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:

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

CHF m	31.12.2022	31.12.2021
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:

CHF m	31.12.2022	31.12.2021
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 ob-ligations	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 ob-ligations	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:

Sensitivities + 50bp			2022 +50bp			2021 +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

CHF m	Carrying amount 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

CHF m	Fair value through profit or loss	Amortized cost	Total
	Carrying amount		
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:

	31.12.2022	31.12.2021
CHF m		
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:

	2022	2021
CHF m		
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	Move-ment 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
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
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
MS Manufacturing and Sales
H Holding/Services
D Direct participation of Forbo Holding Ltd

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

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 Licensed Audit Expert Auditor in Charge	André Stampfli Licensed Audit Expert

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	André Stampfli
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 1 March 2023