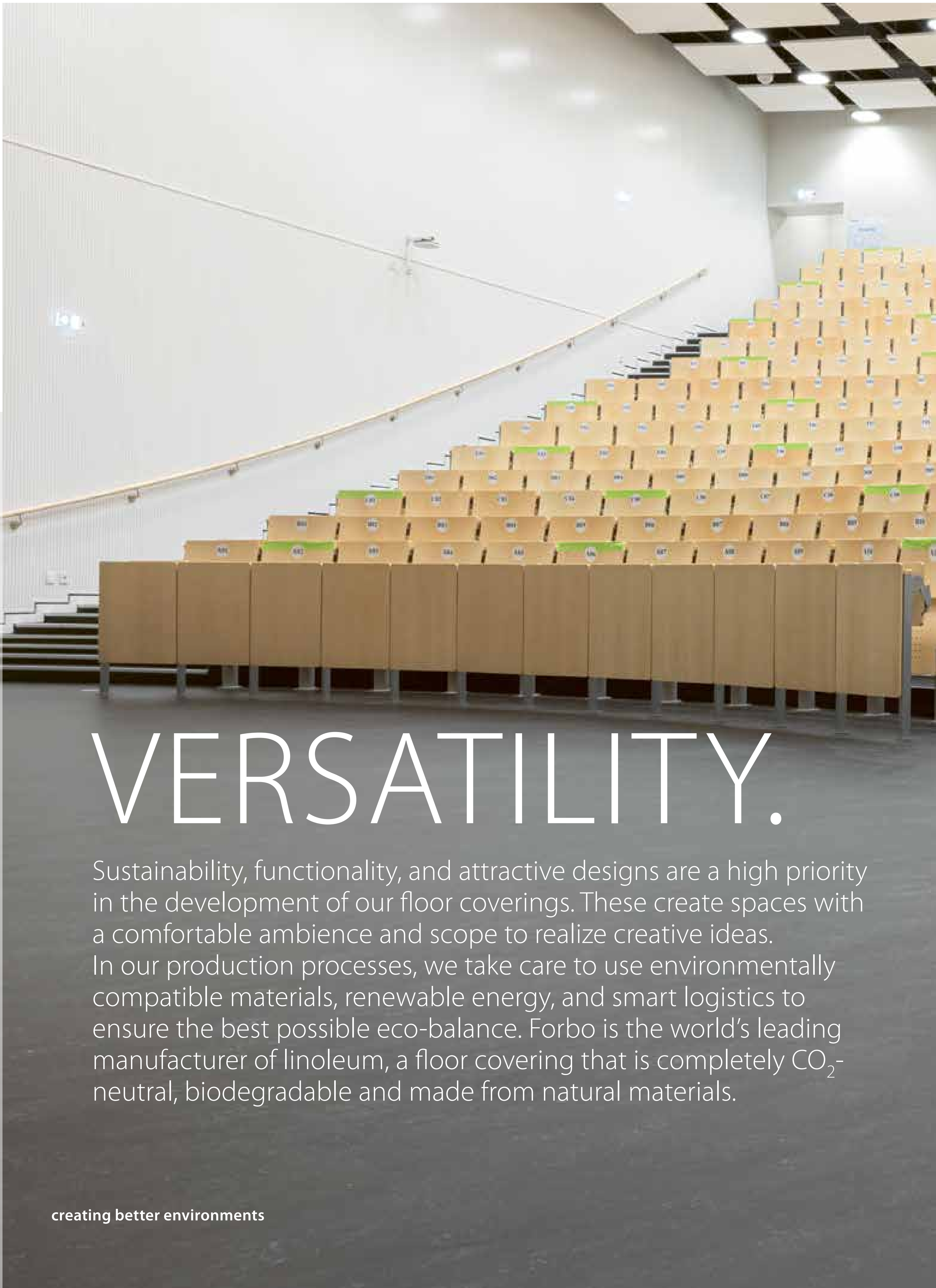
ANNUAL REPORT 2021

CONNECT.

VERSATILITY
EFFICIENCY

FORBO – IN EVERYDAY LIFE

flooring. movement.



VERSATILITY.

Sustainability, functionality, and attractive designs are a high priority in the development of our floor coverings. These create spaces with a comfortable ambience and scope to realize creative ideas.
In our production processes, we take care to use environmentally compatible materials, renewable energy, and smart logistics to ensure the best possible eco-balance. Forbo is the world's leading manufacturer of linoleum, a floor covering that is completely CO_2-neutral, biodegradable and made from natural materials.

creating better environments


forbo
FLOORING SYSTEMS

EFFICIENCY.

At airports as well as logistics and mail-sorting centers, our conveyor belts help move goods reliably and efficiently from A to B. The specific characteristics of the belts play a key role in ensuring smooth running of customer processes while increasing the product benefit. Through innovative technologies, close teamwork with customers, and long-standing know-how, we develop industry-specific solutions that add value. Our belts ensure the highest level of efficiency with minimal energy expenditure

Forbo
MOVEMENT SYSTEMS

This E. Schneider
Executive Chairman

Michael Schumacher
CEO

'After a difficult year marked by the pandemic, demand recovered during 2021. The improving global economy led to challenges in the procurement of raw materials and bottlenecks in freight capacities, however. We also had to contend with massive increases in the cost of raw materials, and much higher logistics costs. The entire organization comprising procurement, logistics, research and development, production as well as sales managed the constantly changing circumstances with great competence and flexibility.

We were able to offset some of the additional costs by increasing the utilization of production sites and further improving efficiency. We also had to raise prices in order to maintain the current level of margins and earnings. Despite the operational challenges in the reporting year, we invested to the same extent as previously in projects to promote growth.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo can look back on a successful reporting year. Adjusted for currency fluctuations, sales and earnings both exceeded the pre-pandemic levels of 2019. This performance was achieved in the context of a volatile and challenging environment affected by restrictions in the availability of raw materials and significant cost increases.

During this phase of the pandemic, it was important to recruit qualified staff in sufficient numbers and fill all positions with suitable candidates to manage the upturn successfully. Raw materials had to be procured at the right time and at acceptable prices and other costs which had risen sharply across the board, such as logistics and energy, either offset or passed on.

Our strategy of not expanding into high-volume business and instead offering high-quality, sustainable products and services continued to prove successful even in these unusual times. We continued to focus on the development of application-specific innovations and successfully completed extensive projects, especially for product lines and emerging markets with above-average growth. Investment remained at a constant level throughout, always in line with sustainable developments and modernizations. Our global market position, our strong brand, and our long-standing and trusting relationships with customers combined to help us participate quickly and effectively in the upswing.

Operating profit and margins were significantly increased thanks to the much-improved utilization of our production sites and the sales price rises as a result of massive cost increases for raw materials.

Double-digit sales growth in all regions

Sales above pre-pandemic levels
In the year under review, Forbo generated net sales of CHF 1,254.0 million (previous year: CHF 1,117.7 million), a gain of 12.2% in the corporate currency; this is reflected in a local currency sales increase of 11.8%, due to slightly positive currency effects. All three regions contributed to this with double-digit growth in local currencies: +13.8% in the Americas, +12.6% in Asia/Pacific, and +11.0% in Europe. Adjusted for currency effects, sales were higher than the pre-pandemic level of 2019.

The net sales of Flooring Systems rose by 12.5% in corporate currency terms to CHF 851.8 million (previous year: CHF 757.0 million). In local currencies, this corresponds to a rise of 11.7%. There was an increase in the number of projects in healthcare, education facilities, and shop fittings, whereas demand in the office and hospitality segments in particular remained moderate.

Movement Systems generated sales of CHF 402.2 million (previous year: CHF 360.7 million), a rise of 11.5% in the corporate currency and 11.9% in local currencies. This increase was driven by the logistics segment in particular, with online commerce, postal distribution centers, and global courier service providers all showing growth, as well as increased activity at airports. Belts for industrial manufacturing saw an above-average increase in demand, followed also by treadmill belts for fitness centers.

The conversion of local sales into the corporate currency generated contrasting results. Flooring Systems recorded positive currency effects, while for Movement Systems the outcome was negative overall due to the proportionately greater dependence on the considerably weaker Japanese yen and the slightly weaker US dollar. The currency effects on sales and earnings were insignificant overall, however.

Distinctive increase in operating profits and margins

Significant rise in profitability despite higher prices for raw materials
Operating profits rose significantly, with an increase that was proportionately higher related to sales growth. This effect was the result in particular of better utilization of production and fabrication capacities due to the rise in sales, increased productivity based on optimized operating structures, and a consistent focus on costs. This was counteracted by a sharp rise in raw material prices and significantly higher energy and freight costs, necessitating price increases on our part.

Operating profit before depreciation and amortization (EBITDA) rose by CHF 43.6 million, or 22.7%, to CHF 235.6 million (previous year: CHF 192.0 million). Group operating profit (EBIT) increased by CHF 42.0 million, or 30.7%, to CHF 179.0 million (previous year: CHF 137.0 million). This resulted in an EBITDA margin of 18.8% (previous year: 17.2%) and an EBIT margin of 14.3% (previous year: 12.3%).

Significant increase in Group profit

Growth in operating earnings reflected in Group profit
Based on the higher operating profit (EBIT), a slightly higher tax rate of 22.1% (previous year: 22.0%) and a positive financial result of CHF 2.2 million (previous year: CHF – 0.9 million), due to exchange rate gains on foreign currencies, Group profit increased by 33.0% or CHF 35.0 million to CHF 141.2 million (previous year: CHF 106.2 million).

Strong balance sheet

Healthy equity ratio and high level of liquidity despite share buyback
Net cash came to CHF 56.2 million at year-end 2021 (previous year: CHF 255.9 million). This decrease is primarily attributable to the current share buyback program 2019–2022, for which an investment of CHF 269.2 million was made. As at December 31, 2021, Forbo held treasury shares with a value of CHF 421.0 million valued at the year-end price 2021. Of this, CHF 281.7 million (150,625 shares) is earmarked for cancelation in 2022 as part of the share buyback program.

The share buyback program resulted in a reduction of the equity ratio to 53.2% (previous year: 61.5%).

The undiluted earnings per share reflect the higher earnings and the reduction in the number of shares outstanding. It rose by 37.6% to CHF 91.63 (previous year: CHF 66.60).

Proposals to the Ordinary General Meeting

Elections to the Board of Directors
Apart from Dr. Reto Müller, all the current members of the Board of Directors will stand for re-election for a further one-year term of office. The Board of Directors will propose Dr. Eveline Saupper and Jens Fankhänel for election to the Board of Directors.

The Board of Directors would like to thank Dr. Reto Müller for his very valuable and extremely able contribution to the development of the company and is also delighted to have found two new candidates to join the Board of Directors who come with proven expertise in the fields of taxation, finance, and human resources as well as digitization, automation technologies, and strategy implementation.

Dividend adjusted to the increase in earnings
Due to the successful business performance, the healthy cash flow and the strong equity base, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2021 business year should be CHF 25 per share (previous year: CHF 20 per share), corresponding to an increase of 25%.

Share buyback program
The Board of Directors will propose to the Ordinary General Meeting that the shares repurchased in the buyback program 2019–2022 up until the Ordinary General Meeting in 2022 should be canceled, the capital reduced, and the Articles of Association amended accordingly.

Priorities and outlook for 2022

Focus on implementing current strategy
Even after this time of pandemic, Forbo maintains considerable earnings power, a strong capital structure, and, thanks to a robust cash flow, a high level of liquidity. Our innovative and sustainable product portfolio, our global presence, and our leading market positions allow us to implement our strategy without faltering. We were therefore able to pursue and implement all strategically important projects in the reporting year despite the challenges of the times. The focus for 2022 is on strengthening our sales organizations, expanding our product portfolio, and introducing measures to improve efficiency through digitization. External opportunities for growth will be exploited if they can create long-term added value.

Outlook for 2022
We are expecting the pandemic to remain with us during the 2022 business year, albeit on a lesser scale in terms of its impact. Rising prices for raw materials, freight and energy costs, and significantly higher wage costs will challenge us also in the new year. The additional costs will be compensated to a great extent through increases in efficiency and price adjustments.

We anticipate that we will be able to achieve a moderate increase both in sales in local currency terms and Group profit in the 2022 business year compared with the previous year.

Thank you

Change on the Executive Board
At the end of September 2021, Stephan Bauer left Forbo at the age of 60 after an eight-year tenure as CEO in order to dedicate himself to non-executive roles outside our company. His time with us saw the implementation of important projects in the areas of innovation, growth markets and modernization of factories, and a substantial increase in earning power. The Board of Directors would like to thank him for all his commitment and valuable achievements and wishes him all the best for this new chapter in his life.
In October 2021, Michael Schumacher took over the position of Chief Executive Officer and Chairman of the Executive Board of the Forbo Group after an induction period of one month. The Board of Directors wishes him every success in his new role.

Thanks to employees, business partners, and shareholders
Over the past two years, our employees have had to demonstrate great commitment and flexibility in order to successfully and efficiently meet the various challenges we have faced. Along with the COVID-related restrictions, creativity was required to overcome supply shortages and massive cost increases in order to provide our customers with the reliable and competent service they have rightly come to expect. Thank you all for your tireless commitment and your adaptability!

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

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

Baar, March 2022

This E. Schneider
Executive Chairman

Michael Schumacher
CEO

Financial calendar

Ordinary General Meeting	**Friday, April 1, 2022**
Publication of 2022 Half-Year Report	**Friday, July 29, 2022**
Publication of 2022 Annual Report	**Thursday, March 2, 2023**

CONTENTS

AT A GLANCE

2021 AT A GLANCE

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

The company employs about 5,500 people and has an international network of 25 production and distribution companies, 6 fabrication centers and 49 pure sales organizations in a total of 39 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

FORBO IN FIGURES

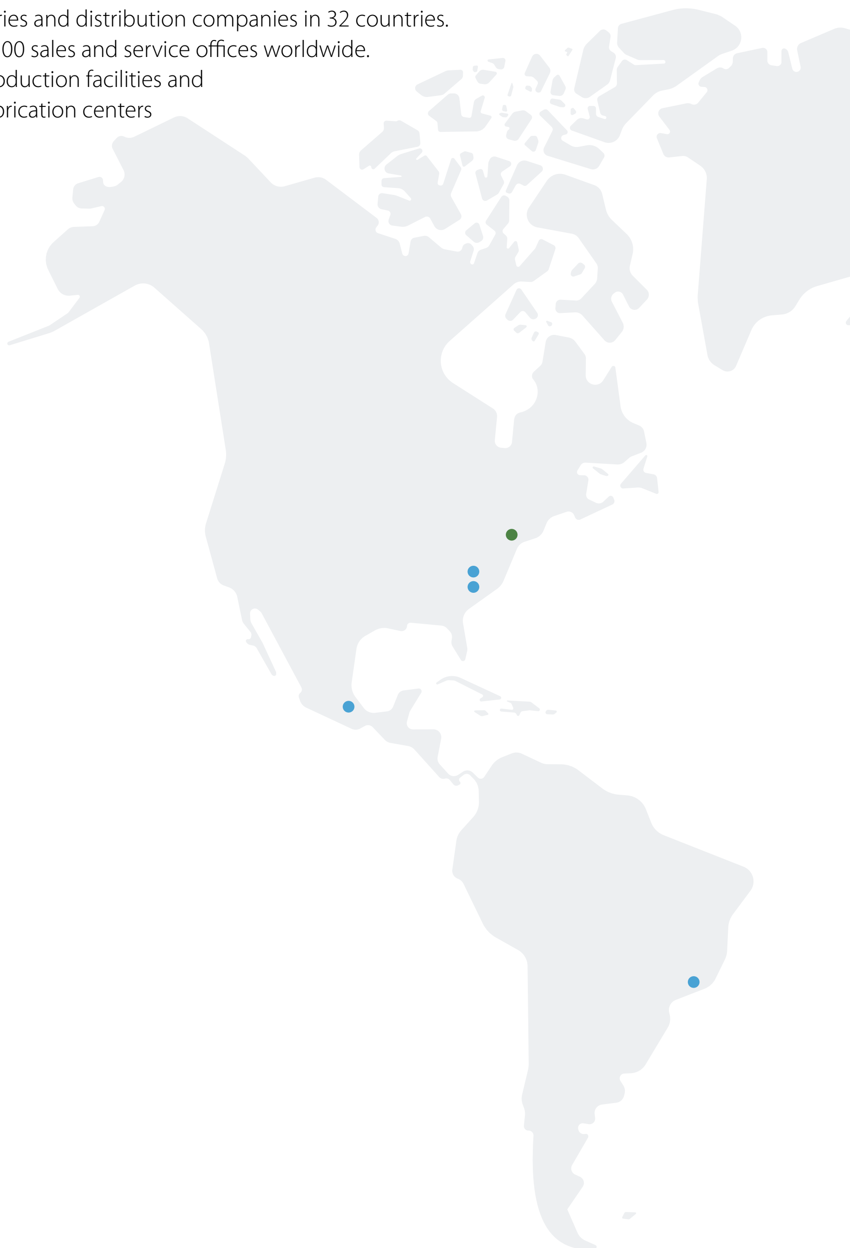
Forbo is a global player, and its two divisions supply a wide range of industries. The Group's global reach means that it is close to dynamic markets, making Forbo the first choice as a local partner for customers that have similar global requirements. The quality, longevity, and performance of our products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

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

- Floor coverings production facilities
- Building and construction adhesives production facilities

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

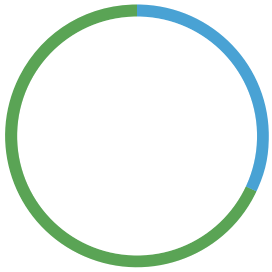
- Production facilities and fabrication centers



Net sales	**CHF 1,254.0 million**
EBIT	**CHF 179.0 million**
EBIT margin	**14.3%**
Group profit	**CHF 141.2 million**
Earnings per share undiluted	**CHF 91.63**

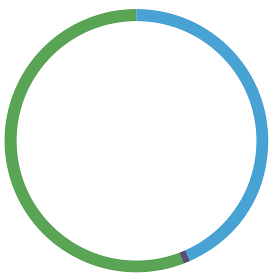
Net sales by division

	2021 CHF m	Change on previous year in %	Change on previous year in local currencies in %	In % of total
Flooring Systems	851.8	12.5	11.7	67.9
Movement Systems	402.2	11.5	11.9	32.1
Total	**1,254.0**	**12.2**	**11.8**	**100.0**



Employees by division

	2021 number	Change on previous year in %	In % of total
Flooring Systems	3,021	1.8	54.6
Movement Systems	2,472	7.1	44.7
Corporate Functions	39	– 4.9	0.7
Total	**5,532**	**4.0**	**100.0**



Financial overview Forbo Group

	2021	2020	2021	2020
Income statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Net sales	1,254.0	1,117.7	1,159.9	1,044.0
Flooring Systems	851.8	757.0	787.9	707.1
Movement Systems	402.2	360.7	372.0	336.9
Operating profit before depreciation and amortization (EBITDA)	235.6	192.0	217.9	179.3
Operating profit (EBIT)	179.0	137.0	165.6	128.0
Group profit	141.2	106.2	130.6	99.2
Balance sheet	CHF m	CHF m	EUR m[1]	EUR m[1]
Total assets	981.6	1,110.8	908.0	1,037.5
Operating assets	850.7	809.3	786.9	755.9
Shareholders' equity	521.8	683.5	482.7	638.4
Net cash[2]	56.2	255.9	52.0	239.0
Cash flow statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Cash flow from operating activities	166.5	171.4	154.0	160.1
Cash flow from investing activities	– 38.4	– 38.9	– 35.5	– 36.3
Free cash flow	128.1	132.5	118.5	123.8
Key ratios	%	%		
ROS (EBITDA/net sales)	18.8	17.2		
Equity ratio (shareholders' equity/total assets)	53.2	61.5		
Gearing (net debt/shareholders' equity)	– 10.8	– 37.4		
Employees (as at December 31)	Number	Number		
Total employees	5,532	5,317		
Ratios per share	CHF	CHF	EUR[1]	EUR[1]
Earnings per share (undiluted)[3]	91.63	66.60	84.76	62.21
Equity (undiluted)	338.52	428.64	313.13	400.37
Dividend	25.00[4]	20.0[5]	23.12[4]	18.68[5]
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[1]	EUR m[1]
Stock market capitalization[6]	3,085.5	2,504.7	2,854.0	2,339.5

1) Euro values translated at the average annual exchange rate of CHF 1.0811/1 EUR (2021) and CHF 1.0706/1 EUR (2020).

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

3) See note 11 'Earnings per share' on page 116 of the financial report.

4) The Board of Directors proposes to the Ordinary General Meeting of April 1, 2022, the distribution of a dividend in the amount of CHF 25.00 per registered share.

5) Approval of a dividend of CHF 20.00 per registered share at the Ordinary General Meeting of April 1, 2021.

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

SALES AND EARNINGS ABOVE PRE-PANDEMIC LEVELS

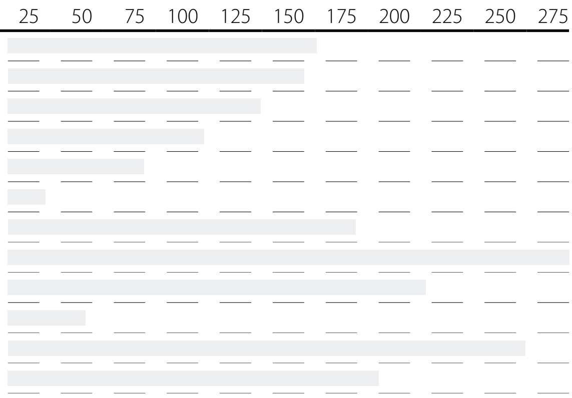
The positive demand trend seen at the end of 2020 continued in the reporting year. Overall, demand recovered in most of our markets and customer segments. The improving global economy led to challenges in the procurement of raw materials, however. This resulted in supply chain bottlenecks and significantly higher costs for raw material, logistics, freight, and energy. A flexible and agile response was required in all parts of the organization to achieve the best possible solutions for our own value chain and ensure our service level. We also had to adjust prices.

Operating profits rose disproportionately compared with sales growth, due mainly to higher utilization of production capacity, improved productivity, increased efficiency, and adjustments to sales prices. Adjusted for currency effects, sales increased to above the pre-pandemic levels of 2019.

After two years marked by the COVID pandemic, Forbo has a strong financial basis, also after the share repurchases undertaken. The favorable earnings situation and solid cash flow allowed a sustainable level of investment in expansion of the product portfolio and capacities, as well as new technologies with accompanying digitization.

Net sales by geographic area

		Change on previous year		
	2021 in %	in %	in local currencies in %	2021 CHF m
Germany	12.4	6.9	5.8	155.9
France	12.0	20.6	19.4	149.9
Benelux	10.3	5.9	4.8	129.4
Scandinavia	8.2	8.6	5.0	102.7
Great Britain/Ireland	5.9	10.9	6.5	74.5
Switzerland	2.2	6.5	6.5	27.9
Other countries Europe	14.0	19.9	20.8	174.2
Europe	***65.0***	***12.2***	***11.0***	***814.5***
USA	16.5	11.1	13.8	207.5
Other countries Americas	3.8	16.7	13.7	46.8
Americas	***20.3***	***12.1***	***13.8***	***254.3***
Asia/Pacific and Africa	***14.7***	***12.1***	***12.6***	***185.2***
Total	**100.0**	**12.2**	**11.8**	**1 254.0**



Strong sales growth

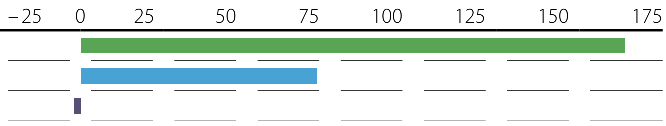
The recovery in the markets and customer segments toward the end of 2020 continued in the reporting year and resulted in double-digit growth in all regions. Overall in 2021, net sales came to CHF 1,254.0 million (previous year: CHF 1 117.7 million); sales in local currencies were 11.8% higher. In the corporate currency, this corresponded to an increase of 12.2%. Overall, the Americas region saw the biggest sales growth in terms of local currencies, followed by Asia/Pacific and Europe. Both divisions increased currency-adjusted sales compared with the pre-pandemic year of 2019.

The Flooring Systems division generated net sales of CHF 851.8 million in the 2021 business year (previous year: CHF 757.0 million), which reflects an increase of 11.7% in local currencies (12.5% in the corporate currency). Asia/Pacific and the Americas recorded higher growth than Europe.

The Movement Systems division generated net sales of CHF 402.2 million in the year under review (previous year: CHF 360.7 million), which reflects an increase of 11.9% in local currencies (11.5% in the corporate currency). Due to the development in the previous year, Europe and the Americas achieved a more marked rise in sales than Asia/Pacific.

EBITDA by division

	2021 CHF m	Change on previous year in %
Flooring Systems	166.7	15.3
Movement Systems	74.2	34.9
Corporate	– 5.3	30.3



Significant rise in profitability despite higher prices for raw materials

Operating profits rose significantly, showing a disproportionate increase compared with sales growth. This effect resulted mainly from higher utilization of production and fabrication capacities driven by sales growth. The positive impact of these economies of scale led to higher productivity based on optimized operating structures. Improved efficiency, a continuing cost focus and price adjustments on our part also contributed. This was counteracted by a sharp rise in some raw material prices and significantly higher energy and freight costs.

The Group increased operating profit before depreciation and amortization (EBITDA) by 22.7% to CHF 235.6 million (previous year: CHF 192.0 million). EBITDA at Flooring Systems increased by 15.3% to CHF 166.7 millon (previous year: CHF 144.6 million). At Movement Systems EBITDA rose by 34.9% to CHF 74.2 million (previous year: CHF 55.0 million).

This resulted in a Group EBITDA margin of 18.8% (previous year: 17.2%). At Flooring Systems, the EBITDA margin increased from 19.1% the previous year to 19.6% in the year under review, while at Movement Systems the EBITDA margin rose by 3.2 percentage points to 18.4% (previous year: 15.2%).

Group operating profit (EBIT) was 30.7% higher at CHF 179.0 million (previous year: CHF 137.0 million). The Group EBIT margin increased from 12.3% the previous year to 14.3% in the year under review.

Based on the higher operating profit (EBIT), a slightly higher tax rate and a positive financial result due to exchange rate gains on foreign currencies, Group profit rose by 33.0% or CHF 35.0 million to CHF 141.2 million (previous year: CHF 106.2 million).

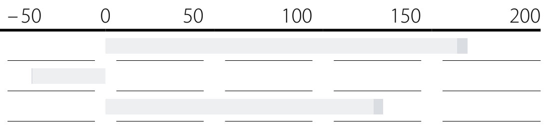
Taxes and financial income

The tax rate in the year under review was 22.1% (previous year: 22.0%), in line with the long-term average.

Financial expense in 2021 came to CHF 0.8 million (previous year: CHF 1.6 million), consisting solely of interest expense for leasing liabilities recognized in the balance sheet. The year 2020 was still affected by foreign exchange losses. Offsetting this was financial income higher than in the previous year of CHF 3.0 million (previous year: CHF 0.7 million), which consisted largely of exchange rate gains on foreign currencies. On balance, the net financial result rose to CHF 2.2 million (previous year: CHF – 0.9 million).

Free cash flow

	2021 CHF m	2020 CHF m
Cash flow from operating activities	166.5	171.4
Cash flow from investing activities	– 38.4	– 38.9
Free cash flow	128.1	132.5



Solid cash flow performance

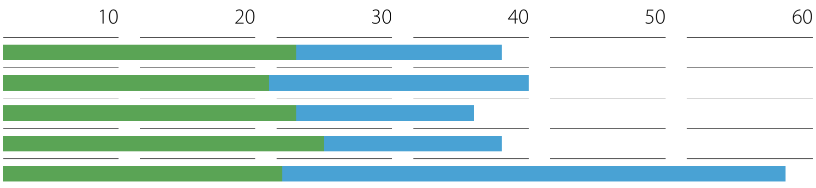
In the reporting year, cash flow from operating activities was CHF 166.5 million (previous year: CHF 171.4 million), down slightly despite the much higher result. This is because inventories in the pandemic year of 2020 were reduced, and trade receivables decreased. Trade receivables rose in the reporting year in step with the market recovery. The increase in inventories is partly due to the marked rise in raw material prices. On the other hand, inventories of raw materials were deliberately built up to ensure availability. The cash outflow from capital spending was comparable with previous years and came to CHF – 38.4 million (previous year: CHF – 38.9 million). Free cash flow thus totaled CHF 128.1 million (previous year: CHF 132.5 million).

Strong balance sheet

Total assets at December 31, 2021, decreased by CHF 129.2 million – mainly due to the share buyback in the reporting year of CHF 269.2 million – and amounted to CHF 981.6 million (previous year: CHF 1,110.8 million). Net cash reduced by CHF 199.7 million to CHF 56.2 million (previous year: CHF 255.9 million), also as a result of the share buyback. For the same reason, equity decreased by CHF 161.7 million and stood at CHF 521.8 million on December 31, 2021 (previous year: CHF 683.5 million). Further factors were the positive Group profit less the dividend payout. The equity ratio remains solid, standing at 53.2% (previous year: 61.5%).

Investments 2017 – 2021

	Flooring Systems CHF m	Movement Systems CHF m	Total CHF m
2021	23	15	39
2020	21	19	40
2019	23	13	36
2018	25	13	39
2017	22	36	58



Value-adding investments

Our investments are wide-ranging, combining the demands of sustainability with efficiency gains in operating processes. In the reporting year, both business divisions invested in strategic projects in the areas of product portfolio, technology, infrastructure, and specific market and capacity expansion projects. Total Group investments in property, plant, and equipment and intangible assets in 2021 were CHF 38.8 million (previous year: CHF 39.7 million).

In the reporting period, Flooring Systems invested CHF 23.4 million (previous year: CHF 20.5 million) at various manufacturing sites in new coating and cutting systems, modernized planning and control equipment, renewal of specific machinery and afterburners with new filter technology, allowing a significant reduction in CO_2 emissions. More substantial investments were made in a next-generation digital printer for vinyl floor coverings in France, a new coating system combined with automated cutting for entrance flooring systems in the Netherlands, and a renewed powder plant and an expanded warehouse facility for building and construction adhesives in the Netherlands.

At Movement Systems, after above-average investments in property, plant, and equipment in previous years, investments came to CHF 15.4 million (previous year: CHF 19.1 million). Most of the funds were committed to a further stage in the expansion of the production site for Prolink plastic modular belts in Denmark to increase the capacity of injection molding machines, and a newly installed heat recovery system. In India, a new plant with increased fabrication capacity was built, and in the USA, Germany, and Russia local fabrication and service centers were opened. A new software tool was developed for global planning of production and processing, to optimize materials planning and minimize the number of cutting scrap.

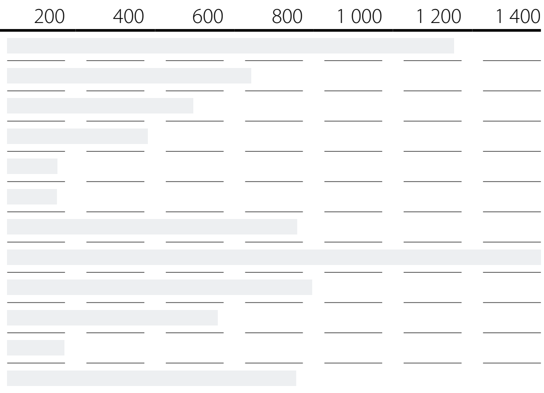
Workforce expansion based on individual market development

The Forbo Group employed 5 532 people at year-end 2021. This is a total of 215 more employees than at the end of the previous year. Workforce expansion was mostly in production and processing as well as in the expansion of sales activities.

The individual percentage changes in staffing levels mostly reflect the recovery in the markets and the business performance in the different countries and regions. They mirror the situation at the end of the year.

Employees by geographic area

	2021 in %	Change on previous year in %	2021 number
Benelux	21.3	1.6	1 181
Germany	12.1	3.6	669
Great Britain/Ireland	9.5	2.1	523
France	7.4	2.8	408
Switzerland	3.3	1.1	181
Scandinavia	3.2	2.9	179
Other countries Europe	14.2	10.1	785
Europe	***71.0***	***3.8***	***3 926***
Asia/Pacific and Africa	***14.8***	***3.4***	***823***
USA	10.6	5.0	585
Other countries Americas	3.6	9.4	198
Americas	***14.2***	***6.1***	***783***
Total	**100.0**	**4.0**	**5 532**



In Europe, Flooring Systems contributed to the increase in staffing levels in France, Great Britain, and the Netherlands in particular – all countries with larger production sites. We continued to expand resources in the successful growth market of Russia. The increase in the number of employees at Movement Systems was based on the expansion of production capacity in Germany, including the new production plant for homogenous conveyor belts, and the increased fabrication capacity in Slovakia, as well as the expansion of plastic modular belt capacity in Denmark.

The increase in Asia/Pacific mainly reflected the expansion of production and fabrication capacity at Movement Systems in China and India.
In the Americas, the built-up number of employees was mainly due to the market recovery at Movement Systems in the USA and the expansion of service personnel in Mexico and Columbia.

COMMITTED TO SUSTAINABILITY

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

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

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

At Group level, Forbo has established an internal management training program in collaboration with the University of St. Gallen as well as other external partners and internal experts. This practice-oriented training program for senior managers and persons in key

positions consists of a first training week that includes various modules in areas ranging from management and sales to marketing and operations.

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

Ecological dimension

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

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

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

Vinyl floor coverings acquire their elasticity, pliability, and flexibility from plasticizers. Flooring Systems uses phthalate-free plasticizers of the latest generation. Vinyl floor coverings also contain up to 25% recycled material in relation to their total product weight. Within the framework of our 'back to the floor' program, we collect offcuts of our vinyl coverings as well as waste material from our own production and put these back into the production of new coverings, for example for the substrate layer of carpet tiles and Flotex – the washable textile flooring. Flooring Systems gets 100% of the electricity used at its production locations from renewable energy sources.

At Movement Systems, too, we are working on the further development of phthalate-free plasticizers in the manufacture of PVC conveyor belts.

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

In order to maximize environmental compatibility and at the same time increase the product advantages, Movement Systems has patented a special coating that significantly reduces the friction between the underside of the belt and the slider bed compared with conventional conveyor belts. In the meantime, Movement Systems has launched new generations of these energy-saving conveyor belts that are even more efficient. The AmpMiser™ 2.0 conveyor belts display their advantages most clearly where goods are being continuously conveyed and many belts are in use, for example at airports or in logistics and distribution centers. For this type of application, energy savings of up to 50% are achieved for the overall systems.

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

FLOORING SYSTEMS

Floor coverings are part of our everyday lives and define our living, leisure, and working spaces. Whether as a direct end customer, building contractor on a major project, architect or installer, for every stakeholder group the topic of sustainability plays an important role in the decision-making process. It is therefore important for Flooring Systems to differentiate itself from its competitors with readily understood and convincing arguments, including where sustainability is concerned. To do this, we apply the holistic approach of a 'circular economy', placing great emphasis on CO_2 neutrality and foregrounding the concepts of reduce, reuse, renew and recycle, especially in operational contexts.

For the manufacture of vinyl floorings at our production site in the Netherlands, we set up a pilot installation to evaluate and implement a new afterburner filter technology for processing waste air from recirculation ovens. The new technology will gradually replace the existing installations in the coming years. This innovation will make it possible to reduce CO_2 emissions by around 1200 tonnes per year.

The return programs for post-consumer waste materials (gate to recycle) in the Netherlands, Great Britain, Sweden, and France generate return amounts of 325 tonnes per year. The types of waste taken back include floor coverings from demolished buildings and material disposed of in renovation work, but also offcuts from new installations.

MOVEMENT SYSTEMS

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

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

Economic dimension

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

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

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

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

ACTIVITY REPORT

TWO DIVISIONS WITH LEADING MARKET POSITIONS

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

Strategic directions

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

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

Flooring Systems

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

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

Movement Systems

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


VERSATILITY.

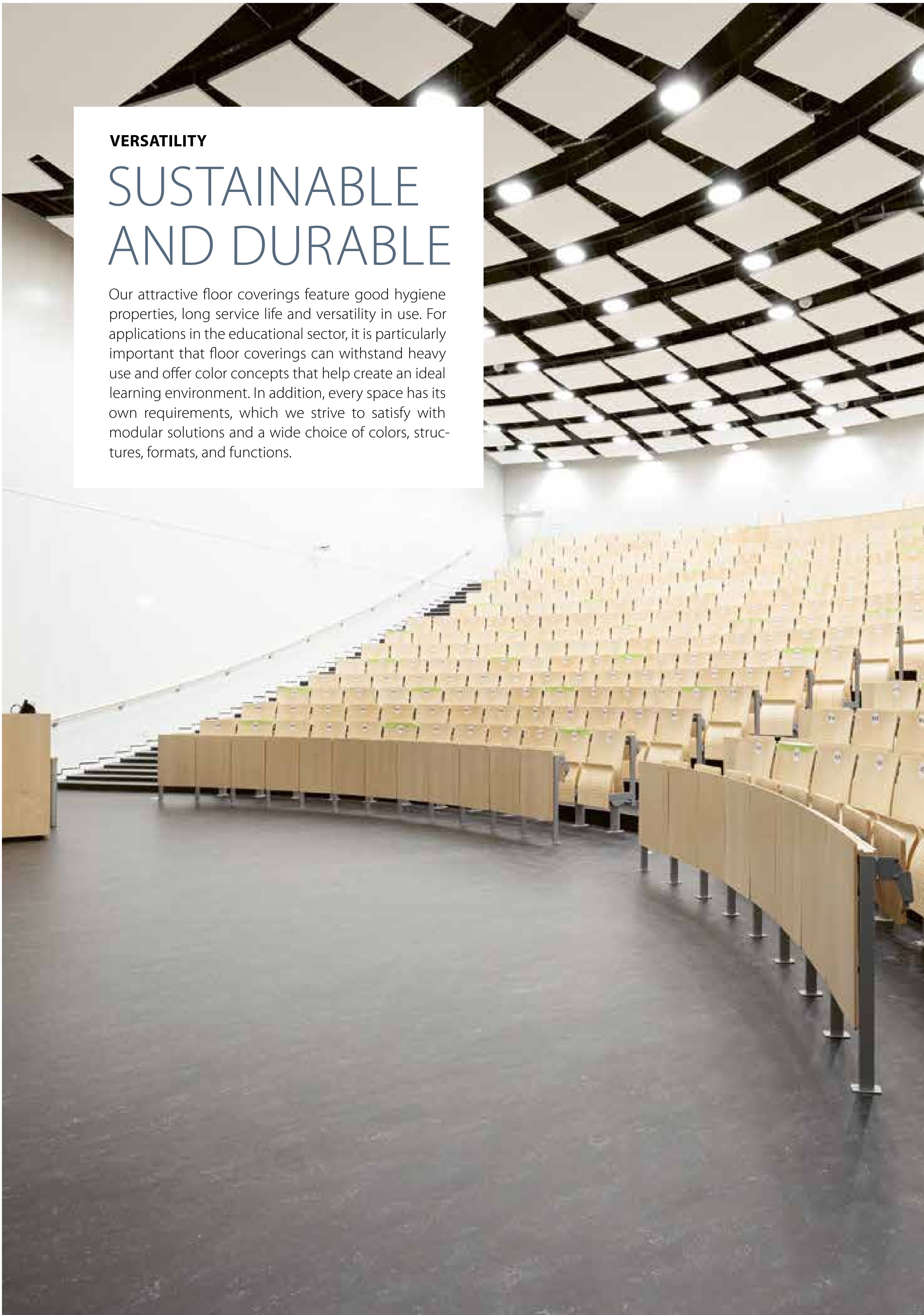

EFFICIENCY.

FLOORING SYSTEMS

VERSATILITY

SUSTAINABLE AND DURABLE

Our attractive floor coverings feature good hygiene properties, long service life and versatility in use. For applications in the educational sector, it is particularly important that floor coverings can withstand heavy use and offer color concepts that help create an ideal learning environment. In addition, every space has its own requirements, which we strive to satisfy with modular solutions and a wide choice of colors, structures, formats, and functions.



FLOORING SYSTEMS: STRONGER ALL-ROUND

'Our markets and customer segments continued to improve in the reporting year and have largely recovered. Various bottlenecks in the availability of raw materials, delays in our supply chains, and reduced installation capacities continually presented us with new challenges. The massive price hikes in raw materials demanded a highly professional response from us, with an ongoing cost focus and price increases to maintain the level of profitability and earnings. Overall, we can look back on a successful year despite the difficult circumstances. We intensified efforts to implement our strategic goals with a focus on growth and strengthening our sales organizations, and also handled the Brexit situation well.'

Jean-Michel Wins
Executive Vice President
Flooring Systems

The Flooring Systems division posted net sales of CHF 851.8 million in the 2021 business year (previous year: CHF 757.0 million), a rise of 12.5% in the corporate currency (11.7% in local currencies). The division accounted for 67.9% of Group sales in 2021. We achieved this increase despite the growing shortage and price rises affecting construction materials and a lack of installation capacity at customer projects in certain markets, which led to some projects being delayed. Operating profit (EBIT) increased by 19.4% to CHF 131.2 million (previous year: CHF 109.9 million), mainly because of the improved capacity utilization of production plants due to higher sales, and an increase in productivity. This was counteracted by a sharp rise in raw material prices and freight costs, although these negative effects were offset to some extent by price increases on our part. The EBIT margin was up by 0.9 percentage points to 15.4% (previous year: 14.5%).

Adjusted for currency effects, sales above pre-pandemic levels

All three regions recorded substantial sales growth, also due to some successful international key account activities: Asia/Pacific saw the greatest effect, with double-digit growth also in the Americas and a similarly positive picture in Europe. Adjusted for currency effects, sales were higher than the pre-pandemic levels of 2019.

The sales picture in Europe was mixed. The markets in Southern Europe and France, which were strongly affected by COVID-19 the previous year, showed strong double-digit growth, while most other markets, namely Germany, the Netherlands, Great Britain, Switzerland, and Scandinavia, grew strongly, though not at double-digit levels. Russia posted another above-average sales increase, after a successful prior-year period, with similar growth in other Eastern European markets.

The rise in sales in the Americas region was underpinned by the marked recovery in the main market, USA, despite local bottlenecks affecting logistics, international freight, and installation capacities at customer projects. The main drivers of growth were projects in the education and healthcare sectors. In Canada, growth was driven by state-sponsored projects in the healthcare sector and aged care. Brazil and smaller markets in South America reported double-digit sales increases.

The above-average growth in the Asia/Pacific region was driven mainly by the catch-up effect in China, which had seen many construction freezes resulting in major project postponements in the previous year. Projects in the semi-conductor industry and in the healthcare sector drove the sales growth in particular. Most markets in Southeast Asia posted a gratifying upturn in sales, as did the growth markets of South Korea and Turkey. Australia reported moderate growth. Japan, which had benefitted from the Olympics effect the previous year, stagnated.

The building and construction adhesives activity again generated pleasing growth, to which all three main markets – the Netherlands, Germany, and Russia – contributed.

Attractive new collections in all product groups
In the reporting year, we developed and launched modern, high-quality collections with unique selling points across all product groups.

At the same time, we worked on a number of innovations in the linoleum unit, which will be incorporated into future collections. One of these is 'TopshieldPro', a coating developed based on extensive testing, which offers improved protection against scratches and abrasion and is much more resistant to disinfectants. The newly launched 'marmoleum linear' collection can be combined in a variety of ways using natural colors and designs.
In the vinyl unit, we created 'sarlon diversity', a particularly wide-ranging collection featuring a newly developed surface technology, 'XtremPUR™', which is resistant to discoloration, staining and scratches, more slip-resistant and easier to clean. We created the new luxury vinyl tiles collection 'effecta', targeting the Russian market with local in-trend colors. The high-performance homogenous vinyl floor coverings 'sphera energetic' are suitable for use in areas with heavy traffic.
In the textile unit, we introduced various new Flotex, carpet tile, and needle felt collections, in some cases designed for local markets or specific customer segments. The 'coral world series 2021' is a very wide-ranging new collection of entrance flooring systems, which feature roll and mat formats as well as tile and plank formats, with a variety of floor-installing options.

Growth in all product groups
In line with the sales trend, the different product groups also reported higher sales, though to differing degrees. Linoleum floor coverings generated pleasing growth, in particular because of a further increase in the number of projects in the education and health sectors. Most product lines of the versatile and application-specific vinyl floor covering collections reported above-average performance across the board. In textile floorings, Flotex, needle felt floor coverings, and entrance flooring systems returned solid growth rates, though carpet tiles remained subdued, which can be ascribed to the very hesitant recovery in the office segment.

Increased investments
In addition to numerous initiatives to enhance the product portfolio, we invested in renewals at various production plants with the aim of developing new products and promoting innovations but also of modernizing and streamlining production processes. This invariably also involved environmental improvements. Examples include newly installed coating and cutting systems, modernized planning and control equipment, and the replacement of specific machinery and afterburners.

The manufacturing site for vinyl floor coverings in France installed a next-generation digital printer. It ensures flawless print quality, improved speed, and product and process compatibility. This gives us greater flexibility in the variety of colors available for new designs and in the creation of additional color combinations and pattern repeats. Further advantages include the option of production in small batches, shorter routes to market and implementation of customer-specific designs. The newly installed multipurpose coating facility for entrance flooring systems in the Netherlands enables automatic application of a self-adhesive film on the back of tiles. The innovative new combined cutting technique 'pro-cut' facilitates automatic cutting to measure. At the building and construction adhesives production site in the Netherlands, the powder plant was renewed, and the warehousing facilities were extended.

Strengthened for 2022
We start the new year stronger. Our attractive product portfolio, innovative installation options, and strengthened sales organization with greater customer focus and enhanced service levels, combined with numerous digitization advances, ensure that we are well positioned to take advantage of profitable growth opportunities. All this is further underpinned by a global communications initiative with special focus on our CO_2-neutral linoleum floor covering. The steep rise in raw material prices is likely to continue and we will have to compensate by increasing operational efficiency and price adjustments.

SUSTAINABLE AND FUNCTIONAL

Floor coverings from Forbo combine functionality and high product quality with innovative designs. They enhance interiors in accordance with the needs of the users. With every new development we are constantly making our products and production processes more sustainable, while fulfilling the highest demands in terms of functionality. Thanks to regular exchange with designers, architects, building owners and suppliers, we have our finger on the pulse of technical innovation and the latest design trends.

Our floor coverings are mostly designed for applications in the non-residential construction business, which means that they have to be very hardwearing. They are based on tried-and-tested and state-of-the-art production and digital print technologies, and combine trendy designs, a diverse range of colors and innovative textures in environmentally friendly materials. Diversely inspired, in the reporting year we also developed attractive new products for a wide range of applications.

Authentic, sustainable linoleum floor coverings

Forbo's linoleum is without compensation completely CO_2-neutral (cradle to gate), biodegradable, bacteria-inhibiting and the world's most environmentally friendly resilient floor covering. It is made from natural, renewable materials such as linseed oil, jute, natural resin, limestone powder, and wood flour. In order to bring the attractiveness of this authentic floor covering closer to various stakeholders with the aid of innovative presentation formats, a roadshow started in the Netherlands in August 2021 which will travel through 20 countries in Europe up to fall 2022. The newly launched 'marmoleum linear' collection is dominated by neutral, natural shades with a calming and, due to the striped look, a direction-giving effect. They are especially suitable for applications in the healthcare and education sectors as well as in office and administration buildings. Developed on the basis of a new recipe, the linoleum surface covering, 'TopshieldPro', will be

ENTRANCE FLOORING SYSTEMS 'CORAL WORLD SERIES 2021'

LINOLEUM 'MARMOLEUM LINEAR'

VINYL COLLECTION 'SARLON & MODUL´UP DIVERSITY'

VERSATILE VINYL DESIGNS IN DIGITAL PRINT

launched in spring 2022. It increases the resistance and protection, in particular with regard to scratches and disinfectant agents.

New production technology extends design diversity in vinyl coverings

The newly installed digital printer for vinyl coverings in France and the newly developed surface technology XtremPUR^{TM} formed the basis for the relaunch of various vinyl collections with sound-absorbent properties as well as easy and fast installation options and formats, combined under the collection name 'sarlon & modul'up diversity'.

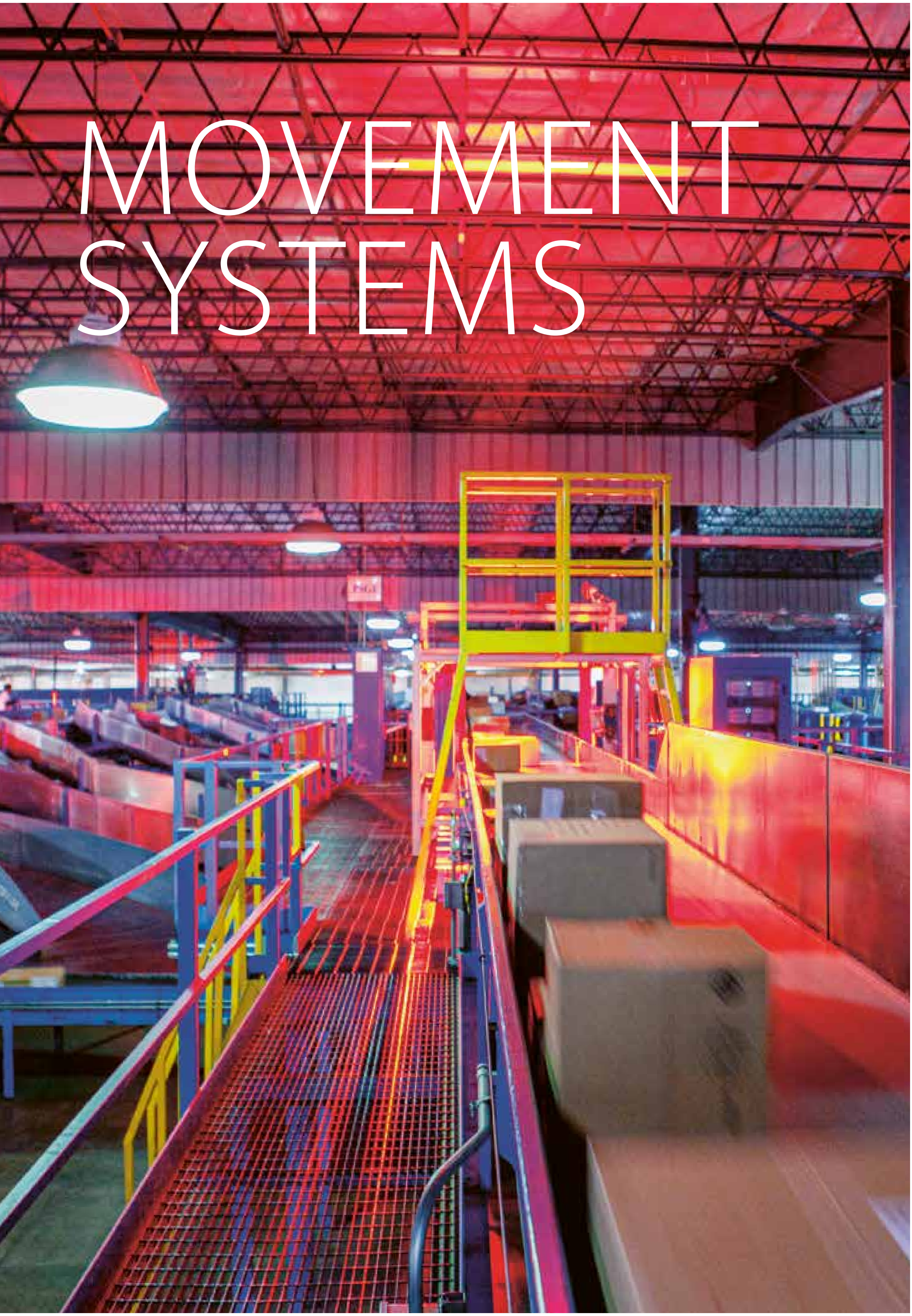
'DIVERSE INSTALLATION OPTIONS ARE IN DEMAND'

Diverse designs with surprising effects or loose-lay versions are convincing customers in applications in training facilities, in offices, in the healthcare sector as well as in multi-unit housing refurbishments. They show their advantages optimally in renovation projects where a rapid change of floor coverings is required. They are phthalate-free and certified with regard to anti-bacterial properties.

Extensive collection renewal of entrance flooring systems

The new, very extensive collection of entrance flooring systems 'coral world series 2021' includes eight product lines for the widest possible range of applications, and is based on the latest color trends, coordinated and easily combinable with other Forbo collections. Alongside the usual sheet and mat formats, they are also available in easy-to-install tile formats. The range has an increased proportion of recycled polyamide, which is an additional benefit for the environment.

MOVEMENT SYSTEMS



EFFICIENCY

SEAMLESS MOVEMENT

Our energy-saving conveyor belts are often running 24 hours a day, 7 days a week in distribution and logistics centers, but they can overcome the challenges of even the most complex tasks reliably and efficiently. AmpMiser™ 2.0, the new generation of conveyor belts, saves up to 50 percent on the operating power required thanks to a special coating. As a result, CO_2 emissions are saved accordingly. With several kilometers of belt material often in use at such centers, the contribution of this technology is considerable. AmpMiser belts are particularly well suited to operations with packaged goods and not only save power but also run more quietly than other installations – a plus for the staff involved.

MOVEMENT SYSTEMS: INVESTMENTS TO SUPPORT GROWTH

'We can look back on a successful reporting year, despite the challenges in the supply and value chain. The countries worst affected by declining demand in the prior year mostly recovered with above-average growth. As a result, our production and fabrication plants saw a strong recovery in capacity utilization, which led to a marked increase in earnings. Reduced freight capacity and bottlenecks in the availability of raw materials brought additional costs, which made it necessary for us to adjust prices. At the same time, we initiated selective capacity expansion for certain production lines and for markets with above-average growth, coupled with technological innovations.'

Marc Deimling
Executive Vice President
Movement Systems

The Movement Systems division generated net sales of CHF 402.2 million in the year under review (previous year: CHF 360.7 million), which was equivalent to an increase of 11.5% year on year in the corporate currency (11.9% in local currencies). The division accounted for 32.1% of Group sales in 2021. The majority of markets contributed to this gratifying sales growth. Operating profit (EBIT) increased sharply by 51.3% to CHF 54.3 million (previous year: CHF 35.9 million), due primarily to improved utilization of production and fabrication capacities. The positive impact of these economies of scale is based on optimized operating structures, increased productivity, and improved efficiency. Pricing adjustments on our part made a further contribution. The EBIT margin rose accordingly by 3.5 percentage points to 13.5% (previous year: 10.0%).

Adjusted for currency effects, sales above pre-pandemic levels
All three regions and product lines contributed to this growth, including newly concluded key account contracts for products and services. Sales growth was strongest in Europe, also reached two digits in the Americas, and was somewhat lower in Asia/Pacific. Adjusted for currency effects, sales increased above the pre-pandemic levels of 2019.

Most of the European markets saw double-digit growth. The catch-up effects were clearly felt in Southern Europe, in the important Italian and Spanish markets. Other countries badly affected in the previous year, such as Great Britain and France, showed a gratifying recovery. The key market of Germany and Switzerland saw a strong increase in sales, although they had been less significantly affected than others the previous year. Other positive signs worth noting were seen in the growth markets of Poland and Russia.

In the Americas region, the USA and Mexico were the main growth markets. The US market attained double-digit growth, despite the challenges after the upturn of finding qualified staff, above all for fabrication. The Mexico growth market was able to build on the good level achieved the previous year, thanks mainly to catch-up effects in the customer segments of industrial production and raw material processing. The newly established location in Columbia developed well.

In the Asia/Pacific region, the main market, China, as well as Australia and India, contributed with a double-digit increase in sales. Japan and other, smaller, markets in Southeast Asia reported gratifying sales growth.

Growth in all the main customer segments

The food segment, which is the most resistant to economic fluctuations, reported moderate growth as in the previous year. The industrial manufacturing segment, which was strongly affected by the pandemic restrictions, saw an above-average recovery. Sales growth in the logistics segment was very gratifying, continuing to be driven by e-commerce package distribution centers, though still showing signs of hesitancy in the airport infrastructure segment. The uninterrupted growth in e-commerce had a positive impact on the paper and printing industry segment, as the demand for corrugated board and cardboard packaging rose accordingly. The raw material processing and textiles segments showed pleasing progress; demand for sports treadmills, which are widely used in fitness centers owing to their durability, was more subdued.

Application-specific innovations

Despite continuing restrictions on personal customer contacts, which are important for the development and test phases of our application-specific products, we were able to introduce innovative products across all product lines for a variety of customer segments:

The Transilon unit developed curved belts that are versatile in use for industrial-scale laundries and logistics applications requiring low friction and antistatic properties. A further development was a belt aimed specifically at the food-processing industry. It is highly resistant to hot water and frequent washing, ideal for producing and processing dough, and making sushi using sticky rice. A belt that is particularly suited for use in long cooling tunnels was developed for the chocolate industry.

The plastic modular belt Prolink Series 8 has been extended with new options designed for industrial applications in numerous processes requiring high levels of power transmission and good gripping properties for reliable transport of goods. The new Series 17 is suitable for use in industrial applications such as parcel distribution and in processing corrugated board and paper.

In the Extremultus unit we have developed specific antistatic conveyor belts for weaving and spinning mills, as well as for the paper, packaging, and printing industry, with enhanced grip properties and precise product positioning.

In the area of robust Transtex belts, we have produced a roughened belt surface for the manufacture of façade panels in construction applications.

Investments to drive future growth

In addition to a wide variety of product developments, we have undertaken capacity expansion in product lines and markets with above-average growth, based on cutting-edge technologies that increase efficiency and reduce CO_2 emissions.

At the production site for Prolink plastic modular belts in Denmark, another step in the expansion program was completed with a new production building to increase the capacity of injection molding machines. A newly installed heat recovery system at the same plant makes it possible to use process energy to heat the new offices and production building. A new production hall was built in Pune, India, offering significantly higher fabrication capacity and a base from which local service personnel can cover a radius of up to 750 km.

We opened local fabrication and service centers in Atlanta and Kansas (USA), Frankfurt and Hamburg (Germany) and Siberia (Russia), which will enable us to serve customers more efficiently and professionally.

Good basis for 2022

The market launch of the complete Fullsan range – the new homogenous conveyor belt product line – is a focal point in 2022. After the simple belt construction, two further innovative, more complex belt types will be ready for launch in the course of the summer. The full-scale start-up of the expanded Prolink production capacity in Denmark is intended to support this successful product line. Additional production capacity for Transilon belts is at the planning stage. The challenge we continue to face is to react to the limited availability of raw materials and further cost increases affecting logistics and raw materials by imposing price rises of our own as the situation demands.

INNOVATIVE AND APPLICATION-SPECIFIC

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

Our application know-how in diverse processing and production processes offers customers the corresponding advantages, and allows them to increase efficiency. Inspired by these experiences, in the reporting year we also developed innovations for various customer segments.

Hygiene-sensitive applications for the food-processing industry

As diverse as the foods are that are conveyed on conveyor belts for production, processing and packing, just as specific are the corresponding belt solutions and surface coatings for these individual requirements to ensure efficiency, quality, hygiene, and the delicate conveyance of the foods.

In the area of Transilon, a special belt was developed with metal-detectable upper and running side coating as well as high cut resistance. This special two-sided coating allows particles in the coating that could possibly contaminate the conveyed product to be detected by the automated control system. In this way we support the quality and hygiene concepts of our food-processing customers. The mate belt surface supports easy cleaning and has very good release properties. The belt is suitable for use in bakeries, dough and couscous processing, dairies, meat and poultry industry, and sweet goods production.

TRANSILON BELT FOR DOUGH PROCESSING INDUSTRY

TRANSILON BELT WITH METAL-DETECTABLE COATING

TRANSILON BELT FOR FLEECE MATERIALS PRODUCTION

PROLINK PLASTIC MODULAR BELT SERIES 17

Another belt was developed especially for the conveyance of unpacked foods, mainly for the dough-processing industry. The dehesive surface structure allows very good release properties so that the shape of the dough is optimally maintained without any further addition of flour. Another application field is the processing of boiled, sticky rice for the production of sushi, or boiled couscous for use in convenience meals. Accordingly, the belt is suitable for frequent cleaning, also with hot water.

‘BELT PROPERTIES OFFER ADDED VALUE’

Customer-specific industrial applications
The highly robust, newly developed Prolink Series 17 of plastic modular belts is especially suitable for industrial applications such as, for example, in parcel distribution centers or in the processing of corrugated cardboard and paper. The closed, smooth surface with low weight offers high rigidity and tensile strength, and, due to the underside of the belt, is also especially silent and hardwearing. Special flame-inhibiting versions are possible for the automotive industry, and for applications in the steel and recycling industry special belt types with hardwearing, cut-resistant surface are available.

For the production of fiber products such as fleece materials that are made in high-speed systems, a lightweight Transilon belt was developed that has electrostatic properties and is highly resistant to chemical agents such as textile auxiliary agents. Such fleece materials are used in various applications: for medical and hygiene products such as face masks, sanitary towels and diapers, as well as for fleece jackets or as insulating material in cars and for geotextiles.

ORGANIZATION

EXECUTIVE BOARD

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

Michael Schumacher

Chief Executive Officer

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

Andreas Jaeger

Chief Financial Officer

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

Jean-Michel Wins

Executive Vice President Flooring Systems

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

Marc Deimling

Executive Vice President Movement Systems

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

GROUP STRUCTURE

Forbo has performed better than average in comparison with other listed companies in recent years. Today, with its two focused divisions and their attractive product portfolios, Forbo is a world leader in its markets. The company possesses significant resources necessary for further strategic development. Its strategy aims to continue the successful trend of recent years on the one hand and, with the available resources, to further strengthen our positions in the global marketplace on the other.

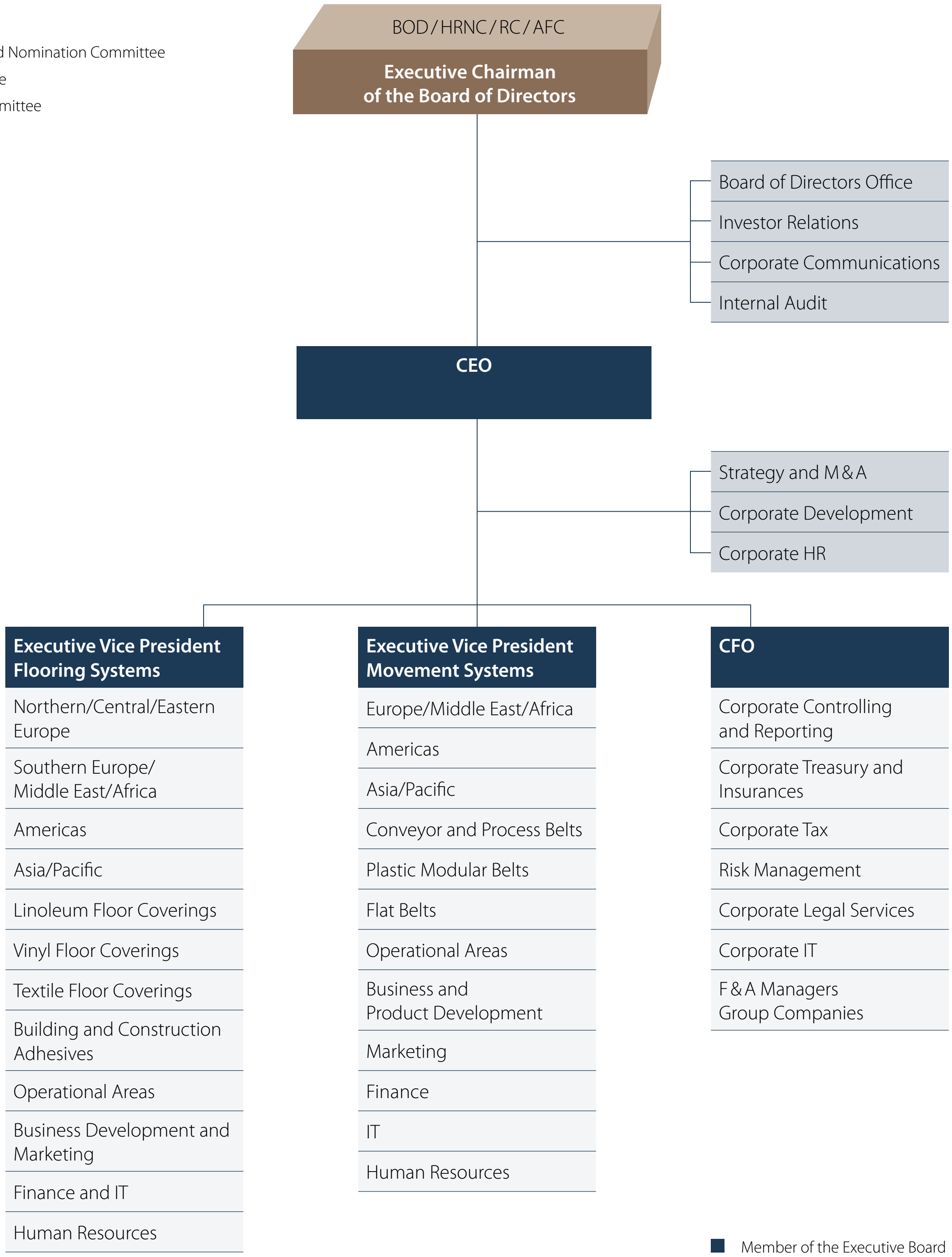
Tasks of the Executive Chairman of the Board of Directors

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

Tasks of the Chief Executive Officer

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

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



BOARD OF DIRECTORS

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

This E. Schneider
Executive Chairman

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

Michael Pieper
Vice Chairman and independent[1] member

Owner of the Artemis Holding AG, Hergiswil
Chairman of the Management Board of Artemis Group, Hergiswil
Member of the Board of Directors of various Artemis and Franke subsidiaries worldwide
Member of the Board of Directors of Arbonia AG, Arbon
Member of the Board of Directors of Bergos AG, Zurich
Member of the Board of Directors of Autoneum Holding AG, Winterthur
Member of the Board of Directors of Reppisch-Werke AG, Dietikon
Member of the Supervisory Board of Duravit AG, Hornberg (D)

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

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

Claudia Coninx-Kaczynski
Independent[1] member

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

Dr. Reto Müller
Independent[1] member

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

Vincent Studer
Independent[1] member

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

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

THE FORBO SHARE

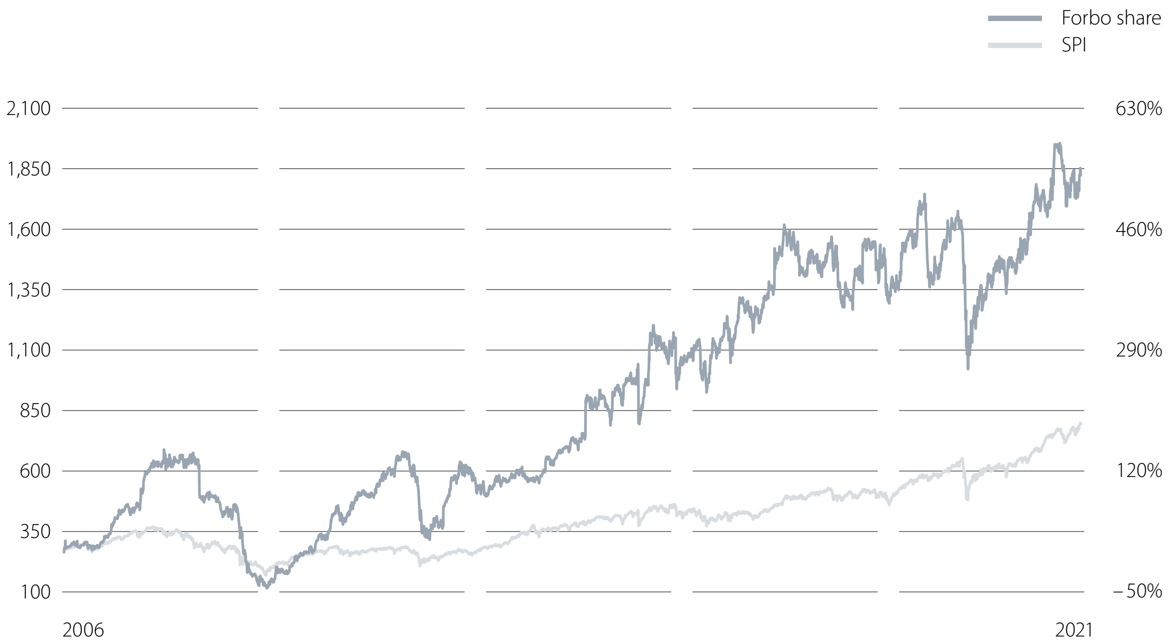
THE FORBO SHARE

The first two months of the 2021 stock market year were characterized by various uncertainties, not least in connection with the COVID-19 pandemic. After trading until the end of February almost 200 points lower than at the start of the year, the Swiss Performance Index (SPI) started to climb and had already reached the 14,000-point mark before the end of March. In May there was another period of skepticism, albeit not enough to prevent the SPI from passing the 15,000-point mark after the first week in June. Shortly after the middle of August it was already at 16,000 points. Renewed uncertainties in September did cause a decline of around 1,000 points, but this downturn was fully compensated for before mid-November. Towards the end of the year there were brief ups and downs, and the SPI closed the stock market year at 16,444 points, corresponding to year-on-year growth of over 23%.

The Forbo share largely tracked the performance of the SPI. However, a comparison shows the Forbo share outperforming the SPI from the end of February to the beginning of June and from mid-July to the beginning of October, at times significantly so. From mid-October to the end of December, the performance trends of both ran parallel. The Forbo share closed the year at CHF 1,870, equivalent to an increase in value of over 23%. Taking the dividend into consideration, this corresponds to an actual increment of 24.5%.

For a number of years now the performance of the Forbo share has been steady and above average. Since the end of 2005, the share has outperformed the SPI on average in roughly two years out of three. In this period, the Forbo share has generated 3.4 times as much value growth as the SPI (taking into account dividend distributions).

The Forbo share in comparison to the SPI



Share capital

		2021 number	2020 number	2019 number	2018 number	2017 number
Issued registered shares[1]		1,650,000	1,650,000	1,650,000	1,800,000	1,800,000
Thereof:						
Shares outstanding		1,424,870	1,579,235	1,601,315	1,601,718	1,704,444
Share buyback programs		150,625	0	0	150,000	63,105
Other treasury shares		53,086	49,346	27,266	26,863	11,032
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		165,000	165,000	165,000	180,000	180,000
Thereof:						
Shares outstanding		142,487	157,924	160,132	160,172	170,444
Share buyback programs		15,063	0	0	15,000	6,311
Other treasury shares		5,309	4,935	2,727	2,686	1,103
Reserve shares (without dividend rights)		2,142	2,142	2,142	2,142	2,142

Data per share

		CHF	CHF	CHF	CHF	CHF
Group shareholders' equity per share[2]		339	429	422	354	383
Group profit per share (undiluted)[2] [3]		91.6	66.6	86.3	82.4	22.4
Gross dividend and cash distribution		25.0[4]	20.0	23.0	21.00	19.00
Gross dividend yield (in %)[4] [5]	High	1.2[4]	1.2[5]	1.3[5]	1.3[5]	1.1[5]
	Low	1.7[4]	1.9[5]	1.7[5]	1.6[5]	1.4[5]
Payout ratio[6] (in %)		27	30	27	25	85

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	2,040	1,729	1,799	1,620	1,669
	Low	1,498	1,044	1,353	1,302	1,313
	Year-end	1,870	1,518	1,648	1,381	1,505
Market capitalization (m)[7]	High	3,366	2,853	2,968	2,916	3,004
	Low	2,472	1,723	2,232	2,344	2,383
	Year-end	3,086	2,505	2,719	2,486	2,709

1) Par value per share in 2021, 2020, 2019, 2018 and 2017: CHF 0.10.
2) Based on the weighted average of the number of shares as set out in note 11 'Earnings per share' on page 116 of the financial report.
3) See note 11 'Earnings per share' on page 116 of the financial report.
4) Proposal of the Board of Directors to the 2022 Ordinary General Meeting.
5) Calculated on the basis of a cash distribution in the form of a dividend.
6) Gross cash distribution as a percentage of Group profit.
7) Total number of shares multiplied by the corresponding share price.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

Group structure and shareholders

Group structure

Forbo Holding Ltd, domiciled at Lindenstrasse 8, 6340 Baar, is a limited company under Swiss law. The holding company holds all subsidiaries, directly or indirectly, that belong to the Forbo Group. The shares of Forbo Holding Ltd (security number 000354151/ISIN CH0003541510) are listed on SIX Swiss Exchange. A financial overview of the Forbo Group (including market capitalization) can be found on page 17. The operational structure of the Group is shown in the organizational chart on page 49. The scope of consolidation of Forbo Holding Ltd does not include any listed companies. The non-listed companies within the scope of consolidation of Forbo Holding Ltd are listed in the section 'Group companies' starting on page 136 in the financial report section. The company name and domicile, share capital, and percentage of participation, along with information relating to the allocation of the Group company to the Group's businesses, can also be found in that section of this Annual Report.

Significant shareholders

As of December 31, 2021, 3,923 shareholders were listed in the share register of Forbo Holding Ltd, or 103 (2.6%) fewer than in the previous year. As of December 31, 2021, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2021 as a percentage
Michael Pieper[1)]	25.01
Forbo Holding Ltd[2)]	13.64
UBS Fund Management (Switzerland) AG	3 – 5
Swisscanto Fondsleitung AG	3 – 5
Credit Suisse Funds AG	3 – 5

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

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

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

On November 20, 2021, Swisscanto Fondsleitung AG reported that it had passed the 3% threshold and held 49,901 shares, corresponding to 3.02% of the voting rights.

On December 14, 2021, Forbo Holding Ltd reported that it had passed the 10% threshold limit and held 221,406 treasury shares directly and indirectly through Forbo Management SA, Baar, corresponding to 13.42% of the voting rights.

On December 29, 2021, UBS Fund Management (Switzerland) AG reported that it had fallen below the 5% threshold and held 82,095 shares, corresponding to 4.98% of the voting rights.

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

For further information on significant shareholders or shareholder groups, we refer the reader to the table on page 58 and to page 154 of the financial report (duty of disclosure pursuant to Article 663c of the Swiss Code of Obligations [CO]).

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

Capital structure

Share capital
As of December 31, 2021, Forbo Holding Ltd had a fully paid up share capital of CHF 165,000, divided into 1,650,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

- 65.21% were registered in the name of 3,899 shareholders with voting rights
- 30.30% were shares of banks or of SIX SIS AG pending registration of transfer
- 4.48% were registered in the share register without voting rights

There are no different categories of shares. Each share entitles the owner to one vote. Further information on the Forbo share can be found on pages 54 and 55. Further information on the rights of participation associated with the Forbo share can be found on pages 69 and 70 of this Annual Report.

By resolution of the Ordinary General Meeting of Forbo Holding Ltd on April 5, 2019, the Board of Directors was authorized to buy back 10% of the share capital over a period of three years either via a second trading line on SIX Swiss Exchange or by another means. These shares will be definitively canceled. On the basis of this authorization, the Board of Directors launched a buyback via a second trading line on the SIX Swiss Exchange on March 22, 2021. On November 26, 2021, the Board of Directors suspended the buyback via the second trading line and placed an offer for the buyback of treasury shares at a fixed price. This was successfully concluded on December 10, 2021, with the repurchase of 74,835 (4.54%) registered shares. On December 14, 2021, the suspension was lifted and the buyback via the second trading line continued. During the buyback via the second trading line, a total of 75,790 (4.59%) treasury shares had been bought back as at December 31, 2021. The buyback via the second trading line will be maintained until March 31, 2022, at the latest.

During the share buyback program 2019–2022, 150,625 (9.13%) treasury shares had been bought back as at December 31, 2021. At the next General Meeting, the Board of Directors will move for the cancelation of all registered shares repurchased under this share buyback program.

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

There is no authorized capital.

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

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

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

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

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

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

Convertible bonds and warrants/options
Forbo Holding Ltd has no outstanding convertible bonds nor has it issued any marketable warrants/options. Details on the long-term incentive plan for the Executive Board, under which future subscription rights are outstanding, can be found on pages 84 to 88 as well as on pages 126, 127 and 135 of this Annual Report.

Board of Directors

Members of the Board of Directors
The cut-off date for the following information is December 31, 2021.

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

With the exception of This E. Schneider, Executive Chairman of the Board of Directors, none of the members of the Board of Directors listed below holds or has held any operational management positions for Forbo Holding Ltd or its Group companies. In the three business years preceding the reporting period, no member of the Board of Directors was a member of the Executive Board of Forbo Holding Ltd and, with the exception of This E. Schneider, no Board of Directors member sat on the Executive Board of any of its subsidiaries. There are no significant business relationships between the members of the Board of Directors and Forbo Holding Ltd or its Group companies. The tasks of the Executive Chairman of the Board are described on page 48 of the Annual Report.

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

Independent[1)] members of the Board of Directors

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

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

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

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

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

Vincent Studer
Vincent Studer, born in 1962, is a Swiss citizen. He graduated from the University of Applied Sciences, Berne, and trained as a Swiss certified public accountant. In addition, he has completed various national and international training courses. From 1991 to 2008, Vincent Studer worked at Ernst & Young AG as an external auditor and was head auditor responsible for auditing the statements of national and international companies in various industries. In 2001, he was appointed a partner in the area of Auditing. Since 2008, he has been a partner and since 2015 also a member of the Board of the accountancy and auditing firm T + R AG, Gümligen/Berne. From 2008 to 2021 he was a member of the management and head of the Auditing business unit there. Vincent Studer is a member of the Board of Directors of Bank EEK AG in Berne. He holds further directorships in other companies and foundations. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2009.

Board of Directors of Forbo Holding Ltd as per December 31, 2021

	First elected at OGM	AFC	HRNC	RC
Executive Chairman				
THIS E. SCHNEIDER	2004	–	–	–
Executive Director				
Vice Chairmen				
MICHAEL PIEPER	2000	–	M	M
Independent[1] non-executive Director				
DR. PETER ALTORFER	2005	M	C	C
Independent[1] non-executive Director and Lead Independent Director				
Members				
CLAUDIA CONINX-KACZYNSKI	2014	–	M	M
Independent[1] non-executive Director				
DR. RETO MÜLLER	2011	M	–	–
Independent[1] non-executive Director				
VINCENT STUDER	2009	C	–	–
Independent[1] non-executive Director				
Secretary of the Board of Directors				
NICOLE GRAF				
Non-member				

OGM: Ordinary General Meeting
AFC: Audit and Finance Committee
HRNC: Human Resources and Nomination Committee
RC: Remuneration Committee
V: Chair
M: Member
[1]: Independent as defined by the 'Swiss code of best practice for corporate governance'

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

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

Election and term of office

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

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

Internal organizational structure

The allocation of tasks within the Board of Directors and the composition of the Board committees are shown in the table on page 63.

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

As a rule, the Executive Chairman of the Board of Directors chairs the meetings of the Board and the General Meeting. He plans and conducts the meetings of the Board and the General Meeting. The meetings of the Board and the relevant items on the agenda are prepared by the Executive Chairman. He monitors the execution of the measures adopted by the Board. He is the direct superior of the CEO, is in regular contact with him, and has an advisory and supervisory function. In addition, the Executive Chairman represents the Board and the Forbo Group vis-à-vis the public, the authorities, and the shareholders. The tasks of the Executive Chairman of the Board and the demarcation of responsibilities from those of the CEO are set out in the section 'Areas of responsibility' on pages 66 and 67.

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

The Vice Chairmen are elected by the Board of Directors.

The Board of Directors meets on being convened by the Executive Chairman as often as business requires but at least four times a year. The items on the agenda must be announced at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2021, the Board of Directors held four meetings with members physically in attendance, as well as one virtual meeting and six telephone/video conference calls. The meetings, both physical and virtual, each lasted a whole day, while the conference calls took one to two hours each. Every Board member participated in all eleven meetings.

The Executive Chairman may invite members of the Executive Board or other senior employees to attend Board meetings for individual items. In the 2021 business year, members of the Executive Board and other senior employees participated in the physical and virtual meetings of the Board of Directors for the agenda items that affected them. No members of the Executive Board nor any other senior employees participated in the Board meetings held by conference call. External consultants may participate in the meetings of the Board of Directors, the AFC, the RC or the HRNC only in exceptional circumstances to deal with particular items. In the 2021 business year, no external consultants participated in the meetings of the Board of Directors. Participation of external consultants in meetings of the AFC, RC and HRNC are listed in the chapters on the AFC, RC and HRNC on pages 65, 76, 77 and 78.

Audit and Finance Committee

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

The AFC convenes as often as business requires, but at least twice a year. In the 2021 business year, two meetings were held, each lasting about half a day. All members of the AFC were present at both meetings. The external auditors were present for selected items on the agenda of the AFC's meeting on the financial statements and at the meeting to discuss the scope of the audit and the audit fee. The Ernst & Young representatives responsible for internal audit attended the discussions of the internal audit reports at both meetings. No external consultants participated in the meetings of the AFC in the year under review.

The AFC brings together expertise and competencies in the areas relevant for the committee on the basis of executive functions in other companies, current directorships in other firms, and previous responsibilities/mandates. The relevant information can be found on pages 61 and 62 of this Annual Report.

Human Resources and Nomination Committee

We refer to the explanations in the remuneration report on pages 76 and 77.

Remuneration Committee

We refer to the explanations in the remuneration report on pages 77 and 78.

Areas of responsibility

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

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

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

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

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

Tasks of the Executive Chairman of the Board of Directors:

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

Tasks of the Chief Executive Officer:

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

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

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

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

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

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

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

The Executive Board meets as often as business requires, normally once a month. In the 2021 business year, eleven meetings were held, with the meetings usually lasting half a day. In addition, the Executive Board also met for a two-day workshop during the 2021 business year.

The CEO chairs the meetings of the Executive Board. For details concerning the participation of members of the Executive Board in meetings of the Board of Directors and its committees, refer to the sections on internal organization and on the AFC, HRNC, and RC on pages 64 and 65, as well as 76 to 78.

The Board of Directors fulfills its supervisory and monitoring obligations also by means of financial reporting and its role in the planning cycle. The internal and external auditors may assist the Board in this task. However, neither the external auditors nor the internal auditors were invited to any meetings of the Board of Directors in 2021 as there were no special incidents or topics for discussion.

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

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

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

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

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

In 2021, eight Group companies were audited by Ernst & Young on the occasion of six internal audits. The internal audits included, among others, the audit of control points defined in the framework of the internal control system (ICS) as well as various compliance reviews (including data protection) related to the audited business processes. Lastly, additional risks and controls in connection with the audited business processes were analyzed. Six companies in Forbo Flooring Systems and two companies in Forbo Movement Systems were audited in the course of the internal audits.

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

Risk management

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

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

As regards business risks, Forbo addresses strategic risks as well as market and financial risks. In the area of market risks, interest and currency risks are centrally monitored and hedged in certain cases. The liquidity and financing of subsidiaries are also monitored centrally. For more information on this subject, refer to pages 131 to 134 of the Annual Report.

With regard to the risk management process, refer to the relevant explanations on pages 131 to 134 (note 23 'Risk assessment and financial risk management') of the Financial Report section of the Annual Report.

Executive Board

Members of the Executive Board, other activities, and vested interests
The members of the Executive Board, their nationality, function, training, and professional career, as well as other activities and vested interests, are set out on page 47 of this Annual Report.

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

Changes to the Executive Board
On January 1, 2021, Andreas Jaeger joined the Forbo Group, succeeding Urs Uehlinger, who left the company at the end of February 2021, as Chief Financial Officer and member of the Executive Board of the Forbo Group. Michael Schumacher, Chief Executive Officer and Chairman of the Executive Board of the Forbo Group, joined the Forbo Group on September 1, 2021, assuming the roles held by Stephan Bauer on October 1, 2021, who left at that date.

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

Compensation, shareholdings, and loans

For information on this subject, refer to the remuneration report from page 75.

Shareholders' participation rights

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

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

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

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

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

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

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

Changes in control and defense measures

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

Clause on changes of control
As per year-end 2021, no clauses on changes of control existed in agreements or plans involving members of the Board of Directors, the Executive Board or other members of management.

Auditors

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

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

Additional fees
The additional consultancy fees that were invoiced by the auditing company amounted to CHF 0.1 million in 2021. These fees were charged mainly for the provision of tax advice.

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

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

Blackout periods

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

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

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

Information policy

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

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

Ad hoc communication

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

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

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

A financial calendar with the key dates can be found on page 8 of this Annual Report. Further information on the Forbo share is printed on pages 54 and 55 of this Annual Report.

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REMUNERATION REPORT

REMUNERATION REPORT

Introduction

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

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

The variable remuneration model for the Executive Board with the short-term incentive was supplemented by a long-term participation (long-term incentive) component, effective as of January 1, 2017. This long-term incentive consists of a performance share unit plan. Its aim is to link a significant portion of the Executive Board's remuneration even more closely with the company's long-term success and to make it more responsive to shareholders' interests. Details on the long-term incentive can be found in the chapter 'Elements of remuneration of the Executive Board' on pages 83 to 85. An amendment to the Articles of Association concerning this matter was approved by a large majority at the Ordinary General Meeting on April 6, 2017.

The shareholders will vote separately on the following four compensation motions at the 2022 Ordinary General Meeting:

- Maximum total remuneration for the Board of Directors for 2023
- Maximum fixed remuneration for the Executive Board for 2023
- Short-term variable remuneration of the Executive Board for 2021 (bonus/short-term incentive)
- Maximum total amount of the long-term participation for the Executive Board for 2022 (long-term incentive plan 2022–2024)

The total remuneration was approved by a large majority in a consultative vote on the 2020 remuneration report at the Ordinary General Meeting of April 1, 2021 (agenda item 4.1). Participants in the 2022 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2021 remuneration report.

Content and methodology for determining the remuneration

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

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

The Human Resources and Nomination Committee meets as often as business requires, but at least twice a year. In the 2021 business year, the HRNC held one meeting with personal presence, as well as one video conference call, each lasting a couple of hours, each lasting about one hour. No external consultants participated in these meetings.

The Human Resources and Nomination Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 1, 2021, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2021 business year.

The HRNC brings together expertise and competencies in the areas relevant for the committee on the basis of executive functions in other companies, current directorships in other firms, and previous responsibilities/mandates. The relevant information can be found on pages 61 and 62 of this Annual Report.

The Remuneration Committee (RC): task and function

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

The Remuneration Committee meets as often as business requires, but at least twice a year. In the 2021 business year, the Remuneration Committee held one meeting with personal presence, as well as one video conference call, each lasting a couple of hours. No external consultants participated in these meetings.

The Remuneration Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 1, 2021, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the Remuneration Committee for the 2021 business year. The members of the Remuneration Committee are independent (non-executive) members of the Board of Directors, i.e. they have never belonged to the management of Forbo and have no, or only negligible, business relations with the company, though they may be shareholders.

The RC brings together expertise and competencies in the areas relevant for the committee on the basis of executive functions in other companies, current directorships in other firms, and previous responsibilities/mandates. The relevant information can be found on pages 61 and 62 of this Annual Report.

Decision-making process of the Remuneration Committee

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

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

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

Important changes in 2021

In the business year 2021, no important changes to the remuneration system were made either for the Board of Directors or for the Executive Board.

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

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

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

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

The bonus/short-term incentive is a short-term, performance-related remuneration, at least 50% of which must be taken in the form of locked up shares of Forbo Holding Ltd (see the description of the management investment plan [MIP] on pages 83 and 84 of this Remuneration Report). The portion paid in shares is derived from a fixed remuneration amount. The bonus is derived from the achievement of individual (qualitative) targets by each Executive Board member and of financial (quantitative) targets by the company. Depending on the function and responsibilities of the Executive Board member in question, these financial targets may be derived from Group and/or divisional objectives. It may not exceed 200% of the fixed remuneration of the individual Executive Board member.

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

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

Determining the remuneration of the Board of Directors

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

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

Elements of remuneration for the Board of Directors

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

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

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

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

The remuneration is mainly paid in locked up shares, which have a lockup period of three years. The annual cash payment for the year under review of CHF 470,000 (previous year: CHF 290,000) is used to a predominant part for employee contributions to the pension fund and social security (AHV and IV) and for other levies. The underlying share price used to calculate the number of shares is the weighted average price of the first ten days on which Forbo Holding Ltd shares were traded on the stock market in 2021, less the reduced value as a result of locking up the shares (tax value 2021: CHF 1,285.62 per share; previous year: CHF 1,399.14 per share). The share package corresponds to annual compensation at fair value (excluding the reduction for the lockup period) of CHF 2,263,103 (1,478 shares); previous year: CHF 2,262,967 (1,358 shares).

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

The total compensation for the Executive Chairman of the Board of Directors came to CHF 3,182,103 for the year under review (previous year: CHF 2,990,758). Contained in this amount and reported in the column 'Other payments' are employer contributions to the pension fund, other usual social insurances, private use of the company car, contributions for accident and health insurance, and location expenses. The Executive Chairman of the Board of Directors is not a party to the management investment plan (MIP) or the share-based compensation program of the Board of Directors.

Remuneration paid
For the remuneration paid to the Board of Directors in the year under review and the details concerning valuation of the shares, the reader is referred to pages 86 to 88 of this remuneration report.

Determining the remuneration of the Executive Board

Basic principles

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

Alignment of performance-based remuneration with the corporate strategy

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

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

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

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

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

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

Planning cycle

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

■ Decision period

Elements of remuneration of the Executive Board

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

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

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

The qualitative targets are geared to the company's long-term sustainable development and may account for 10% of the bonus/short-term incentive. The remaining 90% depend on the achievement of the financial (quantitative) targets. The main targets for members of the Executive Board are: net sales of the Group and/or a division (40% to 50% of the variable remuneration), EBIT of the Group and/or a division (35% to 50% of the variable remuneration), and net working capital of the Group and/or a division (7% of the variable remuneration).

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

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

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

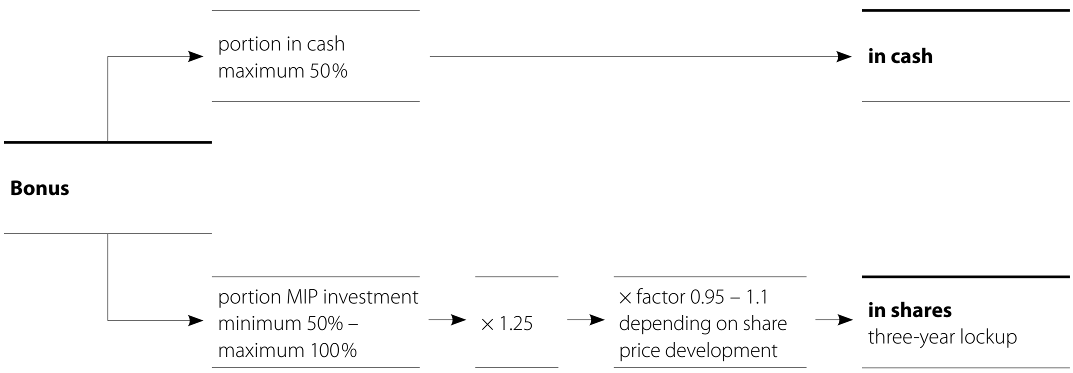
Conversion of remuneration into shares in the management investment plan (MIP)
The bonus payment from the bonus/short-term incentive is linked to the management investment plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual short-term variable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

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

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

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

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



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

Long-term participation plan (long-term incentive)

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

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

The long-term incentive consists of a performance share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share. The size of the PSU allocation corresponds to a defined percentage of the Executive Board member's fixed remuneration; the percentage may vary from 15% to 50%. The PSUs are subject to a three-year vesting period. They are converted into vested shares only on condition that the Group's performance objectives are achieved. At the end of the performance period, the company will determine whether the objectives set by the Board of Directors at the start of the performance period for the performance indicators have been reached. Depending on the degree to which the objectives are reached, a given percentage of the PSUs will be converted into shares after the three-year vesting period. Converted shares are locked up for a period of three years. They cannot be sold or pledged during this time. Immediately on termination of the plan participant's employment contract, regardless of whether the plan participant has terminated the contract or the company has terminated the contract with the plan participant, all PSUs are forfeited.

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

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

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

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

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

Actual bonus payments
Readers are referred to pages 86 to 88 of this remuneration report for the amount of the actual short-term variable remuneration (bonus/short-term incentive) paid to the Executive Board in the year under review and for details on the valuation and allocation of shares. The number of future subscription rights in the form of performance share units for the Executive Board as part of the long-term incentive can also be found on these pages.

There are no option plans.

Employment contracts of the Executive Board members

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

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

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

No severance payments have been agreed with Executive Board members.

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

Remuneration of the Board of Directors
The total remuneration paid to the non-executive members of the Board of Directors came to CHF 810,178 in the year under review (previous year: CHF 809,919). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 413,615 (previous year: CHF 413,862) and the base remuneration in shares (40% of the remuneration) of CHF 335,136 (previous year: CHF 334,842). This corresponds to 186 shares (previous year: 266 shares) at a market value of CHF 1,801.80 each (previous year: CHF 1,258.80). The portion paid in shares is derived from a fixed remuneration amount. This total remuneration includes a lump sum for expenses plus employer contributions to the usual social insurances, which are reported separately in the column 'Other remuneration'.

The remuneration paid to the Executive Chairman of the Board of Directors is explained in detail on page 80 of this remuneration report.

Remuneration of the Executive Board
The total remuneration paid to the members of the Executive Board came to CHF 3,752,600 in the year under review (previous year: CHF 2,407,100), subject to approval of the variable portion by the 2022 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,642,803 (previous year: CHF 1,520,434) and short-term variable bonus remuneration (short-term incentive) of CHF 1,292,254 (previous year: CHF 140,380), a long-term participation (long-term incentive) of CHF 343,921 (previous year: CHF 356,345) plus the private use of the company car, and employer contributions to the pension fund as well as other usual social insurances, which are reported separately in the column 'Other remuneration'.

The fixed portion of the base salary paid in shares (lockup period of five years) came to CHF 143,699 (previous year: CHF 278,961). The portion paid in shares is derived from a fixed remuneration amount. The portion of the variable remuneration (short-term incentive) paid in shares in connection with the MIP (lockup period of three years) came to CHF 761,206 (previous year: CHF 111,384), which is subject to approval by the 2022 Ordinary General Meeting. The portion paid in shares is derived from a fixed remuneration amount.

For the three actual long-term incentive plans, a total of 627 future subscription rights in the form of performance share units were issued.

Plan	Allocation of subscription rights	Performance period	Vesting date (PSUs)	Unlocking of shares	Number of PSUs allocated	Value PSUs in CHF (allocation)
2019 – 2021	April 2019	2019 – 2021	April 2022	April 2025	189	267,354
2020 – 2022	April 2020	2020 – 2022	April 2023	April 2026	216	356,345
2021 – 2023	April 2021	2021 – 2023	April 2024	April 2027	222	343,921

Disclosure of remuneration of the Board of Directors and Executive Board

Remuneration
For the year 2021[1)]

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

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

2) The variable short-term remuneration of the Executive Board (bonus/short-term incentive) corresponds to the actual degree to which targets were reached in 2021 and will be submitted to the April 2022 Ordinary General Meeting for approval. The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the allocation year in connection with the MIP. The allocation takes place in April (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year. The value at allocation was CHF 1,861.14. The shares are locked up for a period of three years.

3) The long-term incentive for the Executive Board corresponds to the long-term participation plan for 2021 (long-term incentive plan 2021–2023) and to the number of future subscription rights allocated to the plan in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share and is subject to a three-year vesting period.

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

5) Please refer to page 80 of this remuneration report for details on the structure of the remuneration of the Executive Chairman of the Board of Directors. These details also contain the criterion for determining the number of shares issued and their lockup periods.

6) The criterion for determining the number of shares issued for the non-executive members of the Board of Directors is the average share price in the ten trading days after payment of the dividend or repayment of the par value: CHF 1,801.80. The allocation is made at the discounted tax value of 1,512.82 CHF. The shares are locked up for a period of three years and are reported at market value in the table above.

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

8) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated in April for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of five years. The value of the shares allocated was CHF 1,547.00 for 2021 and for 2022 CHF 1,861.14.

9) The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares for the bonus for the business year 2021 will be allocated in April 2022, subject to approval by the 2022 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,861.14. Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

Remuneration
For the year 2020[1)]

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

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

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

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

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

5) Please refer to page 80 of this remuneration report for details on the structure of the remuneration of the Executive Chairman of the Board of Directors. These details also contain the criterion for determining the number of shares issued and their lockup periods.

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

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

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

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

Advances and loans

As of December 31, 2021, no advances or loans to members of the Board of Directors or the Executive Board were outstanding.

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

Disclosure of shareholdings pursuant to Article 663c CO

2021 business year

As at December 31, 2021, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2021

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

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

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

Shareholdings 2020

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

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

Report of the statutory auditor

KPMG

Report of the Statutory Auditor

To the General Meeting of Forbo Holding Ltd, Baar

We have audited the accompanying remuneration report of Forbo Holding Ltd for the year ended 31 December 2021. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) on pages 87 to 90 of the remuneration report.

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

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

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2021 of Forbo Holding Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

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

Zurich, 2 March 2022

FINANCIAL REPORT

Consolidated balance sheet

		31.12.2021	31.12.2020
Assets			
CHF m	Note		
Current assets		**553.6**	**668.7**
Cash and cash equivalents	22	93.3	255.8
Current financial assets	22	0.0	0.1
Trade receivables	12	153.4	141.4
Other receivables		32.2	39.7
Accrued income and deferred expenses		11.8	13.2
Inventories	13	262.9	218.5
Non-current assets		**428.0**	**442.1**
Non-current financial assets	22	0.2	0.2
Deferred tax assets	10	37.4	45.4
Property, plant, and equipment	14/21	294.8	295.7
Intangible assets and goodwill	15	95.6	100.8
Total assets		**981.6**	**1,110.8**
Shareholders' equity and liabilities			
CHF m	Note		
Current liabilities		**314.5**	**251.5**
Current financial liabilities	22	50.8	14.1
Trade payables	22	112.2	94.4
Other current liabilities		30.0	30.4
Current tax liabilities		20.4	16.6
Accrued expenses and deferred income	16	81.6	76.2
Current provisions	17	19.5	19.8
Non-current liabilities		**145.3**	**175.8**
Non-current financial liabilities	22	31.6	31.1
Deferred tax liabilities	10	9.8	8.9
Non-current provisions	17	35.5	46.5
Employee benefit obligations	18	68.4	89.3
Total liabilities		**459.8**	**427.3**
Shareholders' equity		**521.8**	**683.5**
Share capital	20	0.2	0.2
Treasury shares	20	–0.1	–0.1
Reserves and retained earnings		521.7	683.4
Total shareholders' equity and liabilities		**981.6**	**1,110.8**

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

Consolidated income statement

	1.1. – 31.12.	2021	2020
CHF m	Note		
Net sales	5	**1,254.0**	**1,117.7**
Cost of goods sold		– 803.0	– 707.5
Gross profit		**451.0**	**410.2**
Development costs	6	– 15.9	– 15.2
Marketing and distribution costs		– 175.3	– 171.3
Administrative costs		– 92.8	– 86.4
Other operating expenses	7	– 7.2	– 15.2
Other operating income	8	19.2	14.9
Operating profit		**179.0**	**137.0**
Financial income		3.0	0.7
Financial expenses		– 0.8	– 1.6
Group profit before taxes		**181.2**	**136.1**
Income taxes	10	– 40.0	– 29.9
Group profit for the year		**141.2**	**106.2**
Group profit attributable to shareholders of Forbo Holding Ltd		141.2	106.2
Earnings per share, total			
CHF	Note		
Basic earnings per share	11	91.63	66.60
Diluted earnings per share	11	91.62	66.60

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

Consolidated comprehensive income statement

1.1. – 31.12.		2021	2020
CHF m	Note		
Group profit for the year		**141.2**	**106.2**
Items that will not be reclassified to the income statement:			
Remeasurements of employee benefit obligations, net of taxes	10	16.8	– 7.8
Items that are or may be subsequently reclassified to the income statement:			
Translation differences		– 11.6	– 23.3
Other comprehensive income for the year, net of tax		**5.2**	**– 31.1**
Total comprehensive income		**146.4**	**75.1**
Total comprehensive income attributable to the shareholders of Forbo Holding Ltd		146.4	75.1

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

Consolidated statement of changes in equity

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**

2020

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

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

Consolidated cash flow statement

	1.1. – 31.12.	2021	2020
Cash flow from operating activities			
CHF m	Note		
Group profit for the year		**141.2**	**106.2**
Tax expense	10	40.0	29.9
Financial result		–2.2	0.9
Depreciation of property, plant, and equipment and right-of-use assets	14	51.9	50.4
Amortization of intangible assets	15	4.8	4.6
Share-based payments	9	4.4	3.0
Income tax paid		–36.4	–37.4
Decrease (–)/Increase in provisions and employee benefit obligations		–9.2	1.0
Increase (–)/Decrease in trade receivables		–16.1	12.8
Increase (–)/Decrease in inventories		–47.9	8.0
Increase/Decrease(–) in trade payables		20.2	–1.5
Decrease/Increase (–) in other net working capital		15.8	–6.5
Net cash flow from operating activities		**166.5**	**171.4**
Cash flow from investing activities			
CHF m	Note		
Purchase of non-current assets		–38.8	–39.7
Proceeds from the disposal of non-current assets		0.0	0.1
Interest received		0.4	0.7
Net cash flow from investing activities		**–38.4**	**–38.9**
Cash flow from financing activities			
CHF m	Note		
Payment of lease liabilities	21	–17.7	–17.5
Increase current financial liabilities	22	36.2	
Interest paid	21	–0.8	–0.9
Purchase of treasury shares		–276.5	–34.4
Dividend payment		–31.4	–36.8
Net cash flow from financing activities		**–290.2**	**–89.6**
Change in cash and cash equivalents			
CHF m	Note		
Decrease(–)/Increase in cash and cash equivalents		–162.1	42.9
Translation differences on cash and cash equivalents		–0.4	–4.8
Total cash and cash equivalents at beginning of year		255.8	217.7
Total cash and cash equivalents at year-end		**93.3**	**255.8**

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 2, 2022, and released for publication on March 3, 2022. This financial report is subject to approval by the Ordinary General Meeting of April 1, 2022.

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 and pension fund liabilities measured at the net value of the discounted defined benefit obligations less the fair value of the plan assets.

The preparation of the consolidated financial statements requires management to make discretionary 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.

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

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

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

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

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

Changes in the scope of consolidation

In the reporting period, there were no changes in the scope of consolidation. In the previous year, the sales company TOB 'Forbo Flooring Ukraine' was founded in Kiev, Ukraine, within the Flooring Systems segment. In the Corporate segment, Forbo Finanz AG was merged with Forbo Financial Services AG (renamed Forbo Management SA) in order to streamline the corporate structure. Forbo Finanz AG was subsequently deregistered as a result of the merger. Effective as of January 1, 2021, Forbo Management SA took over the activities of the Corporate segment of Forbo International SA, which then moved its domicile from Baar to Wallbach and was renamed Forbo Siegling Schweiz AG.

The subsidiaries included in the group of consolidated companies are listed under 'Group companies' (from page 136 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)	
			2021	2020	2021	2020
Exchange rates						
Euro zone	EUR	1	1.0811	1.0706	1.0343	1.0840
USA	USD	1	0.9141	0.9368	0.9140	0.8822
Great Britain	GBP	1	1.2573	1.2027	1.2337	1.2011
Japan	JPY	100	0.8324	0.8785	0.7942	0.8552
China	CNY	100	14.1684	13.5918	14.3418	13.5234
Sweden	SEK	100	10.6543	10.2186	10.1041	10.7469

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 fixed assets such as buildings, machines and equipment, vehicles and other operational assets are reported at cost on acquisition less accrued depreciation and impairments.

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

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

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

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

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

Goodwill is not amortized but tested for impairment at least 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:

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; vehicles and buildings constitute the vast majority of leasing agreements.

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

The right-of-use is 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 revised accounting standards

Applied new and revised standards and interpretations

The following relevant revised standards and interpretations of the International Accounting Standards Board (IASB) were applied for the first time in the business year that began on January 1, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest rate benchmark reform - Phase 2'
- Amendments to IFRS 16 'COVID-19-related rent concessions' (since April 1, 2021)

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

Introduction of new standards in 2022 and beyond

There are no new standards that are relevant for the Group. The following revised standards and interpretations that were published by end 2021 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			
Annual Improvements to IFRS Standards 2018 – 2020	*	January 1, 2022	2022 business year
Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'	*	January 1, 2022	2022 business year
Amendments to IFRS 3 'Reference to the Conceptual Framework'	*	January 1, 2022	2022 business year
Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'	*	January 1, 2022	2022 business year
Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'	*	January 1, 2023	2023 business year
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

* 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:

2021 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	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)

Segment information on the reportable segments for the prior year:

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

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

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

The Executive Chairman of the Board of Directors and the Chief Executive Officer assess the performance of the reportable segments based on their operating result (EBIT). The 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:

	2021	2020
CHF m		
Total segment result (EBIT)	**179.0**	**137.0**
Financial result	2.2	– 0.9
Group profit before taxes	**181.2**	**136.1**

	31.12.2021	31.12.2020
CHF m		
Total operating assets	**850.7**	**809.3**
Non-operating assets	130.9	301.5
Total assets	**981.6**	**1,110.8**

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

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

	Flooring Systems		Movement Systems	
CHF m	2021 Third-party sales	2020 Third-party sales	2021 Third-party sales	2020 Third-party sales
Regions				
Europe	651.6	585.7	162.9	140.0
Americas	123.9	107.9	130.4	118.9
Asia/Pacific and Africa	76.3	63.4	108.9	101.8
Total net sales to third parties	**851.8**	**757.0**	**402.2**	**360.7**

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

	2021 Third-party sales	2020 Third-party sales
CHF m		
Switzerland (domicile)	27.9	26.2
Germany	155.9	145.9
France	149.9	124.3
Benelux	129.4	122.2
Scandinavia	102.7	94.6
Great Britain and Ireland	74.5	67.2
Other countries Europe	174.2	145.3
Europe	**814.5**	**725.7**
USA	207.5	186.7
Other countries Americas	46.8	40.1
Americas	**254.3**	**226.8**
Asia/Pacific and Africa	**185.2**	**165.2**
Total net sales to third parties	**1,254.0**	**1,117.7**

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

Operating assets are distributed over the following regions:

	31.12.2021 Operating assets	31.12.2020 Operating assets
CHF m		
Switzerland (domicile)	31.2	31.5
Germany	102.1	91.9
France	71.2	73.5
Benelux	208.1	199.4
Scandinavia	42.7	33.8
Great Britain and Ireland	90.2	103.8
Other countries Europe	58.8	61.3
Europe	**604.3**	**595.2**
USA	100.5	87.3
Other countries Americas	21.1	11.3
Americas	**121.6**	**98.6**
Asia/Pacific and Africa	**124.8**	**115.5**
Total operating assets	**850.7**	**809.3**

6 Development costs

'Development costs', which mainly comprise product development, amounted to CHF 15.9 million in the reporting year (2020: CHF 15.2 million).

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

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

7 Other operating expenses

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

8 Other operating income

'Other operating income' comprises a range of income, as the release of provisions owing to settled obligations related to the sale of industrial adhesives and for legal proceedings as well as 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

	2021	2020
Personnel expenses		
CHF m		
Salaries and wages	301.7	279.7
Social security contributions	59.7	59.7
Employee benefit expenses for defined contribution plans	13.8	14.1
Employee benefit expenses for defined benefit plans	5.8	5.8
Total personnel expenses	**381.0**	**359.3**

As at December 31, 2021, the headcount was 5,532 (2020: 5,317). The weighted average headcount over the year was 5,508 (2020: 5,491).

Personnel expense increased year-on-year because of the higher headcount. In addition, in the previous year, unused holidays and overtime were reduced and compensation from individual programs related to the COVID-19 pandemic could be collected.

Salaries and wages include share-based payments expenses of CHF 4.4 million (2020: CHF 3.0 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').

10 Income taxes

	2021	2020
Income taxes		
CHF m		
Current income taxes	35.8	30.5
Deferred income taxes	4.2	– 0.6
Total income taxes	**40.0**	**29.9**

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

	2021	2020
CHF m		
Group profit before taxes	181.2	136.1
Tax expense at the expected tax rate	**– 43.1**	**– 33.1**
Expected tax rate in %	23.8%	24.3%
Tax effects of:		
Non-tax-deductible expenses	– 0.7	– 0.9
Tax-exempt income	0.8	2.4
Recognition of previously unrecognized tax losses	0.4	
Utilization of previously unrecognized tax losses	0.6	0.2
Previous-year taxes and other positions	2.0	1.5
Effective income tax expenses	**– 40.0**	**– 29.9**
Effective income tax rate in %	22.1%	22.0%

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:

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**

2020

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

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

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

The following amounts are shown in the balance sheet:

	31.12.2021	31.12.2020
CHF m		
Deferred tax assets	37.4	45.4
Deferred tax liabilities	– 9.8	– 8.9
Deferred taxes, net	**27.6**	**36.5**

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

Deferred tax assets

CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry-forwards	Employee benefit obligations	Other	Total
January 1, 2020	**8.9**	**1.0**	**13.5**	**12.6**	**14.8**	**5.7**	**56.5**
Changes recognized in income statement	– 1.0	1.4	– 0.7	– 0.5		0.0	– 0.8
Changes recognized in other comprehensive income					2.0		2.0
Translation differences	– 0.2	0.0	0.0	– 0.2	– 0.2	– 0.1	– 0.7
As at December 31, 2020	**7.7**	**2.4**	**12.8**	**11.9**	**16.6**	**5.6**	**57.0**
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**
Netting with deferred tax liabilities							– 12.5
As at December 31, 2021							**37.4**

Deferred tax liabilities

CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Employee benefit obligations	Other	Total
January 1, 2020	**2.9**	**4.9**	**0.1**	**11.1**	**0.0**	**3.3**	**22.3**
Changes recognized in income statement	0.0	0.7	0.0	– 2.1		0.0	– 1.4
Translation differences	– 0.1	– 0.1	0.0	– 0.2	0.0	0.0	– 0.4
As at December 31, 2020	**2.8**	**5.5**	**0.1**	**8.8**	**0.0**	**3.3**	**20.5**
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**
Netting with deferred tax assets							– 12.5
As at December 31, 2021							**9.8**
Increase in deferred tax assets 2020							2.3
Decrease in deferred tax assets 2021							– 8.9

As at December 31, 2021, 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:

	2021			2020		
CHF m	Before tax	Tax expense	After tax	Before tax	Tax income	After tax
Actuarial gains/losses (–) on employee benefit obligations	20.6	– 3.8	16.8	– 9.8	2.0	– 7.8
Translation differences	– 11.6		– 11.6	– 23.3		– 23.3
Other comprehensive income	**9.0**	**– 3.8**	**5.2**	**– 33.1**	**2.0**	**– 31.1**

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:

	2021	2020
Group profit for the year in CHF million	141.2	106.2
Weighted average number of shares	1,541,336	1,594,494
Number of shares adjusted for long-term incentive plans (LTI)	122	16
Weighted average number of shares used to calculate diluted earnings per share	1,541,458	1,594,510
Basic earnings per share in CHF	91.63	66.60
Diluted earnings per share in CHF	91.62	66.60

12 Trade receivables

	31.12.2021	31.12.2020
Trade receivables		
CHF m		
Accounts receivable	145.4	134.7
Notes receivable	12.8	12.8
Allowance	– 4.8	– 6.1
Total trade receivables	**153.4**	**141.4**

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

	31.12.2021	31.12.2020
Inventories		
CHF m		
Raw materials and supplies	63.5	48.7
Work in progress	78.1	71.2
Finished goods	154.3	131.4
Valuation allowance for inventories	– 33.0	– 32.8
Total inventories	**262.9**	**218.5**

Cost of materials recognized in the reporting year came to CHF 528.7 million (2020: CHF 436.2 million). The increase is due to higher volumes as well as significantly higher raw material prices.

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, 2020	**166.9**	**728.3**	**134.4**	**16.9**	**1,046.5**
Additions	27.7	8.0	7.3	23.0	66.0
Disposals	– 7.4	– 7.7	– 3.4		– 18.5
Transfers	4.8	11.7	1.3	– 17.8	
Translation differences	– 8.0	– 12.3	– 2.4	– 0.2	– 22.9
As at December 31, 2020	**184.0**	**728.0**	**137.2**	**21.9**	**1,071.1**
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**

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, 2020	**38.6**	**602.1**	**114.0**	**0.0**	**754.7**
Depreciation	15.3	25.4	9.7		50.4
Disposals	– 3.6	– 7.6	– 3.2		– 14.4
Translation differences	– 4.5	– 9.3	– 1.5		– 15.3
As at December 31, 2020	**45.8**	**610.6**	**119.0**	**0.0**	**775.4**
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**
Net carrying amount					
As at January 1, 2020	128.3	126.2	20.4	16.9	291.8
As at December 31, 2020	138.2	117.4	18.2	21.9	295.7
As at December 31, 2021	136.1	117.9	16.3	24.5	294.8

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

Included under property, plant, and equipment are right-of-use assets amounting to CHF 47.3 million (2020: CHF 46.9 million). Further information can be found in note 21 'Leasing'.

Maintenance and repair costs amounted to CHF 25.5 million (2020: CHF 22.7 million). The depreciation expense of CHF 51.9 million (2020: CHF 50.4 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.

As at December 31, 2021, there were no assets for which interest on borrowed capital was capitalized during the preparation phase.

As at December 31, 2021, the Group had outstanding purchase orders for capital goods amounting to CHF 4.8 million (2020: CHF 2.1 million).

15 Intangible assets and goodwill

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2020	**84.3**	**32.8**	**81.5**	**198.6**
Additions			0.3	0.3
Transfers			– 0.1	– 0.1
Translation differences	– 1.2	– 0.3	– 3.7	– 5.2
As at December 31, 2020	**83.1**	**32.5**	**78.0**	**193.6**
Additions			0.4	0.4
Disposals			– 0.1	– 0.1
Transfers				0.0
Translation differences	– 1.7	0.1	1.2	– 0.4
As at December 31, 2021	**81.4**	**32.6**	**79.5**	**193.5**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2020	**8.8**	**26.3**	**55.6**	**90.7**
Amortization			4.6	4.6
Disposals			– 0.1	– 0.1
Translation differences	0.0	0.0	– 2.4	– 2.4
As at December 31, 2020	**8.8**	**26.3**	**57.7**	**92.8**
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**
Net carrying amount				
As at January 1, 2020	75.5	6.5	25.9	107.9
As at December 31, 2020	74.3	6.2	20.3	100.8
As at December 31, 2021	72.9	6.3	16.4	95.6

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

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

	31.12.2021	31.12.2020
Flooring Systems	69.2	70.3
Movement Systems	3.7	4.0
Total Goodwill	**72.9**	**74.3**

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

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

Cash flows beyond the detailed planning period are extrapolated to the terminal value by means of using sustainable earnings. The growth rate underlying the terminal value equals the expected inflation (1%). During the detailed planning period, relatively constant EBITDA margins are assumed, which are around 20% (2020: 19%) for Flooring Systems and around 19% (2020: 15%) 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 9.3% (previous year: 8.9%). The intangible assets with an indefinite useful life were subject to impairment testing also in the form of sensitivity analyses (WACC).

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

	31.12.2021	31.12.2020
Accrued expenses and deferred income		
CHF m		
Accrued expenses for compensation and employee benefits	43.3	37.4
Other accrued expenses	38.3	38.8
Total accrued expenses and deferred income	**81.6**	**76.2**

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

17 Provisions

Provisions CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total
As at January 1, 2021	**5.3**	**8.1**	**36.2**	**13.3**	**3.4**	**66.3**
Additions	2.9		0.4	5.4	0.3	9.0
Used during the year	– 2.8		– 0.6	– 2.0		– 5.4
Released during the year	– 0.9	– 4.2	– 6.1	– 0.9	– 2.3	– 14.4
Translation differences	0.0	– 0.2	0.0	– 0.2	– 0.1	– 0.5
As at December 31, 2021	**4.5**	**3.7**	**29.9**	**15.6**	**1.3**	**55.0**
Of which current provisions	3.2		1.3	14.1	0.9	19.5
Of which non-current provisions	1.3	3.7	28.6	1.5	0.4	35.5

Warranty provisions are linked to product sales and are based on past experience. The provisions for legal claims relate mainly to product liability claims in which the Group is involved in the course of its normal business. Warranties related to the sale of industrial adhesives in 2012 were settled in the reporting period. Personnel provisions comprise possible obligations arising from employment contracts. 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 60% of the Group's total pension liabilities. The FSF is a pension plan whose benefits are based on the final salary and which pays out a guaranteed pension for life to its members. The FSF is closed to new entrants. The composition of the pension liabilities is as follows: 2% to active employees, 33% to deferred members and 65% to current beneficiaries. New employees in the United Kingdom who meet certain criteria are now offered a defined contribution plan.

The FSF operates under trust law and is managed and administered by the trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The FSF's assets are held by the trust. Responsibility for governance of the FSF – including investment decisions and contribution schedules – lies 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 19% of the Group's entire pension liabilities. 95% of the liabilities are to employees and 5% to beneficiaries.

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

The company cannot participate in any surplus of the pension plan. According to Swiss pension law (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, 2021, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2021, based on the information available when the annual financial statements were prepared. The weighted average duration of the pension plans ('plan duration') is 13.3 years for the United Kingdom, 17.7 years for Switzerland, and 15.4 years for the other countries.

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

Actuarial assumptions				2021				2020
	Switzerland	UK	Other	Weighted	Switzerland	UK	Other	Weighted
Discount rate (in %)	0.3	1.8	1.3	1.4	0.1	1.2	1.0	1.0
Future increases in salaries (in %)	1.9	4.1	2.8	2.3	1.8	3.6	2.7	2.4
Inflation rate (in %)	1.3	3.4	1.8	2.8	1.3	2.9	1.9	2.5
Life expectancy at age of 65 (in years)								
Year of birth 1956								
Men	22	21	21	21	23	21	20	21
Women	23	24	24	24	25	23	24	23
Year of birth 1971								
Men	23	22	22	22	24	22	22	22
Women	25	25	25	25	26	24	25	25

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

Pension costs				2021				2020
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Service cost	2.3	0.3	2.5	5.1	2.1	0.4	2.6	5.1
Interest costs	0.1	2.9	0.5	3.5	0.2	3.8	0.7	4.7
Interest income on plan assets	0.0	–2.7	–0.1	–2.8	–0.1	–3.7	–0.2	–4.0
Total actuarial net periodic pension costs	**2.4**	**0.5**	**2.9**	**5.8**	**2.2**	**0.5**	**3.1**	**5.8**

Changes in pension liabilities under the defined benefit plans:

Benefit obligations				2021				2020
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**69.0**	**231.0**	**62.0**	**362.0**	**63.4**	**228.9**	**61.3**	**353.6**
Service cost	2.3	0.3	2.5	5.1	2.1	0.4	2.6	5.1
Employee contributions	1.0		0.0	1.0	0.9		0.0	0.9
Interest costs	0.1	2.9	0.5	3.5	0.2	3.8	0.7	4.7
Benefits paid	– 2.8	– 10.2	– 1.8	– 14.8	– 1.0	– 9.1	– 2.6	– 12.7
Actuarial gains (–)/losses	– 7.0	– 13.0	– 3.8	– 23.8	3.4	19.8	0.5	23.7
Curtailments and settlements			– 0.1	– 0.1				
Translation differences		6.6	– 2.8	3.8		– 12.8	– 0.5	– 13.3
As at December 31	**62.6**	**217.6**	**56.5**	**336.7**	**69.0**	**231.0**	**62.0**	**362.0**

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

Plan assets				2021				2020
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**45.4**	**222.0**	**5.3**	**272.7**	**44.7**	**224.9**	**5.4**	**275.0**
Interest income on plan assets	0.0	2.7	0.1	2.8	0.1	3.7	0.2	4.0
Employer contributions	1.7	0.3	1.6	3.6	1.6	0.2	2.6	4.4
Employee contributions	1.0		0.0	1.0	0.9		0.0	0.9
Return on pension assets (excluding amounts in interest income)	1.5	– 5.2	0.5	– 3.2	– 0.9	14.9	– 0.1	13.9
Benefits paid	– 2.8	– 10.2	– 1.8	– 14.8	– 1.0	– 9.1	– 2.6	– 12.7
Curtailments and settlements			– 0.1	– 0.1				
Translation differences		6.3	0.0	6.3		– 12.6	– 0.2	– 12.8
As at December 31	**46.8**	**215.9**	**5.6**	**268.3**	**45.4**	**222.0**	**5.3**	**272.7**

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 35.9 million (2020: CHF 38.8 million) out of a total of CHF 336.7 million (2020: CHF 362.0 million) are unfunded.

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

Net liabilities	2021				2020			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**23.6**	**9.0**	**56.7**	**89.3**	**18.7**	**4.0**	**55.9**	**78.6**
Net pension cost	2.4	0.5	2.9	5.8	2.2	0.5	3.1	5.8
Employer contributions	– 1.7	– 0.3	– 1.6	– 3.6	– 1.6	– 0.2	– 2.6	– 4.4
Actuarial gains (–)/losses	– 8.5	– 7.8	– 4.3	– 20.6	4.3	4.9	0.6	9.8
Translation differences		0.3	– 2.8	– 2.5		– 0.2	– 0.3	– 0.5
Net liabilities as at December 31	**15.8**	**1.7**	**50.9**	**68.4**	**23.6**	**9.0**	**56.7**	**89.3**

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	2021				2020			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial gains/losses (–) in the current period:	7.0	13.0	3.8	23.8	– 3.4	– 19.8	– 0.5	– 23.7
Based on adjustment of demographic assumptions	4.9	– 1.1	0.1	3.9	0.0	– 0.6	0.0	– 0.6
Based on adjustment of financial assumptions	2.3	9.4	3.4	15.1	– 2.6	– 19.3	– 1.8	– 23.7
Experience adjustment	– 0.2	4.7	0.3	4.8	– 0.8	0.1	1.3	0.6
Return on pension assets (excluding amounts in interest income)	1.5	– 5.2	0.5	– 3.2	– 0.9	14.9	– 0.1	13.9
Total gains/losses (–) recognized in the comprehensive income statement before taxes	**8.5**	**7.8**	**4.3**	**20.6**	**– 4.3**	**– 4.9**	**– 0.6**	**– 9.8**

Change in the present value of defined benefit liabilities:

	2021			2020		
Sensitivities +50bp			+50bp			+50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	– 5.3	– 13.7	– 4.0	– 6.3	– 14.9	– 4.8
Increases in salaries	1.6	0.1	2.3	1.9	0.1	2.7
Inflation rate	1.2	4.6	3.8	1.4	9.0	4.5
Interest credits on retirement assets	1.4			1.6		

Sensitivities –50bp			–50bp			–50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	6.0	15.3	4.6	7.2	16.6	5.4
Increases in salaries	– 1.6	– 0.1	– 2.1	– 1.8	– 0.1	– 2.5
Inflation rate	– 1.2	– 8.0	– 3.4	– 1.4	– 8.3	– 4.1
Interest credits on retirement assets	– 1.4			– 1.5		

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

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

	2021	2020
%		
Shares	10.3	5.6
Bonds	46.5	44.5
Real Estate	12.8	3.9
Other securities	25.7	42.6
Cash and cash equivalents	4.7	3.4
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, 2021, 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 135 of this Financial Report and on pages 80 and 87 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 186 in the reporting year (2020: 266)

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

Within the framework of the Long-Term Incentive Plan 74 shares (2020: 81) were allocated in the year under review. The share price at measurement date was CHF 1,547.00 (2020: CHF 1,673.71).

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 113 (2020: 92). A further 169 shares (2020: 193) 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 came to CHF 4.4 million in the year under review (2020: CHF 3.0 million).

20 Share capital and capital management

Share capital

As at December 31, 2021, the share capital of Forbo Holding Ltd stood at CHF 165,000 (2020: CHF 165,000), divided into 1,650,000 registered shares with a par value of CHF 0.10 each. Of this amount 21,419 registered shares without voting or dividend rights continued to be at the disposal of the Board of Directors. Consequently, 1,628,581 (2020: 1,628,581) registered shares were eligible for dividends as at December 31, 2021.

Change of shares issued and outstanding:

	31.12.2021 Number	Change Number	31.12.2020 Number
Total shares outstanding	**1,650,000**		**1,650,000**
Treasury shares			
Treasury shares	53,086	3,740	49,346
Share buyback programs	150,625	150,625	
Own shares with no dividend rights	21,419		21,419
Total treasury shares	**225,130**	**154,365**	**70,765**
Total shares issued and outstanding	**1,424,870**	**– 154,365**	**1,579,235**

At the Ordinary General Meeting held on April 5, 2019, the Board of Directors of Forbo Holding AG was authorized to buy back 10% of the share capital over a period of three years via a second trading line on the SIX Swiss Exchange or otherwise. These shares are earmarked for cancelation. On the basis of this authorization, the Board of Directors launched a share buy-back program on March 22, 2021, via the second trading line on the SIX Swiss Exchange. On November 26, 2021 the Board of Directors stopped the buy-back via the second trading line and placed an offer to buy back own shares at a fixed price. On December 10, 2021 this offer ended with the buy-back of 74,835 shares (4.54%). On December 14, 2021 the buy-back via the second trading line resumed. Under the share buy-back program via the second trading line, a total of 75,790 shares (4.59%) was bought back by December 31, 2021. The share buy-back via the second trading line may be continued until latest March 31, 2022.

Thus, under the 2019–2022 share buy-back program, a total of 150,625 own shares (9.13%) was bought back by December 31, 2021. At the next Ordinary General Meeting, the Board of Directors will propose the cancelation of all the shares bought back under this program.

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, 2021, amounted to CHF 521.8 million (2020: CHF 683.5 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, 2020	**27.0**	**1.7**	**13.1**	**41.8**
Additions	20.6	0.3	5.7	26.6
Derecognition	– 3.7	0.0	– 0.3	– 4.0
Depreciation	– 8.9	– 0.7	– 6.6	– 16.2
Translation differences	– 0.8	– 0.1	– 0.4	– 1.3
As at December 31, 2020	**34.2**	**1.2**	**11.5**	**46.9**
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**

Interest from lease liabilities amounted to CHF 0.8 million in the year under review (2020: CHF 0.9 million). Expenditure and payments for short-term leases came to CHF 3.6 million (2020: CHF 3.2 million) and for leases of low-value assets to CHF 1.0 million (2020: CHF 0.9 million). The recognized lease liabilities came to CHF 45.4 million at year-end (2020: CHF 45.2 million), stated in the current and non-current financial liabilities (see note 22 'Financial instruments').

The lease payments for recognized lease liabilities, including interest, came to CHF 18.5 million in the reporting year (2020: CHF 18.4 million).

The maturity analysis of the leasing liabilities as at December 31, 2021, is reported in note 23 'Risk assessment and financial risk management'.

22 Financial instruments

Classification and fair values

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

Classification of financial instruments

	Carrying amount		
CHF m	Fair value through profit or loss	Amortized cost	Total
31.12.2021			
Financial assets:			
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:			
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

The item 'Derivative financial instruments' contains open foreign exchange hedging and swap transactions with a contract value at December 31, 2021, totaling CHF 156.7 million (2020: CHF 31.5 million). The foreign exchange rates can be directly observed or determined. The derivatives are therefore assigned to hierarchy level 2.

'Current financial liabilities' and 'Non-current financial liabilities' reflect the liabilities from leasing. In the reporting year, 'Current financial liabilities' included in addition a money market financing of CHF 36.2 million.

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

Classification of financial instruments

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

23 Risk assessment and financial risk management

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

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

– Market risk
– Liquidity risk
– Default risk

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

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

No hedge accounting was used in this context in 2021 or 2020.

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

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

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

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

Liquidity risk
Liquidity risk is the risk that the Group may possibly be unable to meet contractually agreed financial obligations that are settled by delivering cash or other financial assets. Group companies need sufficient cash in order to meet their commitments. Corporate Treasury is responsible for managing liquidity. The share of the aggregate cash and cash equivalents managed by Corporate Treasury was around 60% on December 31, 2021. 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, 2021

CHF m	Total Cash outflow/ inflow (–)	Remaining term to maturity up to 1 year	Remaining term to maturity 1 – 2 years	Remaining term to maturity 2 – 5 years	Remaining term to maturity over 5 years
Interest-free liabilities	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			

As at December 31, 2020

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

Default risk

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

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

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

Cash and cash equivalents

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

Trade receivables

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

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

Carrying amounts of trade receivables by currency:

CHF m	31.12.2021	31.12.2020
CHF	1.7	1.2
EUR	70.7	67.5
USD	23.1	22.4
JPY	13.2	12.0
GBP	9.8	8.3
CNY	7.1	6.1
SEK	4.8	4.1
Other	27.8	25.9
Total trade receivables, before loss allowance	**158.2**	**147.5**

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, 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**

As at December 31, 2020				
CHF m	Gross carrying amount	Loss allowance	Weighted average loss rate	Credit impaired
Not due	131.6	3.0	2.3%	0.0
Overdue ≤ 30 days	8.1	0.3	3.7%	0.0
Overdue 31 – 90 days	4.0	0.3	7.5%	0.2
Overdue 91 – 180 days	1.7	0.4	23.5%	0.1
Overdue > 180 days	2.1	1.6	76.2%	0.2
Total	**147.5**	**5.6**	**3.8%**	**0.5**

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

	2021	2020
CHF m		
January 1	**– 6.1**	**– 6.0**
Additions	– 0.8	– 1.3
Release	1.0	0.3
Use	1.1	0.6
Translation differences	0.0	0.3
As at December 31	**– 4.8**	**– 6.1**

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	2021	2020	2021	2020	2021	2020
Remuneration	2.28	1.45	1.20	1.01	3.48	2.46
Employer contributions to the pension scheme	0.22	0.21	0.19	0.19	0.41	0.40
Share-based payments	1.11	0.39	2.60	2.60	3.71	2.99
Total payments	**3.61**	**2.05**	**3.99**	**3.80**	**7.60**	**5.85**

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 2019–2021, 2020–2022 and 2021–2023 (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, 2021 and 2020, 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 2021 annual financial statements.

Group companies (as at December 31, 2021)

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	N	BRL	7,008,746	50%		MS	
Canada								
Forbo Flooring Canada Corp.	Halifax		CAD	500,200	100%	S		
Forbo Siegling Canada Corp.	Halifax		CAD	501,000	100%		S	
Chile								
Forbo Siegling Chile S.A.	Santiago	N	CLP	313,090,945	50%		S	
Colombia								
Forbo Siegling Colombia S.A.S.	Bogotá, D.C.		COP	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
N Not consolidated as at December 31, 2021
D Direct participation of Forbo Holding Ltd

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

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2021
D Direct participation of Forbo Holding Ltd

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

S Sales
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H Holding/Services
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D Direct participation of Forbo Holding Ltd

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

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2021
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 2021 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 94 to 139) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

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

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

Key Audit Matters

VALUATION OF INVENTORIES

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

KPMG

VALUATION OF INVENTORIES

Key Audit Matter

Inventory as at 31 December 2021 amounted to CHF 262.9 million (31 December 2020: CHF 218.5 million) and represents one of the most material asset positions. Valuation allowance for inventories as at 31 December 2021 amounted to CHF –33.0 million (31 December 2020: CHF –32.8 million). Valuation of inventories is consequently of significance to an understanding of the financial statements.

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

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

Our response

We mainly performed the following audit procedures:

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

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

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

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

For further information on inventories refer to the following:

– Note 2 – Summary of significant accounting policies: inventories, page 104

– Note 13 – Inventories, page 117

Report of the statutory auditor

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

- 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 of the statutory auditor

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Rolf Haueinstein
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, 2 March 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

Consolidated balance sheets 2017 – 2021

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Assets					
CHF m					
Current assets	**553.6**	**668.7**	**652.1**	**567.3**	**638.2**
Cash and cash equivalents	93.3	255.8	217.7	127.4	195.4
Current financial assets	0.0	0.1	0.0	0.1	0.0
Trade receivables	153.4	141.4	160.4	168.9	169.2
Other receivables	32.2	39.7	23.7	26.0	27.6
Accrued income and deferred expenses	11.8	13.2	14.8	14.8	19.4
Inventories	262.9	218.5	235.5	230.1	226.6
Non-current assets	**428.0**	**442.1**	**445.3**	**412.7**	**429.3**
Non-current financial assets	0.2	0.2	0.2	0.3	0.3
Deferred tax assets	37.4	45.4	45.4	39.9	39.0
Property, plant, and equipment	294.8	295.7	291.8	259.4	267.6
Intangible assets and goodwill	95.6	100.8	107.9	113.1	122.4
Total assets	**981.6**	**1,110.8**	**1,097.4**	**980.0**	**1,067.5**

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Shareholders' equity and liabilities					
CHF m					
Current liabilities	**314.5**	**251.5**	**257.3**	**261.9**	**275.3**
Current financial liabilities	50.8	14.1	13.4	0.1	0.2
Trade payables	112.2	94.4	98.1	109.2	105.9
Other current liabilities	30.0	30.4	28.2	28.7	32.4
Current tax liabilities	20.4	16.6	19.0	16.2	26.5
Current provisions, accrued expenses, and deferred income	101.1	96.0	98.6	107.7	110.3
Non-current liabilities	**145.3**	**175.8**	**163.5**	**126.5**	**131.0**
Non-current financial liabilities	31.6	31.1	26.8	0.0	0.2
Deferred tax liabilities	9.8	8.9	11.2	12.1	10.8
Non-current provisions	35.5	46.5	46.9	40.7	32.3
Employee benefit obligations	68.4	89.3	78.6	73.7	87.7
Total liabilities	**459.8**	**427.3**	**420.8**	**388.4**	**406.3**
Shareholders' equity	**521.8**	**683.5**	**676.6**	**591.6**	**661.2**
Share capital	0.2	0.2	0.2	0.2	0.2
Treasury shares	– 0.1	– 0.1	– 0.1	– 0.1	– 0.1
Reserves and retained earnings	521.7	683.4	676.5	591.5	661.1
Total shareholders' equity and liabilities	**981.6**	**1,110.8**	**1,097.4**	**980.0**	**1,067.5**

Consolidated income statements 2017 – 2021

1.1. – 31.12.	2021	2020	2019	2018	2017
CHF m					
Net sales	**1,254.0**	**1,117.7**	**1,282.2**	**1,327.0**	**1,246.4**
Cost of goods sold	– 803.0	– 707.5	– 788.6	– 824.9	– 764.5
Gross profit	**451.0**	**410.2**	**493.6**	**502.1**	**481.9**
Development costs	– 15.9	– 15.2	– 16.0	– 16.6	– 15.5
Marketing and distribution costs	– 175.3	– 171.3	– 191.4	– 198.1	– 195.8
Administrative costs	– 92.8	– 86.4	– 92.8	– 96.1	– 94.7
Other operating expenses	– 7.2	– 15.2	– 26.2	– 23.5	– 106.5
Other operating income	19.2	14.9	9.1	7.5	10.5
Operating profit	**179.0**	**137.0**	**176.3**	**175.3**	**79.9**
Financial income	3.0	0.7	0.8	0.9	0.9
Financial expenses	– 0.8	– 1.6	– 1.8	– 0.6	– 0.8
Group profit before taxes	**181.2**	**136.1**	**175.3**	**175.6**	**80.0**
Income taxes	– 40.0	– 29.9	– 37.0	– 38.0	– 43.5
Group profit for the year from continuing operations	**141.2**	**106.2**	**138.3**	**137.6**	**36.5**
Group profit for the year from discontinued operations after taxes	**0.0**	**0.0**	**0.0**	**0.0**	**2.2**
Group profit for the year	**141.2**	**106.2**	**138.3**	**137.6**	**38.7**

FINANCIAL REPORT

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

		31.12.2021	31.12.2020
Assets			
CHF	Note		
Current assets		**587,936**	**43,320,189**
Cash and cash equivalents		59,270	21,103,730
Other receivables from Group companies	2	133,093	21,914,140
Accrued income and deferred expenses		395,573	302,319
Non-current assets		**390,518,977**	**395,379,970**
Loans to Group companies	3	101,161,473	106,022,466
Investments in Group companies	4	289,357,504	289,357,504
Total assets		**391,106,913**	**438,700,159**

		31.12.2021	31.12.2020
Shareholders' equity and liabilities			
CHF	Note		
Current liabilities		**103,274,930**	**660,922**
Current liabilities to third parties		2,905,439	158,632
Other liabilities to Group companies	2	99,979,656	121,707
Accrued expenses and deferred income		389,835	380,583
Shareholders' equity		**287,831,983**	**438,039,237**
Share capital	6	165,000	165,000
Statutory reserves:			
General reserves		15,600,000	15,600,000
Capital contribution reserves		15,302	15,302
Reserves for treasury shares	8	3,571,618	4,114,262
Available earnings:			
Retained earnings		454,063,357	434,644,705
Net profit for the year		157,770,500	50,422,233
Treasury shares	8	– 343,353,794	– 66,922,265
Total shareholders' equity and liabilities		**391,106,913**	**438,700,159**

Income statement for Forbo Holding Ltd

1.1. – 31.12.		2021	2020
Income			
CHF	Note		
Financial income:			
From investments in Group companies		167,544,000	55,392,500
From securities and current investments		172,066	224,169
Total income		**167,716,066**	**55,616,669**

1.1. – 31.12.		2021	2020
Expenses			
CHF	Note		
Administrative expenses	9	4,986,644	4,984,068
Financial expenses	10	4,958,922	231,091
Taxes	5	0	– 20,723
Total expenses		**9,945,566**	**5,194,436**
Net profit for the year		**157,770,500**	**50,422,233**

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' comprise primarily the credit balances on cash pool accounts. The increase in liabilities is attributable to the current share buy-back program. Under the 2019-2022 share buy-back program, a total of 150,625 shares (9.13% of the share capital) with a value of CHF 269.2 million was bought back by December 31, 2021.

3 Loans to Group companies

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

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

4 Investments in Group companies

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

As at December 31, 2021, Forbo Holding Ltd held the following direct investments:

Investments in Group companies

Company	Registered office	Activity	Currency	Share capital (in 1,000)	Equity interest
Forbo America Inc.	US-Wilmington, DE	Holding/Services	USD	19 957	100%
Forbo Beteiligungen GmbH	DE-Lörrach	Holding/Services	EUR	15 400	100%
Forbo Management SA	CH-Baar	Holding/Services	CHF	100	100%
Forbo Participations S.A.S.	FR-Reims	Holding/Services	EUR	5 000	100%
Forbo Siegling, S.A. de C.V.	MX-Tlalnepantla	Manufacturing and Sales	MXN	24 676	< 0,1%
Forbo Siegling (Thailand) Co. Ltd.	TH-Samut Prakan	Sales	THB	13 005	69,1%

5 Taxes

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

6 Share capital

As at December 31, 2021, the share capital of Forbo Holding Ltd totaled CHF 165,000 (2020: CHF 165,000), divided into 1,650,000 registered shares with a par value of CHF 0.10 each. 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors.

At the Ordinary General Meeting held on April 5, 2019, the Board of Directors of Forbo Holding AG was authorized to buy back 10% of the share capital over a period of three years via a second trading line on the SIX Swiss Exchange or otherwise. These shares are earmarked for cancelation. On the basis of this authorization, the Board of Directors launched a share buy-back program on March 22, 2021, via the second trading line on the SIX Swiss Exchange. On November 26, 2021, the Board of Directors stopped the buy-back via the second trading line and placed an offer to buy back own shares at a fixed price. On December 10, 2021, this offer ended with the buy-back of 74,835 shares (4.54%). On December 14, 2021, the buy-back via the second trading line resumed. Under the share buy-back program via the second trading line, a total of 75,790 shares (4.59%) was bought back by December 31, 2021. The share buy-back via the second trading line may be continued until latest March 31, 2022. Thus, under the 2019–2022 share buy-back program, a total of 150,625 own shares (9.13%) was bought back by December 31, 2021. At the next Ordinary General Meeting, the Board of Directors will propose the cancelation of all the shares bought back under this program.

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, 2021, remained unchanged against the previous year at CHF 16,645.

8 Treasury shares

The treasury shares directly held in Forbo Holding Ltd amounting to CHF 343.4 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 3.6 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, 2021	71,038,670	70,765
Additions	278,963,517	156,475
Disposals	– 3,076,776	– 2,110
As at December 31, 2021	**346,925,411**	**225,130**

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 in both periods 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 6.6 million at year-end 2021 (2020: CHF 6.7 million), of which as in the previous year none were utilized.

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

14 Significant shareholders

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

	Number of shares	As percentage
Michael Pieper, Hergiswil, and Artemis Beteiligungen I AG, Hergiswil	412,637	25.01

Shareholdings

IN 2021

As at December 31, 2021, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2021

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

1) Independent in accordance to 'Swiss code of best practice for corporate governance'.

IN 2020

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

Shareholdings 2020

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

1) Independent in accordance to 'Swiss code of best practice for corporate governance'.

15 Events after the balance sheet date

Between the balance sheet date and the date of publication of this annual report no event occurred that could have a significant effect on the 2021 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:

	2021
CHF	
Net profit	157,770,500
Retained earnings	454,063,357
Treasury shares	– 343,353,794
Total at the shareholders' meeting's disposal	**268,480,063**

be appropriated as follows:

	2021
CHF	
Distribution ordinary dividend	35,621,750
To be carried forward	232,858,313
Total at the shareholders' meeting's disposal	**268,480,063**

At the Ordinary General Meeting of April 1, 2022, the Board of Directors will propose an ordinary gross dividend of CHF 25.00 per registered share (2020: CHF 20.00). No distribution will be made for treasury shares held by Forbo Holding Ltd or any of its subsidiaries on the record date, which explains why the amount of ordinary dividends distributed 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, which comprise the balance sheet as at 31 December 2021, 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 150 to 156) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

KPMG

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, 2 March 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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

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

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