Chicago as a lawyer with Baker & McKenzie. Since 2017, she has been running her own legal practice. Dr. Eveline Saupper sits on the Boards of Directors of a number of companies, including Clariant AG in Muttenz, Georg Fischer AG in Schaffhausen, Flughafen Zürich AG, Stäubli Holding AG in Pfäffikon, and Tourismus Savognin Bivio Albula AG. She is also a member of several Boards of Trustees. She has been a member of the Board of Directors of Forbo Holding AG since April 2022.

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 since 2015 also a member of the Board of the accountancy and auditing firm T+R AG, Gümligen/Berne. From 2008 to 2021, he was a member of the management and Head of the auditing business unit there. Vincent Studer is a member of the Board of Directors of Bank EEK AG in Berne. He holds further directorships at 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, 2022

	First elected at OGM	AFC	HRNC	RC	SC
Executive Chairman					
THIS E. SCHNEIDER	2004				V
Executive Director					
Vice Chairmen					
MICHAEL PIEPER	2000		M	M	
Independent[1] non-executive Director					
DR. PETER ALTORFER	2005	M	C	C	
Independent[1] non-executive Director and Lead Independent Director					
Members					
CLAUDIA CONINX-KACZYNSKI	2014		M	M	
Independent[1] non-executive Director					
JENS FANKHÄNEL	2022				M
Independent[1] non-executive Director					
DR. EVELINE SAUPER	2022	M			
Independent[1] non-executive Director					
VINCENT STUDER	2009	C			
Independent[1] 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
SC: Strategy Committee
V: Chair
M: Member
[1]: Independent as defined by the 'Swiss code of best practice for corporate governance'

Changes to the Board of Directors

Dr. Eveline Saupper and Jens Fankhänel were newly elected to the Board of Directors at the General Meeting of Forbo Holding Ltd of April 1, 2022. Dr. Reto Müller did not stand for re-election and accordingly stepped down from the Board of Directors as of this date. Jens Fankhänel will succeed Michael Schumacher as Chief Executive Officer and Chairman of the Executive Board of the Forbo Group on March 1, 2023. Accordingly, he will not be standing for re-election to the Board of Directors at the next Ordinary General Meeting.

Statutory regulations governing the number of permissible activities pursuant to Article 626 Paragraph 2 Clause 1 CO (until December 31, 2022 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 statutory provisions. 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 70th year of age 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 67.

Decisions are as a general rule taken by the full Board of Directors. The Board constitutes four standing committees from its own ranks – the Audit and Finance Committee (AFC), the Human Resources and Nomination Committee (HRNC), the Strategy Committee (SC), and the Remuneration Committee (RC) – to deal with clearly defined subject areas of overriding importance. These four committees have mainly advisory and control functions. The members of the AFC, SC, 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 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 70 and 71.

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 2022, the Board of Directors held six meetings with members physically in attendance, as well as one telephone conference call. The meetings each lasted a whole day, while the conference call took around one hour. Every Board member participated in all the physical meetings.

The Executive Chairman may invite members of the Executive Board or other senior employees to attend Board meetings for individual items. In the 2022 business year, members of the Executive Board and other senior employees participated in the physical 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 meeting held by conference call. External consultants may participate in the meetings of the Board of Directors, the AFC, SC, HRNC, or RC only in exceptional circumstances to deal with particular items. In the 2022 business year, no external consultants participated in the meetings of the Board of Directors. Participation by external consultants in meetings of the AFC, SC, HRNC, and RC are listed in the chapters on the AFC, SC, HRNC, and RC on pages 69, 70, as well as 82 to 84.

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 by special invitation.

The AFC convenes as often as business requires, but at least twice a year. In the 2022 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 65 and 66 of this Annual Report.

Strategy Committee
The SC advises and provides support for the Board of Directors on basic questions of corporate strategy and the strategic development of the company. It follows, supports, and reviews management preparation with regard to the acquisition and disposal of companies and shareholdings for decision-making by the Board of Directors. The SC reviews and makes recommendations on measures submitted by the management on aspects of environmental and social corporate governance. Finally, the SC helps the Board of Directors to fulfil its responsibilities with regard to monitoring the implementation of strategy.

The SC convenes as often as business requires, but at least twice a year. In the 2022 business year, a one-day meeting and a telephone conference call of around two hours' duration were held. All members of the SC were present at both meetings. The members of the Executive Board and other senior employees participated in the one-day meeting for the agenda items that affected them. Neither the external nor the internal auditors were present at the meetings of the SC. No external consultants participated in any SC meetings.

The SC 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 functions in responsible positions. The relevant information can be found on pages 65 and 66 of this Annual Report.

Human Resources and Nomination Committee
We refer to the explanations in the remuneration report on pages 82 and 83.

Remuneration Committee
We refer to the explanations in the remuneration report on pages 83 and 84.

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, SC, 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, HRNC, SC, and RC report at the Board of Directors meetings on the activities of their committees and express the opinions and recommendations of the AFC, SC, 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, SC, HRNC, and RC meetings. The Executive Board reports to the AFC through the CFO in consultation with the CEO; it reports to the HRNC, SC, 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 2022 business year, eleven meetings were held, with the meetings usually lasting half a day. In addition, the Executive Board also met for a two-day strategy workshop during the 2022 business year.

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, SC, HRNC, and RC on pages 69 and 70, as well as 82 to 84.

The Board of Directors also fulfills its supervisory and monitoring obligations 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 2022, 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 always assessed in a first estimate at the end of May, and a second estimate is made 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 2022, seven Group companies were audited by Ernst & Young on the occasion of six 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 (including data protection) related to the audited business processes. Lastly, additional risks and controls in connection with the audited business processes were analyzed. Four 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 138 to 142 of the Annual Report.

With regard to the risk management process, refer to the relevant explanations on pages 138 to 142 (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 51 of this Annual Report.

Statutory regulations governing the number of permissible activities pursuant to Article 626 Paragraph 2 Clause 1 CO (until December 31, 2022 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.

Changes to the Executive Board
Michael Schumacher, Chief Executive Officer and Chairman of the Executive Board of the Forbo Group, left the company on November 30, 2022. Jens Fankhänel, designated Chief Executive Officer of the Forbo Group, will succeed him on March 1, 2023. Meanwhile the role has been assumed by This E. Schneider on an interim basis.

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 79.

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 oldCO, 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 neither contain an 'opting-up' clause nor an 'opting-out' clause pursuant to Articles 135 respectively 125 of the Financial Market Infrastructure Act.

Clause on changes of control

As per year-end 2022, 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. On April 1, 2022, Regula Tobler took on the role of Auditor in Charge from Rolf Hauenstein, who had held the position 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 2022. These fees were charged 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.

Blackout periods

Forbo has specified general blackout periods associated with the publication of the Annual and Half-Year Reports. Each general blackout period comes into effect on the first day following the respective reporting period and applies until 23:59 CET on the day of publication of the Annual and Half-Year Reports. The general blackout period covers all Forbo securities and applies regardless of whether the persons concerned are in possession of insider information as defined in Article 2 FMIA. The general blackout period applies to all members of the Board of Directors and the Executive Board of Forbo Holding Ltd, all employees at the Forbo Group head office in Baar, Switzerland, the members of the management boards of both divisions and their assistants, and all employees who have insight into the financial figures of a division, and any persons closely associated with them. The Securities Trading Compliance Committee, comprising the CFO, Head Corporate Treasury, and Head Corporate Legal Services, checks the list of those subject to the general blackout periods on a half-yearly basis, amending it as required. In each case, the Securities Trading Compliance Committee gives the persons affected by the general blackout period prior notification by email.

In addition to the general blackout periods, special blackout periods can be imposed at any time, with the duration, scope, affected personnel, and any exceptions being defined separately in each case.

As an exception, a transaction with Forbo securities is permitted during a blackout period if it is the result of a plan drawn up outside the blackout period, the main details of the transaction (quantity, price, date) were specified beforehand and the transaction cannot be influenced by the person concerned during the blackout period.
Any exceptions must be approved by the Securities Trading Compliance Committee, with the approval being given outside the blackout period.

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 10 of this Annual Report. Further information on the Forbo share is printed on pages 58 and 59 of this Annual Report.

Publications may be ordered by email or telephone:
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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 89 to 91. 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 2023 Ordinary General Meeting:

- Maximum total remuneration for the Board of Directors for 2024
- Maximum fixed remuneration for the Executive Board for 2024
- Short-term variable remuneration of the Executive Board for 2022 (bonus/short-term incentive)
- Maximum total amount of the long-term participation for the Executive Board for 2023 (long-term incentive plan 2023 – 2025)

The total remuneration was approved by a large majority in a consultative vote on the 2021 remuneration report at the Ordinary General Meeting of April 1, 2022 (agenda item 5.1). Participants in the 2023 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2022 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 for both 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 2022 business year, the HRNC held five meetings with personal presence, each lasting a couple of hours. 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 1, 2022, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2022 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 65 and 66 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 2022 business year, the Remuneration Committee held four meetings with personal presence, 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 1, 2022, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the Remuneration Committee for the 2022 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 65 and 66 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 2022

In the 2022 business year, 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 89 and 90 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 167% 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. As from the Long-Term Incentive Plan 2023 – 2025, the PSUs will be converted, after the three-year performance period, into shares that are subject to a vesting period of one year. This was specified by the Remuneration Committee in November 2022.

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 918,983 (previous year: CHF 470,000) is used to a predominant part 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 2022, less the reduced value as a result of locking up the shares (tax value 2022: CHF 1,573.13 per share; previous year: CHF 1,285.62 per share). The share package corresponds to annual compensation at fair value (excluding the reduction for the lockup period) of CHF 2,264,336 (1,207 shares); previous year: CHF 2,263,103 (1,478 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 3,621,910 for the year under review (previous year: CHF 3,182,103). 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 92 to 94 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.

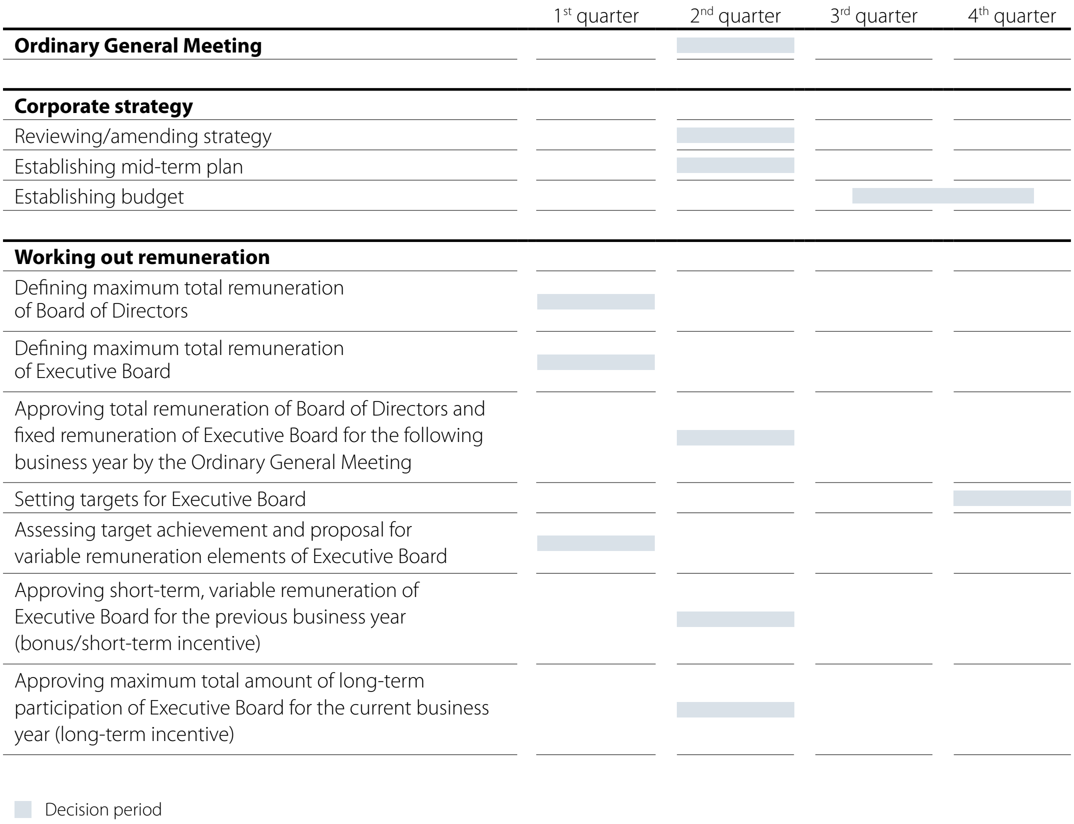
The Board of Directors assesses the current business year by means of an initial estimate at the end of May and a second estimate in mid-October. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. The actual amount of the variable 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



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% depends 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 (29% to 40% of the variable remuneration), EBIT of the Group and/or a division (40% to 54% of the variable remuneration), and net working capital of 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 145%. 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 115% of the fixed remuneration if targets are fully met. If the targets are exceeded, the variable remuneration may be as much as 167% 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.

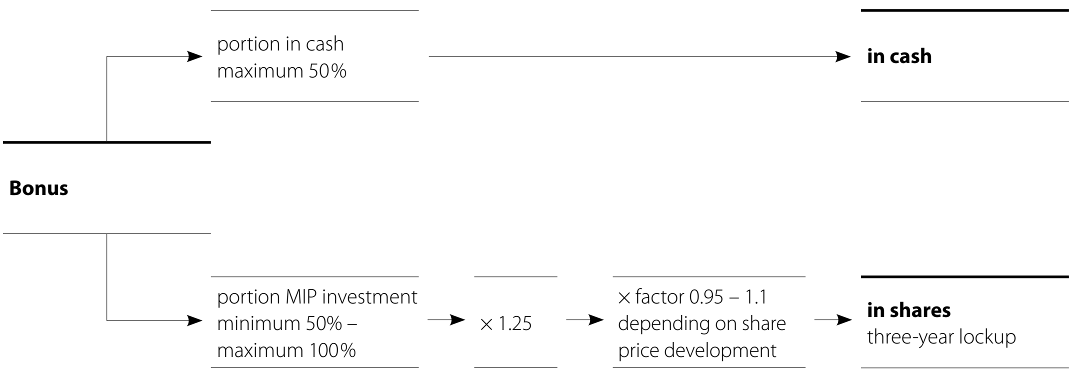
Conversion of remuneration into shares in the management investment plan (MIP)
The bonus payment from the bonus/short-term incentive is linked to the management investment plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual short-term variable 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 15% 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. As from the long-term incentive plan 2023 – 2025, they are subject to a vesting period of one year. 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. As from the long-term incentive plan 2023 – 2025, the relevant shares are transferred after one year.

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 92 to 94 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 918,633 in the year under review (previous year: CHF 810,178). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 465,327 (previous year: CHF 413,615) and the base remuneration in shares (40% of the remuneration) of CHF 380,746 (previous year: CHF 335,136). This corresponds to 261 shares (previous year: 186 shares) at a market value of CHF 1,458.80 each (previous year: CHF 1,801.80). 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 86 of this remuneration report.

Remuneration of the Executive Board
The total remuneration paid to the members of the Executive Board came to CHF 2,964,710 in the year under review (previous year: CHF 3,752,600), subject to approval of the variable portion by the 2023 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,526,623 (previous year: 1,642,803) and short-term variable bonus remuneration (short-term incentive) of CHF 657,970 (previous year: CHF 1,292,254), a long-term participation (long-term incentive) of CHF 360,460 (previous year: CHF 343,921) 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 80,762 (previous year: CHF 143,699). The portion paid in shares is derived from a fixed remuneration amount. The portion of the variable remuneration (short-term incentive) paid in shares in connection with the MIP (lockup period of three years) came to CHF 498,714 (previous year: CHF 761,206), which is subject to approval by the 2023 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 636 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 of PSUs in CHF (allocation)
2020 – 2022	April 2020	2020 – 2022	April 2023	April 2026	216	356,345
2021 – 2023	April 2021	2021 – 2023	April 2024	April 2027	222	343,921
2022 – 2024	April 2022	2022 – 2024	April 2025	April 2028	198	360,460

Disclosure of remuneration of the Board of Directors and Executive Board

Remuneration For the year 2022[1)] (audited)	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)]	918,983	1,207	2,264,336						438,591	3,621,910
Michael Pieper, Vice Chairman	79,884	45	65,646						12,231	157,761
Dr. Peter Altorfer, Vice Chairman and Lead Independent Director	103,962	58	84,610						15,016	203,588
Claudia Coninx-Kaczynski, member	71,008	40	58,352						13,676	143,036
Jens Fankhänel, member[6)]	53,256	30	43,764						10,257	107,277
Dr. Reto Müller, member[6)]	17,752	10	14,588						2,797	35,137
Dr. Eveline Saupper, member[6)]	53,256	30	43,764						9,842	106,862
Vincent Studer, member	86,209	48	70,022						8,741	164,972
Board of Directors total[7)]	**1,384,310**	**1,468**	**2,645,082**						**511,151**	**4,540,543**
Executive Board[8)9)] total	**1,445,861**	**62**	**80,762**	**159,256**	**432**	**498,714**	**198**	**360,460**	**419,657**	**2,964,710**
Of whom highest-paid member of Executive Board (Michael Schumacher)	600,000	0	0	71,250	220	253,975	0	0	173,739	1,098,964

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 2022 and will be submitted to the April 2023 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 1,154.34. 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 2022 (long-term incentive plan 2022–2024) 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 86 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 2022 remuneration of the following individuals was paid pro rata temporis: Dr. Reto Müller until the 2022 Ordinary General Meeting (3 months); Jens Fankhänel and Dr. Eveline Saupper from the 2022 Ordinary General Meeting (9 months).

7) 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 1,458.80. The allocation is made at the discounted tax value of CHF 1,224.80. The shares are locked up for a period of three years and are reported at market value in the table above.

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 1,861.14 for 2022 and for 2023 CHF 1,154.34.

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 2022 business year will be allocated in April 2023, subject to approval by the 2023 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,154.34. 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 2021[1]
(audited)

Name and function	Base salary Cash CHF	Base salary Shares Number	Base salary Shares CHF	Variable remunerations: Bonus/short-term incentive[2] Cash CHF	Bonus/short-term incentive[2] Shares Number	Bonus/short-term incentive[2] Shares CHF	Long-term incentive[3] Allocation Number	Long-term incentive[3] Performance Share Units CHF	Other remuneration[4] CHF	Total CHF
This E. Schneider, Chairman[5]	470,000	1,478	2,263,103						449,000	3,182,103
Michael Pieper, Vice Chairman	80,538	36	64,865						12,349	157,752
Dr. Peter Altorfer, Vice Chairman and Lead Independent Director	103,897	47	84,685						15,175	203,757
Claudia Coninx-Kaczynski, member	71,590	32	57,658						13,796	143,044
Dr. Reto Müller, member	71,590	32	57,658						11,290	140,538
Vincent Studer, member	86,000	39	70,270						8,817	165,087
Board of Directors total[6]	**883,615**	**1,664**	**2,598,239**						**510,427**	**3,992,281**
Executive Board[7][8][9] total	**1,499,104**	**87**	**143,699**	**531,048**	**409**	**761,206**	**222**	**343,921**	**473,622**	**3,752,600**
Of whom highest-paid member of Executive Board (Jean-Michel Wins)	320,000	26	45,562	0	234	435,507	94	145,000	130,294	1,076,363

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 2021 and will be submitted to the April 2022 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 1,861.14. 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 2021 (long-term incentive plan 2021 – 2023) 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 86 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 1,801.80. The allocation is made at the discounted tax value of 1,512.82 CHF. The shares are locked up for a period of three years and are reported at market value in the table above.

7) Contains remuneration elements for the CEO and CFO (9 and 2 months respectively), who left during the 2021 business year, as well as remuneration elements for the new CEO (4 months).

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 1,547.00 for 2021 and for 2022 CHF 1,861.14.

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 2021 will be allocated in April 2022, subject to approval by the 2022 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,861.14. 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 (audited)
As of December 31, 2022, 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 959c OR (663c oldOR)

2022 business year
As at December 31, 2022, 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 2022
(audited)

Name and function	Number of shares
This E. Schneider, Executive Chairman	39,914
Michael Pieper, Vice Chairman and independent[1] member	413,832
Dr. Peter Altorfer, Vice Chairman, independent[1] member and Lead Independent Director	1,511
Claudia Coninx-Kaczynski, independent[1] member	429
Jens Fankhänel, independent[1] member	210
Dr. Eveline Saupper, independent[1] member	280
Vincent Studer, independent[1] member	1,106
Total Board of Directors	**457,282**
Michael Schumacher, Chief Executive Officer	0
Marc Deimling, Executive Vice President Movement Systems	175
Andreas Jaeger, Chief Financial Officer	111
Jean-Michel Wins, Executive Vice President Flooring Systems	534
Total Executive Board	**820**

1) Independent as defined in the 'Swiss code of best practice for corporate governance'

As at December 31, 2021, 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 2021
(audited)

Name and function	Number of shares
This E. Schneider, Executive Chairman	35,677
Michael Pieper, Vice Chairman and independent[1] member	412,637
Dr. Peter Altorfer, Vice Chairman, independent[1] member and Lead Independent Director	1,453
Claudia Coninx-Kaczynski, independent[1] member	389
Dr. Reto Müller, independent[1] member	746
Vincent Studer, independent[1] member	1,058
Total Board of Directors	**451,960**
Michael Schumacher, Chief Executive Officer	0
Marc Deimling, Executive Vice President Movement Systems	80
Andreas Jaeger, Chief Financial Officer	3
Jean-Michel Wins, Executive Vice President Flooring Systems	254
Total Executive Board	**337**

1) Independent as defined in the 'Swiss code of best practice for corporate governance'

Report of the statutory auditor

KPMG

Report of the Statutory Auditor

To the General Meeting of Forbo Holding Ltd, Baar

Report on the Audit of the Remuneration Report

Opinion
We have audited the Remuneration Report of Forbo Holding Ltd (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked “audited” on pages 93 to 96 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the attached Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Remuneration Report” section of our report. We are independent of the Company 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.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the Remuneration Report, the consolidated financial statements, the financial statements and our auditor’s reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

Report of the statutory auditor

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report 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.

Board of Directors' Responsibilities for the Remuneration Report
The Board of Directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s Responsibilities for the Audit of the Remuneration Report
Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 SA-CH 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 this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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 to 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.

KPMG AG

Regula Tobler
Licensed Audit Expert
Auditor in Charge

André Stampfli
Licensed Audit Expert

Zurich, 1. March 2023

Enclosure:
- Remuneration Report

FINANCIAL REPORT

Consolidated balance sheet

		31.12.2022	31.12.2021
Assets			
CHF m	Note		
Current assets		**571.6**	**553.6**
Cash and cash equivalents	22	46.7	93.3
Trade receivables	12	155.2	153.4
Other receivables		39.2	32.2
Accrued income and deferred expenses		14.3	11.8
Inventories	13	316.2	262.9
Non-current assets		**388.6**	**428.0**
Non-current financial assets	22	1.8	0.2
Deferred tax assets	10	34.3	37.4
Property, plant, and equipment	14/21	267.6	294.8
Intangible assets and goodwill	15	84.9	95.6
Total assets		**960.2**	**981.6**
Shareholders' equity and liabilities			
CHF m	Note		
Current liabilities		**291.6**	**314.5**
Current financial liabilities	22	39.0	50.8
Trade payables	22	102.5	112.2
Other current liabilities		29.9	30.0
Current tax liabilities		21.2	20.4
Accrued expenses and deferred income	16	76.2	81.6
Current provisions	17	22.8	19.5
Non-current liabilities		**118.5**	**145.3**
Non-current financial liabilities	22	26.6	31.6
Deferred tax liabilities	10	8.2	9.8
Non-current provisions	17	42.7	35.5
Employee benefit obligations	18	41.0	68.4
Total liabilities		**410.1**	**459.8**
Shareholders' equity		**550.1**	**521.8**
Share capital	20	0.1	0.2
Treasury shares	20	–0.0	–0.1
Reserves and retained earnings		550.0	521.7
Total shareholders' equity and liabilities		**960.2**	**981.6**

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

Consolidated income statement

	1.1. – 31.12.	2022	2021
CHF m	Note		
Net sales	5	**1,293.2**	**1,254.0**
Cost of goods sold		– 852.4	– 803.0
Gross profit		**440.8**	**451.0**
Development costs	6	– 15.6	– 15.9
Marketing and distribution costs		– 178.6	– 175.3
Administrative costs		– 94.2	– 92.8
Other operating expenses	7	– 27.7	– 7.2
Other operating income	8	7.9	19.2
Operating profit		**132.6**	**179.0**
Financial income		0.9	3.0
Financial expenses		– 2.5	– 0.8
Group profit before taxes		**131.0**	**181.2**
Income taxes	10	– 29.6	– 40.0
Group profit for the year		**101.4**	**141.2**
Group profit attributable to shareholders of Forbo Holding Ltd		101.4	141.2
Earnings per share			
CHF	Note		
Basic earnings per share	11	71.76	91.63
Diluted earnings per share	11	71.76	91.62

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

Consolidated comprehensive income statement

	1.1. – 31.12.	2022	2021
CHF m	Note		
Group profit for the year		**101.4**	**141.2**
Items that will not be reclassified to the income statement:			
Remeasurements of employee benefit obligations, net of taxes	10	19.2	16.8
Items that are or may be subsequently reclassified to the income statement:			
Translation differences		– 36.3	– 11.6
Other comprehensive income for the year, net of tax		**– 17.1**	**5.2**
Total comprehensive income		**84.3**	**146.4**
Total comprehensive income attributable to the shareholders of Forbo Holding Ltd		84.3	146.4

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

Consolidated statement of changes in equity

2022

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2022	**0.2**	**– 0.1**	**882.7**	**– 361.0**	**521.8**
Group profit for the year			101.4		101.4
Other comprehensive income for the year, net of tax			19.2	– 36.3	– 17.1
Total comprehensive income			**120.6**	**– 36.3**	**84.3**
Share-based payments			4.7		4.7
Treasury shares	– 0.1	0.1	– 25.4		– 25.4
Dividend payment			– 35.3		– 35.3
December 31, 2022	**0.1**	**– 0.0**	**947.3**	**– 397.3**	**550.1**

2021

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2021	**0.2**	**– 0.1**	**1,032.8**	**– 349.4**	**683.5**
Group profit for the year			141.2		141.2
Other comprehensive income for the year, net of tax			16.8	– 11.6	5.2
Total comprehensive income			**158.0**	**– 11.6**	**146.4**
Share-based payments			4.4		4.4
Treasury shares		0.0	– 281.1		– 281.1
Dividend payment			– 31.4		– 31.4
December 31, 2021	**0.2**	**– 0.1**	**882.7**	**– 361.0**	**521.8**

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

Consolidated cash flow statement

	1.1. – 31.12.	2022	2021
Cash flow from operating activities			
CHF m	Note		
Group profit for the year		**101.4**	**141.2**
Tax expense	10	29.6	40.0
Financial result		1.6	– 2.2
Depreciation and impairment of property, plant, and equipment and right-of-use assets	14	55.7	51.9
Amortization and impairment of intangible assets	15	5.1	4.8
Share-based payments	9	4.7	4.4
Income tax paid		– 36.5	– 36.4
Increase/Decrease (–) in provisions and employee benefit obligations		3.5	– 9.2
Increase in trade receivables		– 10.0	– 16.1
Increase in inventories		– 65.8	– 47.9
Decrease(–)/Increase in trade payables		– 3.9	20.2
Increase (–)/Decrease in other net working capital		– 4.8	15.8
Net cash flow from operating activities		**80.6**	**166.5**
Cash flow from investing activities			
CHF m	Note		
Purchase of non-current assets		– 30.9	– 38.8
Interest received		0.8	0.4
Net cash flow from investing activities		**– 30.1**	**– 38.4**
Cash flow from financing activities			
CHF m	Note		
Payment of lease liabilities	21	– 18.4	– 17.7
Decrease (–)/Increase of current financial liabilities	22	– 11.7	36.2
Interest paid	21	– 1.0	– 0.8
Purchase of treasury shares		– 27.5	– 276.5
Dividend payment		– 35.3	– 31.4
Net cash flow from financing activities		**– 93.9**	**– 290.2**
Change in cash and cash equivalents			
CHF m	Note		
Total cash and cash equivalents at beginning of year		**93.3**	**255.8**
Decrease in cash and cash equivalents		– 43.4	– 162.1
Translation differences on cash and cash equivalents		– 3.2	– 0.4
Total cash and cash equivalents at year-end		**46.7**	**93.3**

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 1, 2023, and released for publication on March 2, 2023. This financial report is subject to approval by the Ordinary General Meeting of March 30, 2023.

2 Accounting principles

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
- non-monetary balance sheet items of subsidiaries in hyperinflationary economies that are adjusted to the current price index
- 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 judgments, 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 judgments as well as assumptions and uncertainty involved in estimates are contained in note 3 'Critical judgments, 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.

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 two sales companies Tema S.r.l. and Realbelt GmbH in the Movement Systems segment were absorbed by their respective parent companies Forbo Siegling Italia S.p.A. and Forbo Siegling GmbH for the purpose of simplifying the Group structure.

The subsidiaries included in the group of consolidated companies are listed under 'Group companies' (from page 142 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)	
			2022	2021	2022	2021
Exchange rates						
Euro zone	EUR	1	1.0040	1.0811	0.9841	1.0343
USA	USD	1	0.9543	0.9141	0.9234	0.9140
Great Britain	GBP	1	1.1772	1.2573	1.1123	1.2337
Japan	JPY	100	0.7267	0.8324	0.6960	0.7942
China	CNY	100	14.1860	14.1684	13.2600	14.3418
Sweden	SEK	100	9.4366	10.6543	8.8186	10.1041

Hyperinflation
In the current reporting year, Turkey is considered a hyperinflationary economy in accordance with the criteria of IAS 29 "Financial Reporting in Hyperinflationary Economies". The effect of the application of this standard on the opening balances as at January 1, 2022 has been recognized in translation differences in other comprehensive income. In accordance with the standard, the figures for the previous year have not been adjusted.

The non-monetary items have been indexed to the consumer price index (CPI) at the end of the reporting period. Income statement items have also been indexed in order to reflect purchasing power in the year under review. The adjustment (+64%) was calculated on the basis of the CPI published by the Turkish Statistical Institute. In this context, a profit of CHF 1.3 million resulted during the reporting year, which has been recorded in the income statement.

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 the income statement 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
Land is recognized at cost on acquisition. Land is not depreciated, but allowances are set aside for impairments that have occurred. All other tangible assets are accounted at cost on acquisition less depreciation and impairments incurred with the exception of assets in construction which are not written down during the project phase but only when they are ready for their intended use and have been reclassified in the relevant category of tangible asset.

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 hardware	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 annually.

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:

IT 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 initially recognized at fair value. 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 initially recognized at the transaction price.

Classification and subsequent measurement of financial assets

Financial assets are measured and classified in accordance with 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 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 classified 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 measured 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 measured 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 measured 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 generally measured at average cost. 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.

Remeasurements 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. Remeasurements 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; buildings and vehicles 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 measured 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 judgments, 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 amended accounting standards

Applied new and amended standards and interpretations
The following relevant amended 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, 2022:

- Amendment to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'
- Amendment to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'
- Amendment to IFRS 3 'Reference to the Conceptual Framework'
- Annual Improvements to IFRS Standards 2018 – 2020

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

Introduction of new and amended standards in 2023 and beyond

The IASB has not issued any new standards that are relevant for the Group. The following amended standards and interpretations that were published by end 2022 but are not yet mandatory were not applied in advance in the present consolidated financial statements.

Standards		Date effective	Planned application
Revisions and amendments of standards and interpretations			
Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'	*	January 1, 2024	2024 business year
Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'	*	January 1, 2023	2023 business year
Amendments to IAS 8 'Definition of Accounting Estimates'	*	January 1, 2023	2023 business year
Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	*	January 1, 2023	2023 business year
Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback Transaction'	*	January 1, 2024	2024 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:

2022

CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total sales	878.0	415.3	– 0.1	1,293.2
Inter-segment sales	0.0	– 0.1	0.1	0.0
Net sales to third parties	878.0	415.2	0.0	1,293.2
Operating profit (EBIT)	88.4	54.0	– 9.8	132.6
EBITDA[1)]	127.3	75.4	– 9.3	193.4
Operating assets	517.7	337.4	24.1	879.2
Capital expenditure[2)]	17.9	13.0	0.0	30.9
Number of employees (December 31)	2,890	2,460	40	5,390

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

The one-time charges of CHF 20.0 million recorded for impairments in Russia, above all on goodwill and property, plant and equipment, costs for structural adjustments, and for other costs, including those from provisions for various legal claims, were mainly incurred by Flooring Systems in the year under review.

Segment information on the reportable segments for the prior year:

2021

CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total sales	851.8	402.4	– 0.2	1,254.0
Inter-segment sales	0.0	– 0.2	0.2	0.0
Net sales to third parties	851.8	402.2		1,254.0
Operating profit (EBIT)	131.2	54.3	– 6.5	179.0
EBITDA[1)]	166.7	74.2	– 5.3	235.6
Operating assets	514.3	317.6	18.8	850.7
Capital expenditure[2)]	23.4	15.4	0.0	38.8
Number of employees (December 31)	3,021	2,472	39	5,532

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

The internal management reporting is based on the same accounting principles as the 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 financial result is not allocated to the segments since it is Corporate Treasury that mainly exercises central control over it.

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:

	2022	2021
CHF m		
Total segment result (EBIT)	**132.6**	**179.0**
Financial result	– 1.6	2.2
Group profit before taxes	**131.0**	**181.2**

	31.12.2022	31.12.2021
CHF m		
Total operating assets	**879.2**	**850.7**
Non-operating assets	81.0	130.9
Total assets	**960.2**	**981.6**

Operating assets include 'Trade receivables', 'Other receivables', 'Accrued income and deferred expenses', 'Inventories', 'Property, plant, and equipment', 'Intangible assets and goodwill' and 'Non-current financial assets'. Non-operating assets include 'Cash and cash equivalents' 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	2022 Third-party sales	2021 Third-party sales	2022 Third-party sales	2021 Third-party sales
Regions				
Europe	657.5	651.6	166.6	162.9
Americas	140.6	123.9	142.4	130.4
Asia/Pacific and Africa	79.9	76.3	106.2	108.9
Total net sales to third parties	**878.0**	**851.8**	**415.2**	**402.2**

Net sales to third parties by destination were generated in the following regions:

CHF m	2022 Third-party sales	2021 Third-party sales
Switzerland (domicile)	31.1	27.9
France	155.0	149.9
Germany	154.2	155.9
Benelux	122.5	129.4
Scandinavia	96.0	102.7
Great Britain and Ireland	79.7	74.5
Other countries Europe	185.6	174.2
Europe	**824.1**	**814.5**
USA	228.8	207.5
Other countries Americas	54.2	46.8
Americas	**283.0**	**254.3**
Asia/Pacific and Africa	**186.1**	**185.2**
Total net sales to third parties	**1,293.2**	**1,254.0**

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	31.12.2022 Operating assets	31.12.2021 Operating assets
Switzerland (domicile)	35.4	31.2
France	73.4	71.2
Germany	97.2	102.1
Benelux	221.8	208.1
Scandinavia	38.5	42.7
Great Britain and Ireland	89.3	90.2
Other countries Europe	49.8	58.8
Europe	**605.4**	**604.3**
USA	124.7	100.5
Other countries Americas	28.7	21.1
Americas	**153.4**	**121.6**
Asia/Pacific and Africa	**120.4**	**124.8**
Total operating assets	**879.2**	**850.7**

6 Development costs

'Development costs', which mainly comprise product development, amounted to CHF 15.6 million in the reporting year (2021: CHF 15.9 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 guarantee and legal costs, impairments in Russia on goodwill, property, plant, and equipment and inventories, 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, as the release of provisions arising from legal proceedings (in the previous year owing to settled obligations related to the sale of industrial adhesives), income from associated companies, insurance payments, profit from the sale of fixed assets and material for recycling purposes, rental income, and the release of allowances for doubtful trade receivables.

9 Personnel expenses

	2022	2021
Personnel expenses		
CHF m		
Salaries and wages	306.9	301.7
Social security contributions	64.1	59.7
Employee benefit expenses for defined contribution plans	12.5	13.8
Employee benefit expenses for defined benefit plans	5.1	5.8
Total personnel expenses	**388.6**	**381.0**

Despite lower exchange rates, personnel expense increased year-on-year owing to the higher average headcount, higher salaries and costs for structural measures.

Salaries and wages include share-based payment expenses of CHF 4.7 million (2021: CHF 4.4 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').

As at December 31, 2022, the headcount was 5,390 (2021: 5,532). The weighted average headcount over the year was 5,637 (2021: 5,508).

10 Income taxes

	2022	2021
Income taxes		
CHF m		
Current income taxes	33.2	35.8
Deferred income taxes	– 3.6	4.2
Total income taxes	**29.6**	**40.0**

Analysis of tax expense

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

	2022	2021
CHF m		
Group profit before taxes	131.0	181.2
Tax expense at the expected tax rate	**– 31.0**	**– 43.1**
Expected tax rate in %	23.7%	23.8%
Tax effects of:		
Non-tax-deductible expenses	– 1.0	– 0.7
Tax-exempt income	0.4	0.8
Recognition of previously unrecognized tax losses	0.1	0.4
Utilization of previously unrecognized tax losses	0.8	0.6
Previous-year taxes and other positions	1.1	2.0
Effective income tax expenses	**– 29.6**	**– 40.0**
Effective income tax rate in %	22.6%	22.1%

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 expense of all subsidiaries. The expected individual tax 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:

2022

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year			
2 years			
3 years			
4 years			
5 years			
More than 5 years	20.7	32.8	53.5
Total tax loss carry-forwards	**20.7**	**32.8**	**53.5**

2021

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year			
2 years		0.9	0.9
3 years	3.1	0.9	4.0
4 years			
5 years		0.9	0.9
More than 5 years	20.0	41.4	61.4
Total tax loss carry-forwards	**23.1**	**44.1**	**67.2**

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:

	31.12.2022	31.12.2021
CHF m		
Deferred tax assets	34.3	37.4
Deferred tax liabilities	– 8.2	– 9.8
Deferred taxes, net	**26.1**	**27.6**

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, 2021	**7.7**	**2.4**	**12.8**	**11.9**	**16.6**	**5.6**	**57.0**
Changes recognized in income statement	– 0.5	0.0	– 4.3	0.5	1.3	0.7	– 2.3
Changes recognized in other comprehensive income					– 3.8		– 3.8
Translation differences	0.0	– 0.2	0.0	– 0.1	– 0.6	– 0.1	– 1.0
As at December 31, 2021	**7.2**	**2.2**	**8.5**	**12.3**	**13.5**	**6.2**	**49.9**
Changes recognized in income statement	1.0	2.3	2.4	– 1.1	0.0	– 0.1	4.5
Changes recognized in other comprehensive income					– 5.7		– 5.7
Translation differences	0.1	0.0	– 0.5	– 1.0	– 0.8	0.1	– 2.1
As at December 31, 2022	**8.3**	**4.5**	**10.4**	**10.2**	**7.0**	**6.2**	**46.6**
Netting with deferred tax liabilities							– 12.3
As at December 31, 2022	**8.3**	**4.5**	**10.4**	**10.2**	**7.0**	**6.2**	**34.3**

Deferred tax liabilities

CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Employee benefit obligations	Other	Total
January 1, 2021	**2.8**	**5.5**	**0.1**	**8.8**	**0.0**	**3.3**	**20.5**
Changes recognized in income statement	0.7	1.5	0.0	– 0.4		0.1	1.9
Translation differences	– 0.1	– 0.2	0.0	0.3		– 0.1	– 0.1
As at December 31, 2021	**3.4**	**6.8**	**0.1**	**8.7**	**0.0**	**3.3**	**22.3**
Changes recognized in income statement	0.1	– 0.1		– 1.4		2.3	0.9
Translation differences	– 0.3	– 0.7	0.0	– 1.3		– 0.4	– 2.7
As at December 31, 2022	**3.2**	**6.0**	**0.1**	**6.0**	**0.0**	**5.2**	**20.5**
Netting with deferred tax assets							– 12.3
As at December 31, 2022	**3.2**	**6.0**	**0.1**	**6.0**	**0.0**	**5.2**	**8.2**
Decrease in net deferred tax assets 2021							– 8.9
Decrease in net deferred tax assets 2022							– 1.5

As at December 31, 2022, 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:

			2022			2021
CHF m	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Actuarial gains on employee benefit obligations	24.9	– 5.7	19.2	20.6	– 3.8	16.8
Translation differences	– 36.3		– 36.3	– 11.6		– 11.6
Other comprehensive income	**– 11.4**	**– 5.7**	**– 17.1**	**9.0**	**– 3.8**	**5.2**

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:

	2022	2021
Group profit for the year in CHF million	101.4	141.2
Weighted average number of shares	1,413,578	1,541,336
Amount of shares adjusted for long-term incentive plans (LTI)	22	122
Weighted average number of shares used to calculate diluted earnings per share	1,413,600	1,541,458
Basic earnings per share in CHF	71.76	91.63
Diluted earnings per share in CHF	71.76	91.62

12 Trade receivables

	31.12.2022	31.12.2021
Trade receivables		
CHF m		
Accounts receivable	146.8	145.4
Notes receivable	13.3	12.8
Allowance	– 4.9	– 4.8
Total trade receivables	**155.2**	**153.4**

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

	31.12.2022	31.12.2021
Inventories		
CHF m		
Raw materials and supplies	74.3	63.5
Work in progress	93.7	78.1
Finished goods	182.0	154.3
Allowance	– 33.8	– 33.0
Total inventories	**316.2**	**262.9**

The increase in inventories is due to significantly higher acquisition and manufacturing costs as well as an increased safety reserve stock of raw materials.

Cost of materials recognized in the reporting year came to CHF 578.7 million (2021: CHF 528.7 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, 2021	**184.0**	**728.0**	**137.2**	**21.9**	**1,071.1**
Additions	14.4	11.0	7.1	23.7	56.2
Disposals	– 4.2	– 4.0	– 5.3		– 13.5
Transfers	1.5	17.6	1.4	– 20.5	
Translation differences	– 8.1	– 20.6	– 4.5	– 0.6	– 33.8
As at December 31, 2021	**187.6**	**732.0**	**135.9**	**24.5**	**1,080.0**
Additions	8.5	9.8	7.6	18.3	44.2
Disposals	– 1.9	– 10.3	– 8.0		– 20.2
Transfers	1.0	24.2	2.0	– 27.2	
Translation differences	– 18.1	– 40.0	– 6.8	– 1.1	– 66.0
As at December 31, 2022	**177.1**	**715.7**	**130.7**	**14.5**	**1,038.0**

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, 2021	**45.8**	**610.6**	**119.0**	**0.0**	**775.4**
Depreciation	16.3	26.1	9.5		51.9
Disposals	– 4.2	– 4.0	– 4.9		– 13.1
Translation differences	– 6.4	– 18.6	– 4.0		– 29.0
As at December 31, 2021	**51.5**	**614.1**	**119.6**	**0.0**	**785.2**
Depreciation	15.9	26.4	8.9		51.2
Impairments	2.2	2.0	0.3		4.5
Disposals	– 1.8	– 10.2	– 8.0		– 20.0
Translation differences	– 11.0	– 33.6	– 5.9		– 50.5
As at December 31, 2022	**56.8**	**598.7**	**114.9**	**0.0**	**770.4**
Net carrying amount					
As at January 1, 2021	138.2	117.4	18.2	21.9	295.7
As at December 31, 2021	136.1	117.9	16.3	24.5	294.8
As at December 31, 2022	120.3	117.0	15.8	14.5	267.6

Property, plant, and equipment is recognized at amortized cost. In the year under review, allowances of CHF 4.5 million were set aside for impairments relating to property, plant, and equipment in Russia.

Included under property, plant, and equipment are right-of-use assets amounting to CHF 42.5 million (2021: CHF 47.3 million). Further information can be found in note 21 'Leasing'.

Maintenance and repair costs amounted to CHF 24.8 million (2021: CHF 25.5 million). The depreciation expense of CHF 51.2 million (2021: CHF 51.9 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.
As at December 31, 2022, there were no assets for which interest on borrowed capital was capitalized during the preparation phase.

As at December 31, 2022, the Group had outstanding purchase orders for capital goods amounting to CHF 5.3 million (2021: CHF 4.8 million).

15 Intangible assets and goodwill

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2021	**83.1**	**32.5**	**78.0**	**193.6**
Additions			0.4	0.4
Disposals			– 0.1	– 0.1
Translation differences	– 1.7	0.1	1.2	– 0.4
As at December 31, 2021	**81.4**	**32.6**	**79.5**	**193.5**
Additions			0.2	0.2
Disposals			– 0.6	– 0.6
Translation differences	– 3.2	– 0.7	– 6.3	– 10.2
As at December 31, 2022	**78.2**	**31.9**	**72.8**	**182.9**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2021	**8.8**	**26.3**	**57.7**	**92.8**
Amortization			4.8	4.8
Disposals			– 0.1	– 0.1
Translation differences	– 0.3	0.0	0.7	0.4
As at December 31, 2021	**8.5**	**26.3**	**63.1**	**97.9**
Amortization			4.0	4.0
Impairments	1.1			1.1
Disposals			– 0.6	– 0.6
Translation differences	– 0.4	– 0.0	– 4.0	– 4.4
As at December 31, 2022	**9.2**	**26.3**	**62.5**	**98.0**
Net carrying amount				
As at January 1, 2021	74.3	6.2	20.3	100.8
As at December 31, 2021	72.9	6.3	16.4	95.6
As at December 31, 2022	69.0	5.6	10.3	84.9

The position 'Trademarks' consists 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 acquired as part of the acquisition of Bonar Floors.

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

	31.12.2022	31.12.2021
Flooring Systems	65.3	69.2
Movement Systems	3.7	3.7
Total Goodwill	**69.0**	**72.9**

The goodwill in Flooring Systems comprises the goodwill acquired in connection with the acquisition of Bonar Floors. The annual impairment test of this 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 (1%). During the detailed planning period, relatively constant EBITDA margins are assumed, which are around 19% (2021: 20%) for Flooring Systems and around 19% (2021: 19%) 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 9.4% (previous year: 9.3%). The intangible assets with an indefinite useful life were subject to impairment testing also in the form of sensitivity analyses (WACC).

Goodwill of CHF 1.1 million arising from the acquisition of the Russian vinyl plant in Kaluga was written off in full because of the negative business outlook resulting from the political and economic situation in Russia. In previous years, this goodwill was grouped with that of Flooring Systems on the grounds of the materiality assessment. In view of the current situation and the necessary value adjustment, the goodwill from the acquisition of the Russian vinyl plant is now disclosed separately.

With the exception of Russia, 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

	31.12.2022	31.12.2021
Accrued expenses and deferred income		
CHF m		
Accrued expenses for compensation and employee benefits	38.6	43.3
Other accrued expenses	37.6	38.3
Total accrued expenses and deferred income	**76.2**	**81.6**

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, 2022	**4.5**	**3.7**	**29.9**	**15.6**	**1.3**	**55.0**
Additions	2.4		10.6	8.4	0.1	21.5
Used during the year	– 1.9		– 0.8	– 2.1	– 0.0	– 4.8
Released during the year	– 0.9		– 0.8	– 2.2	– 0.5	– 4.4
Translation differences	– 0.3	– 0.2	– 1.2	– 0.1	– 0.0	– 1.8
As at December 31, 2022	**3.8**	**3.5**	**37.7**	**19.6**	**0.9**	**65.5**
Of which current provisions	3.3		1.3	17.5	0.7	22.8
Of which non-current provisions	0.5	3.5	36.4	2.1	0.2	42.7

Warranty provisions are linked to product sales and are based on past experience. The provisions for legal claims relate mainly to liability claims. Personnel provisions comprise possible obligations arising from employment contracts and structural measures. Most of the anticipated cash outflow for the non-current provisions is expected in the next two to five years.

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. The Group maintains both, defined contribution and defined benefit plans 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 (FSF), which accounts for about 55% 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 for years. Employees in the United Kingdom who meet certain criteria are offered a defined contribution plan. The composition of the pension liabilities is as follows: 2% to active employees, 30% to deferred members and 68% to current beneficiaries.

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 with the trustees. The board of 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 restrictions under the FSF's articles of incorporation and can 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 23% 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 IAS 19 revised, 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 (BVG), 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, 2022, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2022, based on the information available when the annual financial statements were prepared. The weighted average duration of the pension plans ('plan duration') is 10.7 years for the United Kingdom, 15.2 years for Switzerland, and 12.9 years for the other countries.

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

Actuarial assumptions	2022				2021			
	Switzer-land	UK	Other	Weighted	Switzer-land	UK	Other	Weighted
Discount rate (in %)	2.2	4.8	3.4	4.0	0.3	1.8	1.3	1.4
Future increases in salaries (in %)	1.9	4.0	2.9	2.4	1.9	4.1	2.8	2.3
Inflation rate (in %)	1.3	3.3	2.2	2.8	1.3	3.4	1.8	2.8
Life expectancy at age of 65 (in years)								
Year of birth 1957								
Men	22	21	21	21	22	21	21	21
Women	24	24	24	24	23	24	24	24
Year of birth 1972								
Men	23	22	22	22	23	22	22	22
Women	25	25	25	25	25	25	25	25

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

Pension costs	2022				2021			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Service cost	2.0	0.5	2.0	4.5	2.3	0.3	2.5	5.1
Interest costs	0.2	3.6	0.7	4.5	0.1	2.9	0.5	3.5
Interest income on plan assets	−0.1	−3.6	−0.2	−3.9	0.0	−2.7	−0.1	−2.8
Total pension costs	**2.1**	**0.5**	**2.5**	**5.1**	**2.4**	**0.5**	**2.9**	**5.8**

Changes in pension liabilities under the defined benefit plans:

Benefit obligations	2022				2021			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**62.6**	**217.6**	**56.5**	**336.7**	**69.0**	**231.0**	**62.0**	**362.0**
Service cost	2.0	0.5	2.0	4.5	2.3	0.3	2.5	5.1
Employee contributions	1.0		0.0	1.0	1.0		0.0	1.0
Interest costs	0.2	3.6	0.7	4.5	0.1	2.9	0.5	3.5
Benefits paid	– 0.6	– 9.3	– 2.2	– 12.1	– 2.8	– 10.2	– 1.8	– 14.8
Actuarial gains	– 14.5	– 62.6	– 12.1	– 89.2	– 7.0	– 13.0	– 3.8	– 23.8
Curtailments and settlements							– 0.1	– 0.1
Translation differences		– 17.7	– 3.6	– 21.3		6.6	– 2.8	3.8
As at December 31	**50.7**	**132.1**	**41.3**	**224.1**	**62.6**	**217.6**	**56.5**	**336.7**

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

Plan assets	2022				2021			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**46.8**	**215.9**	**5.6**	**268.3**	**45.4**	**222.0**	**5.3**	**272.7**
Interest income on plan assets	0.1	3.6	0.2	3.9	0.0	2.7	0.1	2.8
Employer contributions	1.7	0.3	2.1	4.1	1.7	0.3	1.6	3.6
Employee contributions	1.0		0.0	1.0	1.0		0.0	1.0
Return on pension assets (excluding amounts in interest income)	– 4.8	– 59.0	– 0.5	– 64.3	1.5	– 5.2	0.5	– 3.2
Benefits paid	– 0.6	– 9.3	– 2.2	– 12.1	– 2.8	– 10.2	– 1.8	– 14.8
Curtailments and settlements							– 0.1	– 0.1
Translation differences		– 17.7	– 0.1	– 17.8		6.3	0.0	6.3
As at December 31	**44.2**	**133.8**	**5.1**	**183.1**	**46.8**	**215.9**	**5.6**	**268.3**

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 28.3 million (2021: CHF 35.9 million) out of a total of CHF 224.1 million (2021: CHF 336.7 million) are unfunded.

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

Net liabilities/ Net assets				2022				2021
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**15.8**	**1.7**	**50.9**	**68.4**	**23.6**	**9.0**	**56.7**	**89.3**
Net pension cost	2.1	0.5	2.5	5.1	2.4	0.5	2.9	5.8
Employer contributions	– 1.7	– 0.3	– 2.1	– 4.1	– 1.7	– 0.3	– 1.6	– 3.6
Actuarial gains	– 9.7	– 3.6	– 11.6	– 24.9	– 8.5	– 7.8	– 4.3	– 20.6
Translation differences		0.0	– 3.5	– 3.5		0.3	– 2.8	– 2.5
Net liabilities/ Net assets (–) as at December 31	**6.5**	**– 1.7**	**36.2**	**41.0**	**15.8**	**1.7**	**50.9**	**68.4**

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				2022				2021
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial gains in the current period:	14.5	62.6	12.1	89.2	7.0	13.0	3.8	23.8
Based on adjustment of demographic assumptions	0.0	0.3	0.0	0.3	4.9	– 1.1	0.1	3.9
Based on adjustment of financial assumptions	15.2	59.8	12.4	87.4	2.3	9.4	3.4	15.1
Experience adjustment	– 0.7	2.5	– 0.3	1.5	– 0.2	4.7	0.3	4.8
Return on pension assets (excluding amounts in interest income)	– 4.8	– 59.0	– 0.5	– 64.3	1.5	– 5.2	0.5	– 3.2
Total gains recognized in the comprehensive income statement before taxes	**9.7**	**3.6**	**11.6**	**24.9**	**8.5**	**7.8**	**4.3**	**20.6**

Change in the present value of defined benefit liabilities:

	2022			2021		
Sensitivities + 50bp			+ 50bp			+ 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	– 3.6	– 6.6	– 2.4	– 5.3	– 13.7	– 4.0
Increases in salaries	1.1	0.0	1.4	1.6	0.1	2.3
Inflation rate	0.8	2.6	2.2	1.2	4.6	3.8
Interest credits on retirement assets	1.1			1.4		

Sensitivities – 50bp			– 50bp			– 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	4.0	7.2	2.7	6.0	15.3	4.6
Increases in salaries	– 1.0	0.0	– 1.2	– 1.6	– 0.1	– 2.1
Inflation rate	– 0.8	– 3.8	– 2.0	– 1.2	– 8.0	– 3.4
Interest credits on retirement assets	– 1.0			– 1.4		

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:

	2022	2021
%		
Shares	12.4	10.3
Bonds	32.2	46.5
Real Estate	23.4	12.8
Other securities	23.3	25.7
Cash and cash equivalents	8.7	4.7
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, 2022, there existed the following share-based remuneration elements:

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 143 of this Financial Report and on pages 86 as well as 92 and 93 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 261 in the reporting year (2021: 186)

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. As from the Long-Term Incentive Plan 2023 – 2025, they are locked up for one year. 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.

Within the framework of the Long-Term Incentive Plan 73 shares (2021: 74) were allocated in the year under review. The share price at measurement date was CHF 1,861.14 (2021: CHF 1,547.00).

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 682 (2021: 113). A further 42 shares (2021: 169) were allocated to Executive Board members in the reporting year as part of the fixed base salary.

The amount charged to the income statement in application of IFRS 2 for shares issued to the Board of Directors and the Executive Board came to CHF 4.7 million in the year under review (2021: CHF 4.4 million).

20 Share capital and capital management

Share capital

As at December 31, 2022, the share capital of Forbo Holding Ltd stood at CHF 148,500 (2021: CHF 165,000), divided into 1,485,000 registered shares with a par value of CHF 0.10 each. Of this amount 21,419 registered shares without voting or dividend rights continued to be at the disposal of the Board of Directors. Consequently, 1,463,581 (2021: 1,628,581) registered shares were eligible for dividends as at December 31, 2022.

At the Ordinary General Meeting held on April 1, 2022, the shareholders of Forbo Holding Ltd approved the capital reduction of 10%. It was completed with the entry in the Commercial Register of the Canton of Zug on June 16, 2022 and was published in the SHAB on June 21, 2022.

Change of shares issued and outstanding:

	31.12.2022	Change	31.12.2021
	Number	Number	Number
Total shares outstanding	**1,485,000**	**– 165,000**	**1,650,000**
Treasury shares			
Treasury shares	50,821	– 2,265	53,086
Share buyback programs	0	– 150,625	150,625
Own shares with no dividend rights	21,419	0	21,419
Total treasury shares	**72,240**	**– 152,890**	**225,130**
Total shares issued and outstanding	**1,412,760**	**– 12,110**	**1,424,870**

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, 2022, amounted to CHF 550.1 million (2021: CHF 521.8 million).

21 Leasing

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

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, 2021	**34.2**	**1.2**	**11.5**	**46.9**
Additions	11.5	0.6	5.7	17.8
Derecognition	0.0	0.0	– 0.4	– 0.4
Depreciation	– 9.5	– 0.7	– 6.3	– 16.5
Translation differences	– 0.4	0.0	– 0.1	– 0.5
As at December 31, 2021	**35.8**	**1.1**	**10.4**	**47.3**
Additions	6.9	0.7	5.9	13.5
Derecognition	0.0	0.0	0.0	0.0
Depreciation	– 9.4	– 0.6	– 5.9	– 15.9
Translation differences	– 1.8	– 0.1	– 0.5	– 2.4
As at December 31, 2022	**31.5**	**1.1**	**9.9**	**42.5**

Interest from lease liabilities amounted to CHF 0.7 million in the year under review (2021: CHF 0.8 million). The recognized lease liabilities came to CHF 40.4 million at year-end (2021: CHF 45.4 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 19.1 million in the reporting year (2021: CHF 18.5 million).

Expenditure and payments for short-term leases came to CHF 4.3 million (2021: CHF 3.6 million) and for leases of low-value assets to CHF 1.3 million (2021: CHF 1.0 million).

The maturity analysis of the leasing liabilities 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	Amortized cost	Total
31.12.2022			
Financial assets valued at fair value:			
Cash and cash equivalents		46.7	46.7
Trade receivables		155.2	155.2
Other receivables		8.1	8.1
Non-current financial assets		1.8	1.8
Financial liabilities valued at amortized costs:			
Derivative financial instruments	0.6		0.6
Current financial liabilities		38.4	38.4
Trade payables		102.5	102.5
Other current liabilities		14.9	14.9
Non-current financial liabilities		26.6	26.6

The item 'Derivative financial instruments' contains open foreign exchange hedging and swap transactions with a contract value at December 31, 2022, totaling CHF 80.8 million (2021: CHF 156.7 million). The foreign exchange rates can be directly observed or determined. The derivatives are therefore assigned to hierarchy level 2.

The items 'Other receivables' and 'Other current liabilities' are lower than as shown in the balance sheet since the direct and indirect tax receivables and liabilities they contain do not qualify as financial instruments.

'Current financial liabilities' and 'Non-current financial liabilities' generally correspond to the liabilities from leasing. As at December 31, 2022, 'Current financial liabilities' included also money market financing of CHF 19.7 million (2021: CHF 36.2 million) and a current account liability of CHF 4.9 million.

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.

Classification of financial instruments

	Carrying amount		
CHF m	Fair value through profit or loss	Amortized cost	Total
31.12.2021			
Financial assets valued at fair value:			
Cash and cash equivalents		93.3	93.3
Trade receivables		153.4	153.4
Other receivables		7.2	7.2
Non-current financial assets		0.2	0.2
Financial liabilities valued at amortized costs:			
Derivative financial instruments	0.8		0.8
Current financial liabilities		50.0	50.0
Trade payables		112.2	112.2
Other current liabilities		12.1	12.1
Non-current financial liabilities		31.6	31.6

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 following notes refer exclusively to the risk from financial instruments. The Group is exposed to the following risks arising from the use of financial instruments:

– Market risk
– Liquidity risk
– Default risk

Market risk
This refers to the risk that market prices, above all exchange rates and interest rates, will change. 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 2022 or 2021.

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 exchange 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 60% on December 31, 2022. 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, 2022

CHF m	Total Cash outflow	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	117.4	117.4			
Liabilities from leasing	42.5	14.5	11.4	10.8	5.8
Liabilities from money market financing	19.7	19.7			
Current account liabilities	4.9	4.9			
Cash outflow from financial derivatives	0.6	0.6			

As at December 31, 2021

CHF m	Total Cash outflow	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	124.3	124.3			
Liabilities from leasing	46.8	14.0	13.6	15.7	3.5
Liabilities from money market financing	36.2	36.2			
Cash outflow from financial derivatives	0.8	0.8			

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 and are covered in part by credit insurance policies.

Carrying amounts of trade receivables by currency:

CHF m	31.12.2022	31.12.2021
CHF	1.8	1.7
EUR	72.6	70.7
USD	27.1	23.1
JPY	11.7	13.2
GBP	9.0	9.8
CNY	6.4	7.1
SEK	3.8	4.8
Other	27.7	27.8
Total trade receivables, before loss allowance	**160.1**	**158.2**

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, 2022 CHF m	Gross carrying amount	Loss allowance	Weighted average loss rate	Credit impaired
Not due	139.2	1.6	1.1%	0.0
Overdue ≤ 30 days	9.3	0.3	3.2%	0.0
Overdue 31 – 90 days	6.2	0.4	6.5%	0.0
Overdue 91 – 180 days	2.8	0.3	10.7%	0.1
Overdue > 180 days	2.6	1.8	69.2%	0.4
Total	**160.1**	**4.4**	**2.7%**	**0.5**

As at December 31, 2021 CHF m	Gross carrying amount	Loss allowance	Weighted average loss rate	Credit impaired
Not due	141.3	1.9	1.3%	0.0
Overdue ≤ 30 days	7.4	0.2	2.7%	0.0
Overdue 31 – 90 days	5.2	0.3	5.8%	0.0
Overdue 91 – 180 days	2.6	0.6	23.1%	0.1
Overdue > 180 days	1.7	1.2	70.6%	0.5
Total	**158.2**	**4.2**	**2.7%**	**0.6**

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

CHF m	2022	2021
January 1	**– 4.8**	**– 6.1**
Additions	– 1.1	– 0.8
Release	0.4	1.0
Use	0.3	1.1
Translation differences	0.3	0.0
As at December 31	**– 4.9**	**– 4.8**

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	2022	2021	2022	2021	2022	2021
Remuneration	1.81	2.28	1.72	1.20	3.53	3.48
Employer contributions to the pension scheme	0.21	0.22	0.18	0.19	0.39	0.41
Share-based payments	0.68	1.11	2.64	2.60	3.32	3.71
Total payments	**2.70**	**3.61**	**4.54**	**3.99**	**7.24**	**7.60**

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 2020 – 2022, 2021 – 2023 and 2022 – 2024 (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, 2022 and 2021, 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 2022 annual financial statements.

Group companies (as at December 31, 2022)

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Move-ment 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	72,673	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		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		CLP	313,090,945	50%		S	
Colombia								
Forbo Siegling Colombia S.A.S.	Bogotá, D.C.		COP	2,250,000,000	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
D Direct participation of Forbo Holding Ltd

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Movement Systems	Holding/ Services
Germany								
Forbo Beteiligungen GmbH	Hanover	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	
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	
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
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
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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 Siegling Schweiz AG	Wallbach		CHF	100,000	100%		MS	
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'	Kyiv		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
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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 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 2022 and the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 102 to 147) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 Standards on Auditing (SA-CH). 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, together with 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

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

VALUATION OF INVENTORIES

Key Audit Matter

Inventory as at 31 December 2022 amounted to CHF 316.2 million (31 December 2021: CHF 262.9 million) and represents one of the most material asset positions. Valuation allowance for inventories as at 31 December 2022 amounted to CHF -33.8 million (31 December 2021: CHF -33.0 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 the identification and valuation 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 of individual subsidiaries, we tested the efficacy of key controls in connection with the valuation of inventories. In particular, we participated in the inventory stock counts and performed test counts.

— We assessed the adequacy of the processes to identify obsolete inventories and critically evaluated the basis and methodology used to value these inventories. We verified the calculation of the allowance for obsolete inventories and tested the underlying input parameters.

— 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 112
— Note 13 – Inventories, page 125

Report of the statutory auditor

KPMG

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the tables marked “audited” in the Remuneration Report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors’ Responsibilities 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 SA-CH 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 SA-CH, 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.

KPMG

— 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.

— 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 PS-CH 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

Regula Tobler	André Stampfli
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 1 March 2023

Consolidated balance sheets 2018 – 2022

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets					
CHF m					
Current assets	**571.6**	**553.6**	**668.7**	**652.1**	**567.3**
Cash and cash equivalents	46.7	93.3	255.8	217.7	127.4
Current financial assets	0.0	0.0	0.1	0.0	0.1
Trade receivables	155.2	153.4	141.4	160.4	168.9
Other receivables	39.2	32.2	39.7	23.7	26.0
Accrued income and deferred expenses	14.3	11.8	13.2	14.8	14.8
Inventories	316.2	262.9	218.5	235.5	230.1
Non-current assets	**388.6**	**428.0**	**442.1**	**445.3**	**412.7**
Non-current financial assets	1.8	0.2	0.2	0.2	0.3
Deferred tax assets	34.3	37.4	45.4	45.4	39.9
Property, plant, and equipment	267.6	294.8	295.7	291.8	259.4
Intangible assets and goodwill	84.9	95.6	100.8	107.9	113.1
Total assets	**960.2**	**981.6**	**1,110.8**	**1,097.4**	**980.0**

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Shareholders' equity and liabilities					
CHF m					
Current liabilities	**291.6**	**314.5**	**251.5**	**257.3**	**261.9**
Current financial liabilities	39.0	50.8	14.1	13.4	0.1
Trade payables	102.5	112.2	94.4	98.1	109.2
Other current liabilities	29.9	30.0	30.4	28.2	28.7
Current tax liabilities	21.2	20.4	16.6	19.0	16.2
Current provisions, accrued expenses, and deferred income	99.0	101.1	96.0	98.6	107.7
Non-current liabilities	**118.5**	**145.3**	**175.8**	**163.5**	**126.5**
Non-current financial liabilities	26.6	31.6	31.1	26.8	0.0
Deferred tax liabilities	8.2	9.8	8.9	11.2	12.1
Non-current provisions	42.7	35.5	46.5	46.9	40.7
Employee benefit obligations	41.0	68.4	89.3	78.6	73.7
Total liabilities	**410.1**	**459.8**	**427.3**	**420.8**	**388.4**
Shareholders' equity	**550.1**	**521.8**	**683.5**	**676.6**	**591.6**
Share capital	0.1	0.2	0.2	0.2	0.2
Treasury shares	– 0.0	– 0.1	– 0.1	– 0.1	– 0.1
Reserves and retained earnings	550.0	521.7	683.4	676.5	591.5
Total shareholders' equity and liabilities	**960.2**	**981.6**	**1,110.8**	**1,097.4**	**980.0**

Consolidated income statements 2018 – 2022

1.1. – 31.12.	2022	2021	2020	2019	2018
CHF m					
Net sales	**1,293.2**	**1,254.0**	**1,117.7**	**1,282.2**	**1,327.0**
Cost of goods sold	– 852.4	– 803.0	– 707.5	– 788.6	– 824.9
Gross profit	**440.8**	**451.0**	**410.2**	**493.6**	**502.1**
Development costs	– 15.6	– 15.9	– 15.2	– 16.0	– 16.6
Marketing and distribution costs	– 178.6	– 175.3	– 171.3	– 191.4	– 198.1
Administrative costs	– 94.2	– 92.8	– 86.4	– 92.8	– 96.1
Other operating expenses	– 27.7	– 7.2	– 15.2	– 26.2	– 23.5
Other operating income	7.9	19.2	14.9	9.1	7.5
Operating profit	**132.6**	**179.0**	**137.0**	**176.3**	**175.3**
Financial income	0.9	3.0	0.7	0.8	0.9
Financial expenses	– 2.5	– 0.8	– 1.6	– 1.8	– 0.6
Group profit before taxes	**131.0**	**181.2**	**136.1**	**175.3**	**175.6**
Income taxes	– 29.6	– 40.0	– 29.9	– 37.0	– 38.0
Group profit for the year	**101.4**	**141.2**	**106.2**	**138.3**	**137.6**

FINANCIAL REPORT

Balance sheet for Forbo Holding Ltd

		31.12.2022	31.12.2021
Assets			
CHF	Note		
Current assets		**533,288**	**587,936**
Cash and cash equivalents		58,241	59,270
Other receivables from Group companies	2	111,986	133,093
Accrued income and deferred expenses		363,061	395,573
Non-current assets		**385,609,081**	**390,518,977**
Loans to Group companies	3	96,251,577	101,161,473
Investments in Group companies	4	289,357,504	289,357,504
Total assets		**386,142,369**	**391,106,913**

		31.12.2022	31.12.2021
Shareholders' equity and liabilities			
CHF	Note		
Current liabilities		**17,246,648**	**103,274,930**
Current liabilities to third parties		148,436	2,905,439
Other liabilities to Group companies	2	16,793,401	99,979,656
Accrued expenses and deferred income		304,811	389,835
Shareholders' equity		**368,895,721**	**287,831,983**
Share capital	6	148,500	165,000
Statutory reserves:			
General reserves		15,600,000	15,600,000
Capital contribution reserves		15,302	15,302
Reserves for treasury shares	8	2,407,766	3,571,618
Available earnings:			
Retained earnings		283,826,409	454,063,357
Net profit for the year		138,993,165	157,770,500
Treasury shares	8	– 72,095,421	– 343,353,794
Total shareholders' equity and liabilities		**386,142,369**	**391,106,913**

Income statement for Forbo Holding Ltd

	1.1. – 31.12.	2022	2021
Income			
CHF	Note		
Financial income:			
From investments in Group companies		149,616,981	167,544,000
From securities and current investments		492,620	172,066
Total income		**150,109,601**	**167,716,066**

	1.1. – 31.12.	2022	2021
Expenses			
CHF	Note		
Administrative expenses	9	5,395,807	4,986,644
Financial expenses	10	5,711,331	4,958,922
Direct taxes	5	9,298	0
Total expenses		**11,116,436**	**9,945,566**
Net profit for the year		**138,993,165**	**157,770,500**

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' comprise the claims on cash pool accounts and 'Other liabilities to Group companies' include primarily the credit balances on cash pool accounts, which were attributable to the now completed share buyback program, and decreased again owing to the dividend income.

3 Loans to Group companies

The loans to Group companies 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.

As at December 31, 2022, 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-Hanover	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 Direct taxes

The item contains only withholding 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, 2022, the share capital of Forbo Holding Ltd totaled CHF 148,500 (2021: CHF 165,000), divided into 1,485,000 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.

As part of the share buyback program approved by the Ordinary General Meeting of April 5, 2019, Forbo Holding Ltd bought back a total of 165,000 Forbo registered shares between March 22, 2021, and March 16, 2022. The shares were repurchased either via the second trading line on the SIX Swiss Exchange (90,165 shares) or at a fixed price (74,835 shares). At the Ordinary General Meeting held on April 1, 2022, the shareholders of Forbo Holding Ltd authorized the capital reduction of 10% of the share capital from CHF 165,000 to CHF 148,500 with the corresponding amendment to the Articles of Association. The capital reduction was completed with the entry in the Commercial Register of the Canton of Zug on June 16, 2022 and was published in the SHAB on June 21, 2022. The exchange adjustment took place on the same day.

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, 2022, remained unchanged against the previous year at CHF 16,645.

8 Treasury shares

Shares in Forbo Holding Ltd held by significant shareholders are disclosed in the Corporate Governance report; those held by members of the Board of Directors and the Executive Board are disclosed in the Remuneration report.

The treasury shares directly held in Forbo Holding Ltd amounting to CHF 72.1 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 2.4 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, 2022	346,925,411	225,130
Additions	24,787,249	14,375
Disposals	– 297,209,473	– 167,265
As at December 31, 2022	**74,503,187**	**72,240**

9 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.

10 Financial expenses

The financial expenses reflect primarily unrealized losses on foreign currencies on loans to Group companies in the amount of EUR 97.8 million.

11 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 5.9 million at year-end 2022 (2021: CHF 6.6 million), of which 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.

12 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 2022 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:

	2022
CHF	
Net profit	138,993,165
Retained earnings	283,826,409
Treasury shares	– 72,095,421
Total at the shareholders' meeting's disposal	**350,724,153**

be appropriated as follows:

	2022
CHF	
Distribution ordinary dividend	32,493,480
To be carried forward	318,230,673
Total at the shareholders' meeting's disposal	**350,724,153**

At the Ordinary General Meeting of March 30, 2023, the Board of Directors will propose an ordinary gross dividend of CHF 23.00 per registered share (2021: CHF 25.00). 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 for distribution as ordinary dividends may 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 (the Company), which comprise the balance sheet as at 31 December 2022, 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 156 to 160) 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

Key Audit Matters

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.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH 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 SA-CH, 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 the Company'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 Company'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 Company 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.

Report of the statutory auditor

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 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 PS-CH 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

Regula Tobler Licensed Audit Expert Auditor in Charge	André Stampfli Licensed Audit Expert

Zurich, 1 March 2023

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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.

In this annual report, gender-specific wording has mostly been disregarded solely for the sake of better readability. The masculine forms used are to be understood as gender neutral.

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.

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