ANNUAL REPORT 2019

CONNECT.

COMFORT
RELIABILITY

FORBO – IN EVERYDAY LIFE

flooring. movement.

forbo

COMFORT.

Our floor coverings provide comfort in everyday life. They not only stand out for their superior quality and tough resilience, but they also go a long way to creating the desired atmosphere in spaces. We offer a broad range of designs and sustainable materials that lend every room a comfortable ambience and pleasant acoustics. And laying our floor coverings is also comfortable: they make it easy to create modern spaces in no time.

FLOORING SYSTEMS

RELIABILITY.

Our belts fulfill a wide range of functions and are a match for even complex processes. This also applies to the cleaning of goods that are reused every day. What is crucial here is that our diverse belts function reliably and work together smoothly – especially when a product has to pass through any number of process steps. Our belts ensure the highest level of efficiency with minimal energy consumption.


MOVEMENT SYSTEMS

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

'The increasingly challenging economic environment coupled with operational challenges took their toll in several areas in the year under review and put a damper on our sales growth. The measures initiated so far have not yet shown the expected results.

Despite the negative currency effects and moderate sales, we managed to increase earnings slightly.

The situation will remain demanding. With our attractive product portfolio, our know-how, and our global market presence, we have what it takes to be successful in fast-changing markets.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo posted slightly lower sales, adjusted for currency effects, amid a more challenging global economic environment. Nevertheless, it lifted earnings slightly, despite the negative currency effects, owing to the investments made in recent years to improve efficiency and thanks to lower purchase prices for raw materials.

Generally speaking, we felt a greater reluctance to invest in the reporting year. Substantial projects were either postponed indefinitely or reduced in scale. On the whole, both divisions faced very mixed conditions in their different markets and customer segments. We expanded our product portfolios with a large number of new products and invested in projects to drive growth at both Flooring Systems and Movement Systems. We succeeded in slightly increasing Group profit through ongoing investments in new technologies and measures to enhance efficiency, through improved purchasing terms, as well as by acting with foresight in line with business performance.

The impact of the stronger Swiss franc versus the previous year led to a decrease of CHF 34 million in sales and of CHF 6 million in operating profit (EBIT) when local results were converted into the corporate currency. This was due mainly to the weaker euro. The currency effect had more of an impact on Flooring Systems than on Movement Systems owing to the geographic distribution of their businesses.

Sales growth curbed

Sales impacted by growing reluctance to invest
In the year under review, Forbo generated net sales of CHF 1,282.2 million (previous year: CHF 1,327.0 million), a slight decrease of 0.8% in local currencies; this equated to a decline in sales of 3.4% in the corporate currency owing to negative currency effects.

The sales of Flooring Systems declined by 1.5% in local currency terms to CHF 870.5 million (previous year: CHF 913.2 million). In the corporate currency, this corresponded to a decrease of 4.7%. Increasingly challenging markets put a damper on demand in a highly competitive market environment. The measures taken so far in organization and in the areas of production, logistics, and distribution have not yet produced the expected results.

Movement Systems generated net sales of CHF 411.7 million (previous year: CHF 413.8 million), this represents a marginal gain of 0.6% in local currencies, but a slight decrease of 0.5% in the corporate currency. The impact of the strained economic climate was also felt in this division; nevertheless, the Americas and the Asia/Pacific regions posted a good sales plus, primarily as a result of projects with specialized products in the food and industrial production segments.

Margins increased again

Slight improvement in profit and margins
Forbo slightly increased operating profit owing to better purchasing terms and other measures to improve efficiency despite sales that were marginally lower on the whole. Margins improved once again on the back of our high-quality and innovative products with their unique selling propositions.

The application of the new IFRS 16 accounting standard in 2019 had a positive impact of about CHF 17 million on operating profit before depreciation and amortization (EBITDA). The effect on operating profit (EBIT), however, was marginally positive.

Operating profit before depreciation and amortization (EBITDA) was up by CHF 16.9 million, or 7.8%, to CHF 233.7 million (previous year: CHF 216.8 million). Group operating profit (EBIT) rose by CHF 1.0 million, or 0.6%, to CHF 176.3 million (previous year: CHF 175.3 million).

The EBITDA margin improved from 16.3% to 18.2% and the EBIT margin from 13.2% to 13.7%.

Group profit slightly higher year-on-year

Net earnings stable
The higher operating profit (EBIT) and a slightly lower tax rate of 21.1% (previous year: 21.7%) resulted, despite lower financial earnings mainly owing to IFRS 16, in a Group profit of CHF 138.3 million (previous year: CHF 137.6 million), representing an increase of 0.5% or CHF 0.7 million.

Balance sheet remains robust

Strong equity ratio as well as high net cash
Net cash at year-end 2019 came to CHF 217.5 million (previous year: CHF 127.4 million); this was due to another strong operating cash flow result on a par with the previous year. In addition, as at December 31, 2019, Forbo held 48,685 of its own shares valued at CHF 80.2 million at year-end share price. Another share buyback program for 2019 – 2022 was approved by the Ordinary General Meeting in April 2019 but has not yet been launched.

The equity ratio increased to 61.7% (previous year: 60.4%).

Undiluted earnings per share rose by 4.8% to CHF 86.33 (previous year: CHF 82.38), since fewer shares were in circulation in the year under review owing to the share buyback program the previous year.

Proposals to the Ordinary General Meeting

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

Increase in the dividend
In view of the solid cash flow, the strong equity ratio, and the increase in earnings per share, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2019 business year should be increased by about 10 percent versus the previous year to CHF 23 per share (previous year: CHF 21 per share).

Outlook for 2020

Strategy confirmed in challenging times
Our global presence, leading market positions, a broad, innovative and sustainable product portfolio plus our healthy financial situation will enable us to continue implementing our strategy. We will focus on development in growth markets, targeted strengthening of our distribution organizations, selective capacity expansion in product lines with better-than-average growth, promoting of innovations coupled with digitization advances and capitalizing on external growth opportunities. However, we will still make acquisitions only if we can thereby create added value for our shareholders.

Market environment remains demanding and tasks even more challenging
It is very difficult at present to make a forecast for global economic trends in 2020. The political and economic conditions can, as we know, change very rapidly. Currencies and trends on the raw material markets are also very volatile.

We anticipate a difficult economic situation for the year and forecast a slight decrease in sales in local currencies and a somewhat higher one in Group profit versus the previous year.

Thank you

Thanks to employees, business partners, and shareholders
To successfully meet the various challenges facing Forbo in the current market situation, the commitment of our people has to be even more intensive, even more flexible and even more professional. We extend our heartfelt thanks to them for their dedication and their identification with Forbo.

We also wish to thank our customers, business partners, and suppliers for their close cooperation and the confidence they have placed in our company.

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

Baar, March 2020

This E. Schneider
Executive Chairman

Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting	**Friday, April 3, 2020**
Publication of 2020 Half-Year Report	**Tuesday, July 28, 2020**
Publication of 2020 Annual Report	**Thursday, March 4, 2021**

CONTENTS

AT A GLANCE

2019 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 more than 5,600 people and has an international network of 26 production and distribution companies, 6 assembly operations and 48 pure sales organizations in a total of 38 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.

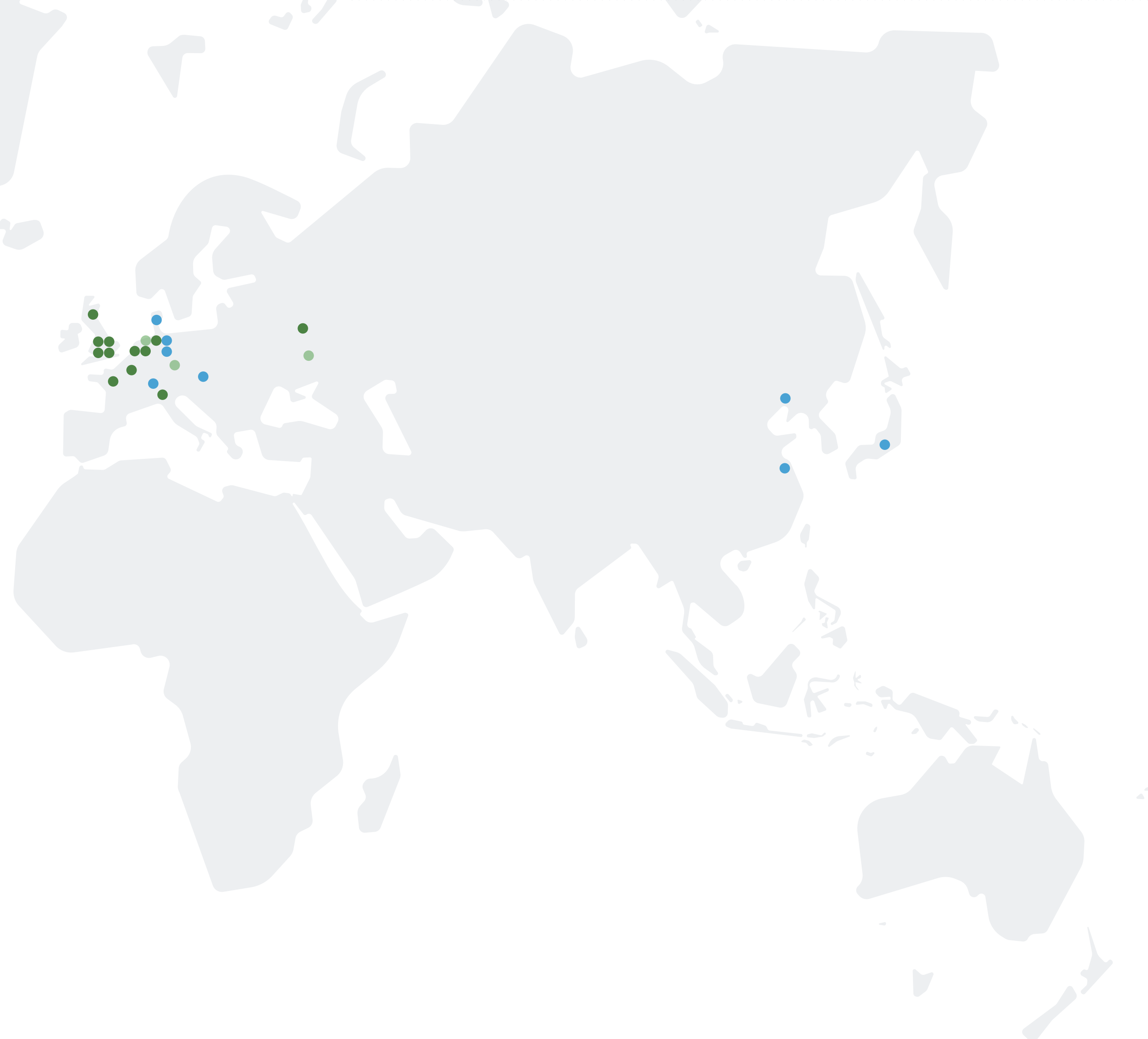
Flooring Systems
16 production facilities in 7 countries and distribution companies in 26 countries. Sales offices in Europe, North, Central, and South America as well as Asia/Pacific.

- Floor coverings
- Building and construction adhesives

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

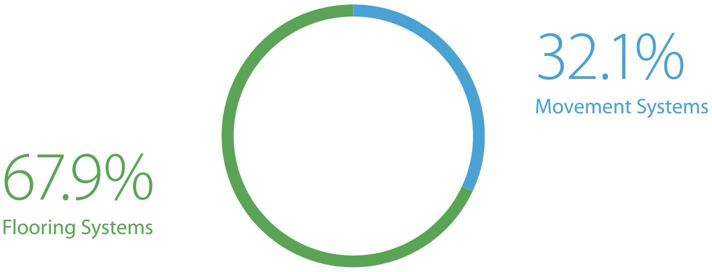
- Production facilities and assembly operations

Net sales	**CHF 1,282.2 million**
EBIT	**CHF 176.3 million**
EBIT margin	**13.7%**
Group profit	**CHF 138.3 million**
Earnings per share undiluted	**CHF 86.33**



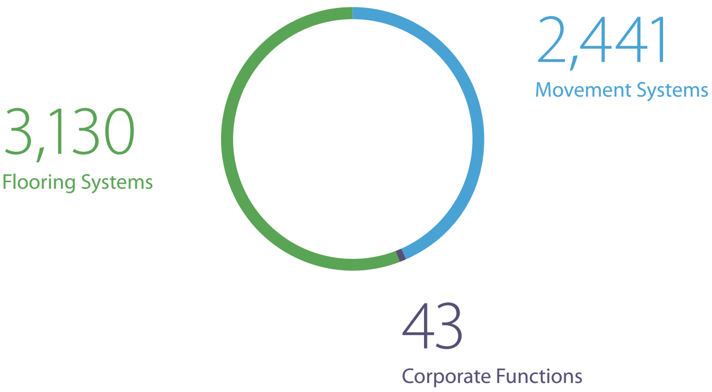
Net sales by division

	CHF m 2019	Change on previous year in %	Change on previous year in local currencies in %	In % of total
Flooring Systems	870.5	– 4.7	– 1.5	67.9
Movement Systems	411.7	– 0.5	0.6	32.1
Total	**1,282.2**	**– 3.4**	**– 0.8**	**100.0**



Employees by division

	Number 2019	Change on previous year in %	In % of total
Flooring Systems	3,130	– 2.0	55.8
Movement Systems	2,441	– 2.5	43.5
Corporate Functions	43	2.4	0.7
Total	**5,614**	**– 2.2**	**100.0**



Financial overview Forbo Group

	2019	2018	2019	2018
Income statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Net sales	1,282.2	1,327.0	1,152.4	1,148.7
Flooring Systems	870.5	913.2	782.4	790.5
Movement Systems	411.7	413.8	370.0	358.2
Operating profit before depreciation and amortization (EBITDA)	233.7	216.8	210.0	187.7
Operating profit (EBIT)	176.3	175.3	158.5	151.7
Group profit	138.3	137.6	124.3	119.1
Balance sheet	CHF m	CHF m	EUR m[1]	EUR m[1]
Total assets	1,097.4	980.0	986.3	848.3
Operating assets	834.1	812.4	749.7	703.3
Shareholders' equity	676.6	591.6	608.1	512.1
Net cash[2]	217.5	127.4	195.5	110.3
Cash flow statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Cash flow from operating activities	185.1	171.2	166.4	148.2
Cash flow from investing activities	– 34.5	– 39.1	– 31.0	– 33.8
Free cash flow	150.6	132.1	135.4	114.4
Key ratios	%	%		
ROS (EBITDA/net sales)	18.2	16.3		
Equity ratio (shareholders' equity/total assets)	61.7	60.4		
Gearing (net debt/shareholders' equity)	– 32.1	– 21.5		
Employees (as at December 31)	Number	Number		
Total employees	5,614	5,739		
Ratios per share	CHF	CHF	EUR[1]	EUR[1]
Earnings per share (undiluted)[3]	86.33	82.38	77.59	71.31
Equity (undiluted)	422.36	354.18	379.62	306.59
Dividend	23.00[4]	21.00[5]	20.67[4]	18.18[5]
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[1]	EUR m[1]
Stock market capitalization[6]	2,719.2	2,485.8	2,444.0	2,151.8

1) Euro values translated at the average annual exchange rate of CHF 1.1126/1 EUR (2019) and CHF 1.1552/1 EUR (2018).

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

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

4) The Board of Directors proposes to the Ordinary General Meeting of April 3, 2020, the distribution of a dividend in the amount of CHF 23.00 per registered share.

5) Approval of a dividend of CHF 21.00 per registered share at the Ordinary General Meeting of April 5, 2019.

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

CHALLENGING ECONOMIC DEVELOPMENT

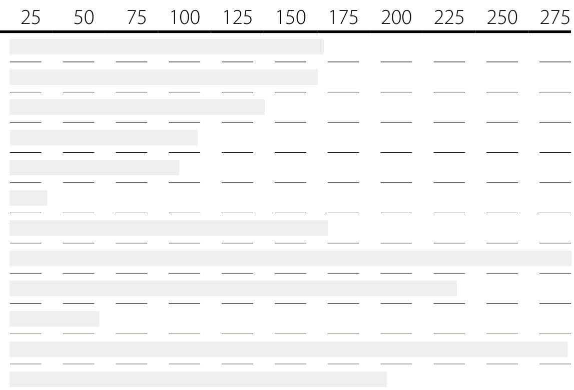
Forbo posted slightly lower sales in 2019 than the previous year amid global economic conditions that were increasingly challenging. Reluctance to invest was felt to varying degrees across the board in all our customer segments, and this put a damper on sales growth in our core markets. On the other hand, and despite negative currency effects, operating profit rose on the basis of investments to enhance efficiency as well as lower raw material prices.

Both divisions expanded their product portfolio with innovative offerings for specific customer segments; they selectively broadened distribution and service structures that were reinforced with IT systems providing optimum support; and they invested in operational modernizations.

The current market climate is making challenging demands on us in many areas. It is all the more important to convince in the highly competitive market with our high-quality products and customer-specific services that rest on strong know-how and a solid financial foundation.

Net sales by geographic area

		Change on previous year		
	%	in %	in local currencies in %	2019 CHF m
France	12.3	–4.5	–0.8	158.2
Germany	12.1	–6.9	–3.4	155.4
Benelux	10.2	–2.8	1.0	130.5
Scandinavia	7.7	–4.9	0.9	98.6
Great Britain/Ireland	7.0	–2.9	0.0	90.0
Switzerland	2.2	–2.8	–2.8	27.6
Other countries Europe	12.5	–3.3	0.2	160.6
Europe	***64.0***	***–4.3***	***–0.6***	***820.9***
USA	17.3	–0.9	–2.3	221.2
Other countries Americas	4.0	0.2	1.3	52.1
Americas	***21.3***	***–0.7***	***–1.6***	***273.3***
Asia/Pacific and Africa	***14.7***	***–3.2***	***–0.7***	***188.0***
Total	**100.0**	**–3.4**	**–0.8**	**1,282.2**



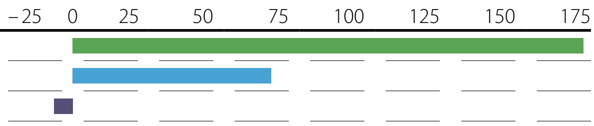
Weakening demand hampered sales growth
In the year under review, Forbo generated net sales of CHF 1,282.2 million (previous year: CHF 1,327.0 million), a slight decrease of 0.8% in local currencies; this equated to a decline in sales of 3.4% in the corporate currency owing to negative currency effects. Both divisions felt a fall-off in demand in their core markets, which was due to a general reluctance to invest and the postponement of major projects. On the upside, many of our growth markets that are in the midst of expansion made a positive contribution to sales.

The Flooring Systems division generated net sales of CHF 870.5 million in the 2019 business year (previous year: CHF 913.2 million), which reflects a decrease of 1.5% in local currencies (– 4.7% in the corporate currency). All three regions reported a decline in sales to varying degrees, mainly in the Americas and Asia/Pacific.

The Movement Systems division generated net sales of CHF 411.7 million in the year under review (previous year: CHF 413.8 million), which reflects marginal year-on-year growth of 0.6% in local currencies (– 0.5% in the corporate currency). This increase in sales was driven by the Asia/Pacific and Americas regions, while Europe was down slightly.

EBITDA by division

	2019 CHF m	Change on previous year in %
Flooring Systems	172.6	4.0
Movement Systems	69.3	14.4
Corporate	– 8.2	– 16.3



Operating profit and margins improved despite headwinds
Operating profit was also dragged down by negative currency effects. The Group partly offset the fewer sales and the impact of the currency fluctuations by obtaining lower raw material prices, making operational processes more efficient through investments in technology, and by acting with foresight in line with business development.

The application of the new IFRS 16 accounting standard in 2019 had a positive impact of about CHF 17 million on operating profit before depreciation and amortization (EBITDA). The effect on operating profit (EBIT), however, was marginally positive.

The Group increased operating profit before depreciation and amortization (EBITDA) by 7.8% to CHF 233.7 million (previous year: CHF 216.8 million). EBITDA at Flooring Systems rose by 4.0% to CHF 172.6 million (previous year: CHF 166.0 million). EBITDA at Movement Systems increased by 14.4% to CHF 69.3 million (previous year: CHF 60.6 million).

Despite a number of different challenges, the Group widened its margins further thanks to its high-quality products with unique selling propositions. The Group EBITDA margin rose from 16.3% to 18.2%. At Flooring Systems, the EBITDA margin increased from 18.2% the previous year to 19.8% in the year under review, while at Movement Systems the EBITDA margin rose by 2.2 percentage points to 16.8% (previous year: 14.6%).

The Group's operating profit (EBIT) increased by 0.6% to CHF 176.3 million (previous year: CHF 175.3 million). The Group EBIT margin improved from 13.2% the previous year to 13.7% in the year under review.

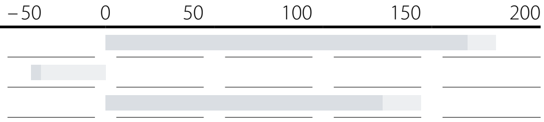
The higher operating profit (EBIT) and a slightly lower tax rate resulted, despite lower financial earnings mainly owing to IFRS 16, in a Group profit of CHF 138.3 million (previous year: CHF 137.6 million), representing an increase of 0.5% or CHF 0.7 million.

Taxes and financial income
The tax rate in the year under review was 21.1% (previous year: 21.7%), in line with the long-term average.

Financial expense in 2019 came to CHF 1.8 million (previous year: CHF 0.6 million), including interest expense of CHF 1.0 million for leasing in accordance with IFRS 16. Factoring out this effect, financial expenditure was on a par with the previous year owing to minor foreign exchange losses. Offsetting this was financial income, comparable with the previous year, of CHF 0.8 million (previous year: CHF 0.9 million), which consisted of interest income. On balance, the financial result came to CHF – 1.0 million (previous year: CHF 0.3 million).

Free cash flow

	2019 CHF m	2018 CHF m
Cash flow from operating activities	185.1	171.2
Cash flow from investing activities	– 34.5	– 39.1
Free cash flow	150.6	132.1

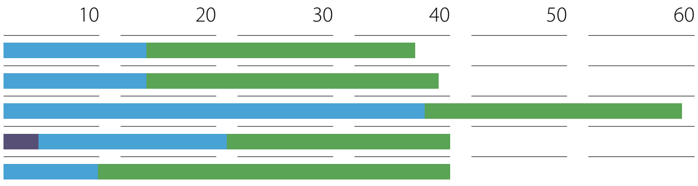


Solid cash flow performance
In 2019, the Group generated cash flow from operating activities of CHF 185.1 million (previous year: CHF 171.2 million), which reflects an increase of CHF 13.9 million. Cash flow from investing activities increased by CHF 4.6 million and came to CHF – 34.5 million (previous year: CHF – 39.1 million). Free cash flow thus totaled CHF 150.6 million (previous year: CHF 132.1 million). This increase was due mainly to the effect of IFRS 16.

Balance sheet remains robust
Total assets at December 31, 2019, rose to CHF 1,097.4 million (previous year: CHF 980.0 million); the year-on-year increase of CHF 117.4 million was due mainly to the positive cash flow. Net cash rose by CHF 90.1 million and now stands at a good level of CHF 217.5 million (previous year: CHF 127.4 million). Equity rose in line with Group profit, less dividend payments and currency losses, and came to CHF 676.6 million at the end of December 2019 (previous year: CHF 591.6 million) – this represents an increase of CHF 85.0 million. The equity ratio still remains at a high 61.7% (previous year: 60.4%).

Investments 2015 – 2019

	Flooring Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2019	23	13	0	36
2018	25	13	0	39
2017	22	36	0	58
2016	20	17	3	40
2015	31	9	0	40



Efficiency-enhancing and sustainable investments
Forbo's investments are wide-ranging, combining the demands of sustainability with efficiency gains in operational processes. In the reporting year, Forbo concentrated its resources in both divisions on key activities and strategic projects in the areas of product portfolio, technology, market expansion, and targeted capacity expansion. Total Group investments in property, plant, and equipment and intangible assets in 2019 came to CHF 36.0 million, which was CHF 2.7 million, or 7.0%, lower than the previous year (previous year: CHF 38.7 million).

Flooring Systems invested CHF 22.8 million in the reporting period (previous year: CHF 25.4 million). The investments included various cutting machine facilities for the manufacture of modular vinyl and textile flooring, expansion of the cross-dock warehouse for modular flooring in the Netherlands, new capacity for building and construction adhesives in Russia, refurbishment of the process control center for linoleum production, edge-cutting machines for vinyl flooring, tanks and silos for more efficient processing of incoming raw materials, new laboratory test stations, and upgraded and expanded digital printing technologies along with digital sales-support platforms.

Investments in property, plant, and equipment at Movement Systems were unchanged year-on-year at CHF 13.2 million. In the year under review, a plant that manufactures the substrate material for producing the belts of the Extremultus flat belt product line was refurbished completely and retrofitted with various accessories. For the Prolink plastic modular belt product line, various injection molding machines were outfitted with special devices that make it possible to develop and produce the new series being planned. The reel warehouse at the production plant in Germany was modernized so as to streamline the flow of goods. New service points and fabrication sites were established in various markets to strengthen regional customer care.

Employees by geographic area

	%	Change on previous year in %	2019
Benelux	21.9	– 1.3	1,229
Germany	12.6	– 2.1	709
Great Britain/Ireland	9.9	– 7.2	557
France	7.4	– 0.5	416
Scandinavia	3.2	– 2.2	179
Switzerland	3.2	– 1.7	177
Other countries Europe	12.8	0.7	717
Europe	***71.0***	***– 1.9***	***3,984***
Asia/Pacific and Africa	***14.7***	***– 4.3***	***830***
USA	10.9	– 1.0	611
Other countries Americas	3.4	– 2.1	189
Americas	***14.3***	***– 1.2***	***800***
Total	**100**	**– 2.2**	**5,614**

Prudent personnel management

The Forbo Group employed 5,614 people at year-end 2019. This is a total of 125 fewer people than at the end of the previous year. The minor individual percentage changes in employee levels by and large reflect market developments in the different countries and regions and mirror the situation on the balance-sheet date at the end of the year. In view of the anticipated global downturn in demand, we are practicing prudent personnel management in new hiring to take account of business trends. The somewhat larger decrease in the UK reflects the ongoing difficult conditions in the local market plus uncertainties in connection with Brexit, along with the downturn in the construction industry, which has made itself felt particularly at Flooring Systems. The higher-than-average decrease in Asia/Pacific reflects the situation at the Pinghu plant in China. Following an intensive build-up phase, staff were selectively employed on fixed-term contracts during the start of operations, and headcount has therefore now stabilized at a lower level.

SUSTAINABLE ENGAGEMENT

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

Social dimension

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

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

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

Ecological dimension

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

With linoleum, Flooring Systems offers a floor covering made of 97% renewable raw materials of which 72% are renewable within ten years. Linoleum is made from the natural raw materials linseed oil, natural resin, wood flour and limestone as well as jute and pigments. A natural product through and through, which, in view of its long service life and positive ecological balance, is regarded as the most environmentally friendly resilient floor covering available. At the end of its long service life it can be composted, as it is 100% biodegradable. In addition to this, linoleum is made from about 45% recycled material, which lowers the consumption of primary raw materials accordingly.

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

With the BioBelt, Movement Systems is the first-ever conveyor belt manufacturer to develop 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 BioBelt products, oil-based raw materials and synthetic-technical materials have been largely substituted by materials made from renewable, plant-based raw materials.

In order to maximize environmental compatibility and at the same time increase the product advantages, Movement Systems has patented some years ago a special coating that significantly reduces the friction between the underside of the belt and the slider bed compared with conventional conveyor belts.

SUSTAINABLE ENGAGEMENT

In the meantime, Movement Systems launched new generations of these energy-saving conveyor belts that are even more efficient. These AmpMiser conveyor belts display their advantages most clearly where goods are being continuously conveyed and many belts are in use, for example at airports or in logistics and distribution centers. For this type of application, energy savings of up to 50% are achieved for the overall systems.

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

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

With the approach 'committed to the health of one' Flooring Systems wants, alongside a fully transparent product declaration, to highlight the sustainability features more clearly than it has done up to now and place them in correlation to each individual. In creating a healthy interior space, we concentrate on all aspects of our installations that contribute positively to safety, hygiene, and well-being. These include avoiding asthma triggers and allergens, focusing on light-reflecting and acoustic properties, facilitating cleaning and maintenance, and ensuring the overall quality of the interior.

MOVEMENT SYSTEMS

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

Economic dimension

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

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

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.

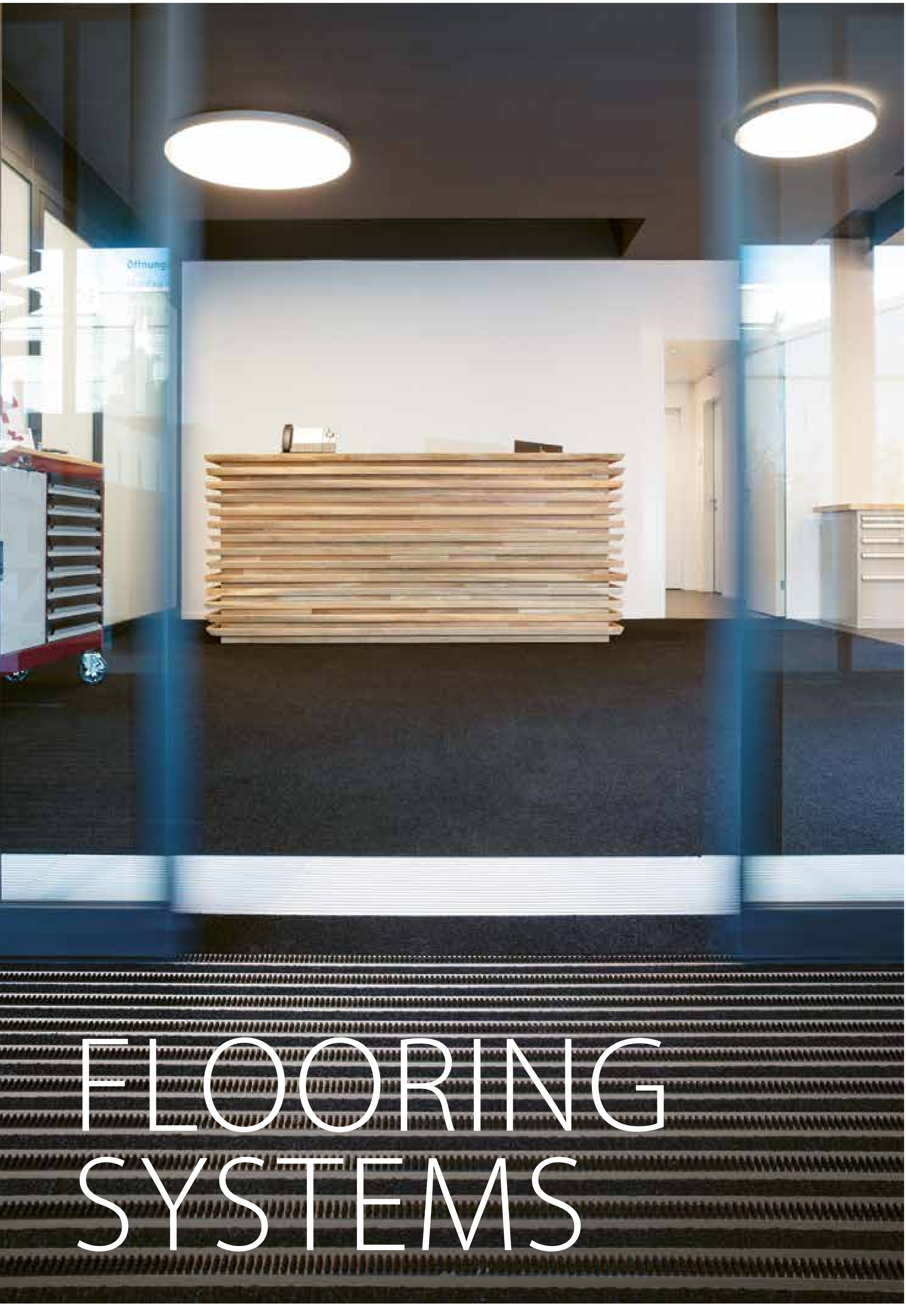
Flooring Systems also provides ready-made adhesives for floor covering installations, parquet flooring, and ceramic tiles, leveling compounds for the construction industry as well as liquid floors under the trade name Eurocol.

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.


COMFORT.


RELIABILITY.



FLOORING SYSTEMS

COMFORT

SUSTAINABLY BEAUTIFUL

Offices frequently have different areas that call for various requirements. Our entrance flooring systems also act as a dirt barrier, while carpet tiles in working spaces combine excellent walking comfort with noise-reducing properties, ensuring that the floor in every office is just as comfortable as it is visually attractive. Our floor coverings are capable of withstanding significant strains and heavy use and they are durably resilient.

FLOORING SYSTEMS: THE ECONOMIC SLOWDOWN IS A CHALLENGE

'Weaker demand in many markets coupled with operational strains challenged us in a number of areas in the year under review. The adjustments made and the measures taken to date both in organization and in production, logistics, and distribution have not yet shown the expected results. We cushioned the impact of the lower sales on earnings to some extent by enhancing efficiency through technological improvements, by exercising prudent personnel management in new hiring, and by obtaining lower raw material prices. With attractive new collections in all product groups we have prepared a good basis for the coming year.'

Jean-Michel Wins
Executive Vice President
Flooring Systems

The Flooring Systems division generated net sales of CHF 870.5 million in the 2019 business year (previous year: CHF 913.2 million), which reflects a decrease of 1.5% in local currencies (–4.7% in the corporate currency). The division's share of Group sales was 67.9%. Economic conditions have become increasingly volatile. This impacted sales growth in most of the markets and customer segments in our three regions, with the Americas and Asia/Pacific being impacted the most. Operating profit (EBIT) declined only slightly by 0.5% to CHF 135.8 million (previous year: CHF 136.5 million) on the back of improved raw material prices and despite negative currency effects. The EBIT margin rose by 0.7 percentage points to 15.6% (previous year: 14.9%).

Sales impacted by growing reluctance to invest

The European markets showed a mixed trend but on the whole were somewhat weaker. Our core markets – France, the Netherlands, Germany, and Great Britain – remained practically flat year-on-year or trended slightly downwards. Against a backdrop of increasing reluctance to invest, substantial projects were postponed, reduced in scale, or else awarded on the criterion of price in a fiercely competitive market. Demand in northern and southern Europe weakened on the whole, despite firm growth in Denmark and Italy. Switzerland, too, saw sales decline. The trend in Eastern Europe was positive, especially in Poland, which was a strong growth driver. Russia also reported higher sales, an uptrend that was driven by a new, locally produced luxury vinyl tiles collection and an expanded distribution network in the CIS countries.

The mood was rather subdued in the Americas region, especially in the USA. Demand for projects in the retail sector weakened noticeably, while at the same time major projects and school renovations were either reduced in scale or postponed altogether. Canada reported positive growth owing to new distribution channels for vinyl floor coverings and textile installations in office premises. Brazil and other smaller markets in South America were restrained.

Most markets in the Asia/Pacific region, with the exception of the main market, China, reported gratifying growth. The sales decline in China was due to a number of factors such as the trade dispute with the USA, a slowdown in the construction industry, and a significant downturn in investment spending in both the private and the public sectors. Japan enjoyed double-digit growth in the wake of Olympic fever. Australia reported solid growth, while South Korea is making steady progress thanks to the expansion of its distribution network and the acquisition of new key accounts.

The building and construction adhesives activity reported good sales growth on the whole. This was due in particular to the expansion of the do-it-yourself business in Russia, penetration into the market in Uzbekistan, and various new building and construction adhesives and leveling compounds for renovations developed in the Netherlands. Germany reported a decline in sales owing to range rationalization and organizational changes.

Versatile innovations in all product groups
In the year under review, we launched attractive and high-end collections in all product groups, combining trendy designs, varied color palettes and floor-laying options along with new production technologies and special effects that employ sustainable materials.

A new global linoleum collection for broadloom material is being offered in five modernized design types and varied, natural color shades featuring different thicknesses and sound-absorbing properties. The division is offering another linoleum collection specially designed for trains that meets the latest fire and smoke regulations.
In the vinyl range, we launched a new global broadloom collection, whose varied colors, designs, and novel wood and stone effects are produced on a recently installed, high-quality digital printing unit.
In the textile range, the new Flotex collection 'color', a high-tech washable flooring, convinced customers. Many of the 90 colors, featuring various designs and new effects, are also available in tile formats or with stronger sound-absorbing qualities. The new carpet tile 'Tessera chroma' is manufactured with a novel, more thickly twined yarn; this makes the colors appear softer, while the much higher fiber weight enhances walking comfort. A new needlefelt collection, designed especially for the walls and ceilings of rail coaches, lends itself to very easy installation owing to its self-adhesive back. Flexible printable entrance flooring systems allow railway companies more options in terms of colors and designs.

We have been working on the development of attractive new vinyl and textile collections that have been launched in early 2020 at various trade fairs.

Some product lines are holding their own amid fiercer competition
The individual product lines performed in line with the overall sales trend. Linoleum floorings were more or less flat year-on-year. Most product lines of the versatile and application-specific vinyl flooring collections performed slightly below average. Especially positive to mention are the antistatic high-tech floorings for special industrial or hospital applications and the homogenous vinyl floorings, which have enjoyed steady growth since being launched in 2017. Textile floorings for the most part also remained flat year-on-year; in some cases they registered a decline. Flotex reported marginal growth.

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

Noteworthy developments included the update of the process control center for linoleum production, new edge-cutting machines for vinyl flooring, additional tanks and silos for more efficient processing of incoming raw materials, new laboratory test stations and expanded laboratory facilities, as well as renewed and expanded digital printing technologies. In addition, we installed various cutting machine facilities for the manufacture of modular flooring in the vinyl and textile floor coverings. In the Netherlands we made a significant expansion to the cross-dock warehouse for modular flooring, while in Russia we created additional capacity for building and construction adhesives.

We also invested in digital platforms. The new global online web shop enables existing customers to make real-time searches regarding stock levels, availability, and delivery times and provides a full service combining everything from quote to invoicing, coupled with additional marketing and customer service features. A new customer relationship management system is about to be rolled out globally.

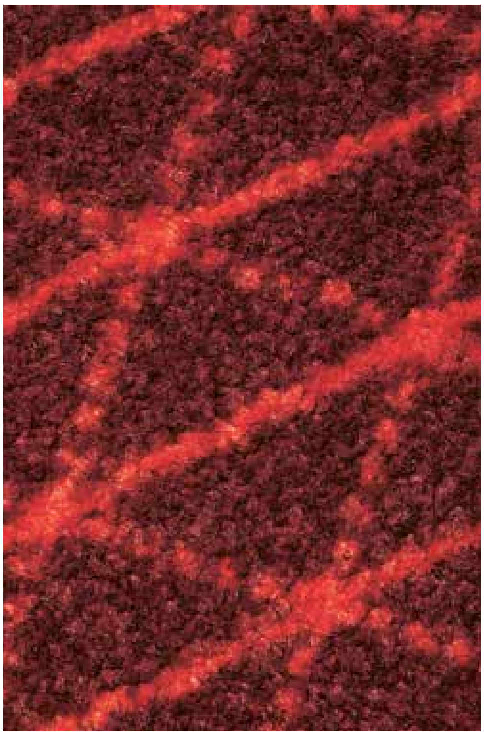
2020 – in the light of stabilization and return to growth
We have an attractive, high-quality and very diverse product range with a wide assortment of floor-installing options and specifications for individual customer segments. We will be able to successfully meet the challenges of a market slowdown thanks to targeted market activities, increased delivery capability, and a more reliable service level. Our goal is to deliver convincing and professional performance over the entire product range, in all organizational units, and in all markets.

DIVERSITY IN DESIGN AND TYPE OF INSTALLATION

Floor coverings from Forbo combine functionality and high product quality with innovative designs, thus ensuring the sustainable enhancement of interior rooms designed to accommodate the needs of the users. With every new development we are constantly making our products and production processes more environmentally friendly while fulfilling the highest functional requirements. Due to the lively exchange with designers, architects, builders and suppliers, we have our finger on the pulse of technical innovation and design trends.

Many of our new developments are aimed at the private sector commercial segment, and combine in all product lines trendy designs, diverse ranges of colors as well as new production technologies and embossed structures from sustainable materials, and are available in different installation options.

Infinite design diversity with digital print
State-of-the-art digital printing processes we invested in over recent years are contributing towards attractive new collections. The new 'Coral move vision' textile flooring from the product group of the entrance flooring systems offer railway companies unique properties combined in a single product: especially developed for being used in highly frequented areas, they are long-lasting, comfortable, noise-absorbent, anti-slip, dirt-repellant and flame-retarding. Our diverse and individual digital print design options allow railway companies to have a floor covering made as required in the colors and design of their own corporate identity.



'CORAL MOVE' TEXTILE FLOORING FOR TRAINS

'ETERNAL' VINYL FLOOR COVERINGS

'ALLURA' LUXURY VINYL TILES

'MARMOLEUM MARBLED' LINOLEUM FLOOR COVERINGS

Within the framework of an advanced digital print technology, the new heterogenous 'Eternal' vinyl floor collection combines the latest trend colors with impressive wood, stone and concrete designs with modern embossed structures, all finished with a new, sustainable surface seal. On request, our design service can also realize further customized digitally printed designs.

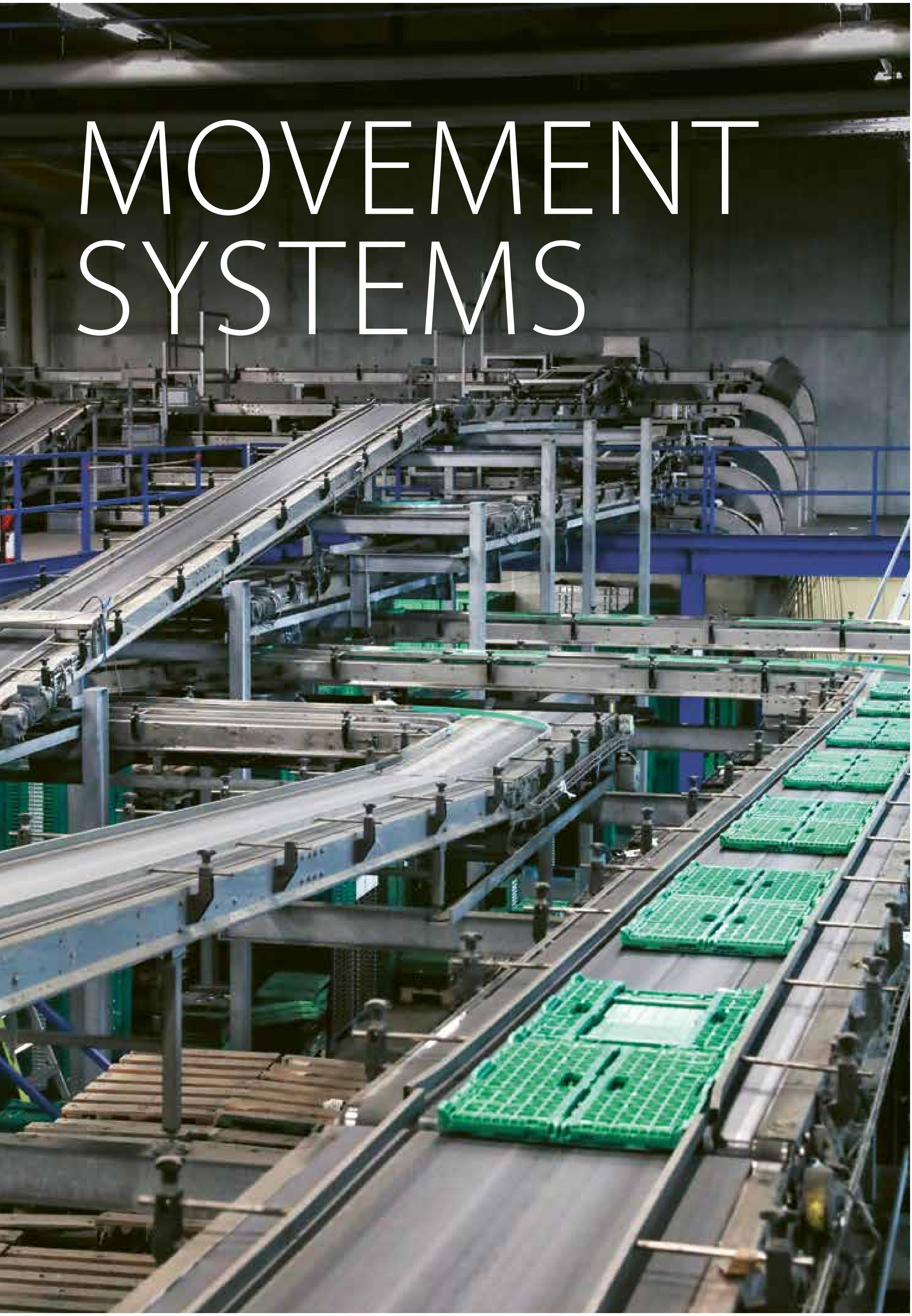
Sustainability and installation options are in demand

The new global linoleum collection for sheet material, 'Marmoleum marbled', is a natural product that is produced on a CO_2-neutral basis. It appears in five refreshed design directions and diverse natural color tones with various thicknesses and noise-absorbent properties. These natural tones are ideal for combination with natural materials such as wood, stone and textiles, and, as well as the well-known applications in the education and healthcare sectors, are setting accents in retail stores, in leisure-time facilities as well as in the hotel industry.

'NATURAL TONES AND COLOR ACCENTS IN TREND'

The collection of the luxury vinyl tiles 'Allura' which was launched on the market at the start of 2020, was completely renewed and extended by different installation options. Alongside the trendy designs, as well as an additional noise-absorbent version, the development focused on providing a range of installation options. The tiles can be installed with adhesive, by a click system or loosely laid using various techniques. These new solutions are especially suitable for mobile installations such as trade fair stands or pop-up stores. 'Allura' luxury vinyl tiles are used for a wide range of applications in high traffic areas in offices, retail outlets, leisure-time facilities, in the hotel and restaurant industry as well as in healthcare and nursing homes.

MOVEMENT SYSTEMS



RELIABILITY

SEAMLESSLY CLEANED

Some containers such as those used for vegetables are cleaned around the clock in a complex cycle. Our belts have to cope with a large range of process steps in this cycle, from sorting to washing and drying. By guaranteeing that the process operates seamlessly and by ensuring that all hygiene requirements are met, our belts are instrumental in keeping the food cycle running – from the harvest to the market or the supermarket. This means that consumers can enjoy fresh and hygienically safe products on a daily base.

MOVEMENT SYSTEMS: FOOD SEGMENT IS A RELIABLE MERIT

'We got off to a relatively strong start in our anniversary year "100 years of Movement Systems" but then increasingly felt the impact of the downturn in various customer segments and markets. We invested in a wide range of modernizations with the aim of developing new products and promoting innovation but also for the purpose of streamlining production processes and material flows. The now firmly established production facility in Pinghu, China, is smoothly embedded in the operations of the production and fabrication network. We launched innovative products in all product lines aimed at a variety of customer segments and continued investing in the expansion of distribution and service locations in growth markets, thereby further strengthening our market position.'

Marc Deimling
Executive Vice President
Movement Systems

The Movement Systems division generated net sales of CHF 411.7 million in the year under review (previous year: CHF 413.8 million), which reflects year-on-year growth of 0.6% in local currencies (– 0.5% in the corporate currency). The division's share of Group sales was 32.1%. The marginal increase in sales in local currencies was driven by the Asia/Pacific and Americas regions, while Europe was down slightly. Operating profit (EBIT) rose by 0.8% to CHF 49.8 million (previous year: CHF 49.4 million), with lower raw material prices a positive factor and currency effects weighing in on the negative side. The EBIT margin rose by 0.2 percentage points to 12.1% (previous year: 11.9%).

Growth slowdown towards year-end

The strong sales growth from the previous year persisted until mid-2019 in Asia/Pacific and the Americas, but as of early fall demand weakened appreciably in these regions too.

Sales trends in Europe were very mixed. Key markets such as Germany and southern Europe, which have traditionally been strong, reported a downturn in sales. The decline is caused by significantly weaker demand along with the postponement of major orders by OEMs and plant manufacturers in Germany, coupled with intensified actions of our customers to optimize their inventories. Most countries were more or less flat year-on-year. Highlights were France and most markets in northern Europe.

Growth in the Americas region was driven primarily by the strong performance in Canada and Mexico, which both reported a good increase in sales. The main market, USA, following a robust first half in 2019, reported weakening demand as of the fall in the traditionally solid customer segments logistics and sports treadmills. The overall result was a marginal growth for the full reporting year.

The sales uptrend in Asia/Pacific likewise tailed off in the second half of the year. The mood in our main market, China, was also subdued, owing to the impact on most customer segments of the trade dispute with the USA, which had the effect of dragging down sales. Japan along with growth markets such as Indonesia, Thailand, India and Turkey made a better-than-average contribution to growth in this region.

Food segment is a reliable merit

The individual trend in strategic customer segments is shaped in many cases by major projects and by the service and replacement business. Specialized know-how and application expertise play a key role here. In the year under review, we registered above-average growth in the food processing customer segment. This segment is the one most resistant to economic fluctuations and it benefited from innovative product developments for specific applications that give our customers a compet-

itive edge and increase their efficiency in production and processing.
Although demand in the automotive industry weakened worldwide, the industrial production segment reported firm growth, due mainly to major projects in the Americas and Asia/Pacific. These were primarily applications in the manufacture of electronic components, industrial sliding doors, plus tires and other rubber-related applications.
Demand in the logistics segment cooled off after a number of boom years because the completed projects contained capacity for the coming years. Nevertheless, we managed to maintain the previous year's sales level here and in the raw material processing segment.
Tobacco, textiles and sports treadmills along with the paper and printing industry reported lower sales in line with the general market trend.

Application-specific innovations
We launched new products in all product groups for a wide variety of customer segments that give customers a competitive edge and help them enhance efficiency on the back of our application know-how in production and processing.

Three new or expanded series of Prolink plastic modular belts serve different applications in the food-processing industry: an air-permeable belt for long cooling lines at the cooling and drying stage in the production of tortillas, baked goods and unbaked pastry dough; an especially hygienic and easy-to-clean belt for packaging plants where dough is processed; and a belt with a special surface coating for plants where fruit, vegetables, meat and pizzas are packaged.
We have also come out with some impressive new developments in the product group of Transilon and Transtex conveyor belts: for special logistics applications; for the processing of freshly harvested vegetables; for complete process lines in industrial-scale laundries in hospitals, hotels and on cruise ships; and for industrial digital printers, especially large-format printers and tile printers.
As regards the Extremultus flat belts, special to mention is an elastic belt type that has a number of advantages, for instance in e-commerce distribution centers, owing to its particularly smooth runnability and the low coefficient of friction.

Investments in technological innovation and new developments
While continuing to invest in development and expansion in growth markets and in digital advances, we also invested in new technologies and efficiency-enhancing measures in various fabrication and production facilities.

For the Extremultus flat belt product group, the machine that manufactures the substrate material for producing these belts was refurbished completely and retrofitted with various accessories. For the Prolink plastic modular belt product line, the injection molding machines were outfitted with special devices that make it possible to develop and produce the new series that are being planned. The reel warehouse at the production plant in Germany was modernized so as to streamline the flow of goods. The main production plant in the USA, which has grown strongly in recent years, was completely refurbished to ensure a more efficient flow of goods in accordance with lean manufacturing principles. A new service and fabrication center has been established in Wisconsin that will come on stream in early 2020 in order to optimize service to the local dairy industry.

Targeted adjustment to market conditions
The steadily declining demand towards the end of the reporting year necessitates even greater agility and flexibility in our market approach. The recently established global customer relationship management system enables us to better coordinate sales, service, management and marketing so as to make them all more efficient. We anticipate that the new companies in Poland and Colombia, founded at the end of the reporting year and expected to be fully operative from mid-2020, will contribute to overall sales; as well as the newly established service centers in China, Indonesia, northern Germany and Turkey.

In addition to optimizing global planning for the supply chain, we will continue to make targeted investments in production and service as well. The aim is to increase customer focus and service quality but also to enhance our attractiveness in customer segments and product lines that are growing faster-than-average.

INDUSTRY-SPECIFIC INNOVATIONS

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 various constellations and requirements in a wide range of different industries have a reputation for innovation, precision, reliability and efficiency. With our know-how, we have established ourselves as a competent partner in the development of industry-specific and individual solutions.

Inspired by the diverse range of challenges in installations and applications at customer sites, in the reporting year we launched innovations in all product groups for a wide range of different customer segments.

Innovations for the food-processing industry

The huge diversity of the foods conveyed on belts for manufacturing, processing and packaging requires equally specific belt solutions and surface coatings to meet these requirements and ensure efficiency, quality, hygiene and the gentle conveyance of the products. Our innovations combine these advantages over the various product lines:

Three new or extended series of Prolink plastic modular belts serve various applications in the food-processing industry. The Series 10 was extended by a special 'friction top' surface whose flat, rubber-like elements guarantee an improved grip on the goods to be conveyed. They are ideal for packaging systems with inclined conveying in bakeries for bread and rolls. The Series 14 was extended by a similar surface property for packaging systems for various foods where a strong belt with especially good grip properties is required.

'PROLINK' PLASTIC MODULAR BELT SERIES 10

'PROLINK' PLASTIC MODULAR BELT SERIES 14

'TRANSTEX' CONVEYOR BELT FOR LOGISTICS APPLICATIONS

'TRANSILON' CONVEYOR BELT FOR INDUSTRIAL LAUNDRIES

With a 25% permeable surface, this version ensures good air circulation and drainage. The new Series 15 is suitable for long cooling lines for the production of tortillas, pastries and dough pieces in the cooling and drying process, and can be used at temperatures as low as – 40°C.

A new Transilon belt is used in high-speed cutting systems to cut and portion vegetables, and offers especially hygienic properties in terms of the resulting vegetable juices.

'BELT PROPERTIES THAT OFFER ADDED VALUE'

Belt for industrial laundry technology
A special Transilon belt type was developed for systems with complete process lines in industrial laundry technology such as used in hospitals, cruise ships or large hotels. With its new special surface texture it offers reliable grip properties, also for inclined conveyance of folded washing such as towels, bedclothes or dressing gowns.

Various special belts for logistics applications
We have developed special belts in various product groups for different areas in logistics plants. An elastic Transilon belt for automated guided vehicle systems which, thanks to its anti-slip texture, allows reliable conveyance at inclinations of up to 15°. A new elastic Extremultus belt is proving itself in applications for distribution centers that require a low coefficient of friction and are especially adapted for systems with drive rollers. A robust and especially low-noise Transtex belt was developed for large cross belt sorter systems.

ORGANIZATION

EXECUTIVE BOARD

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

Stephan Bauer
Chief Executive Officer

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

Urs Uehlinger
Chief Financial Officer

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

Jean-Michel Wins
Executive Vice President Flooring Systems

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

Marc Deimling
Executive Vice President Movement Systems

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

GROUP STRUCTURE

Forbo has performed better than average in the last years compared with other exchange-listed companies. With its two focused divisions, the Group today is a world leader in its markets, free of debt, and in possession of considerable resources for further strategic development. In line with its strategy, Forbo is tasked with maintaining its successful performance of recent years, on the one hand, and – with the means available – of reinforcing and expanding its positions in the global market through strong organic growth and acquisitions, on the other hand.

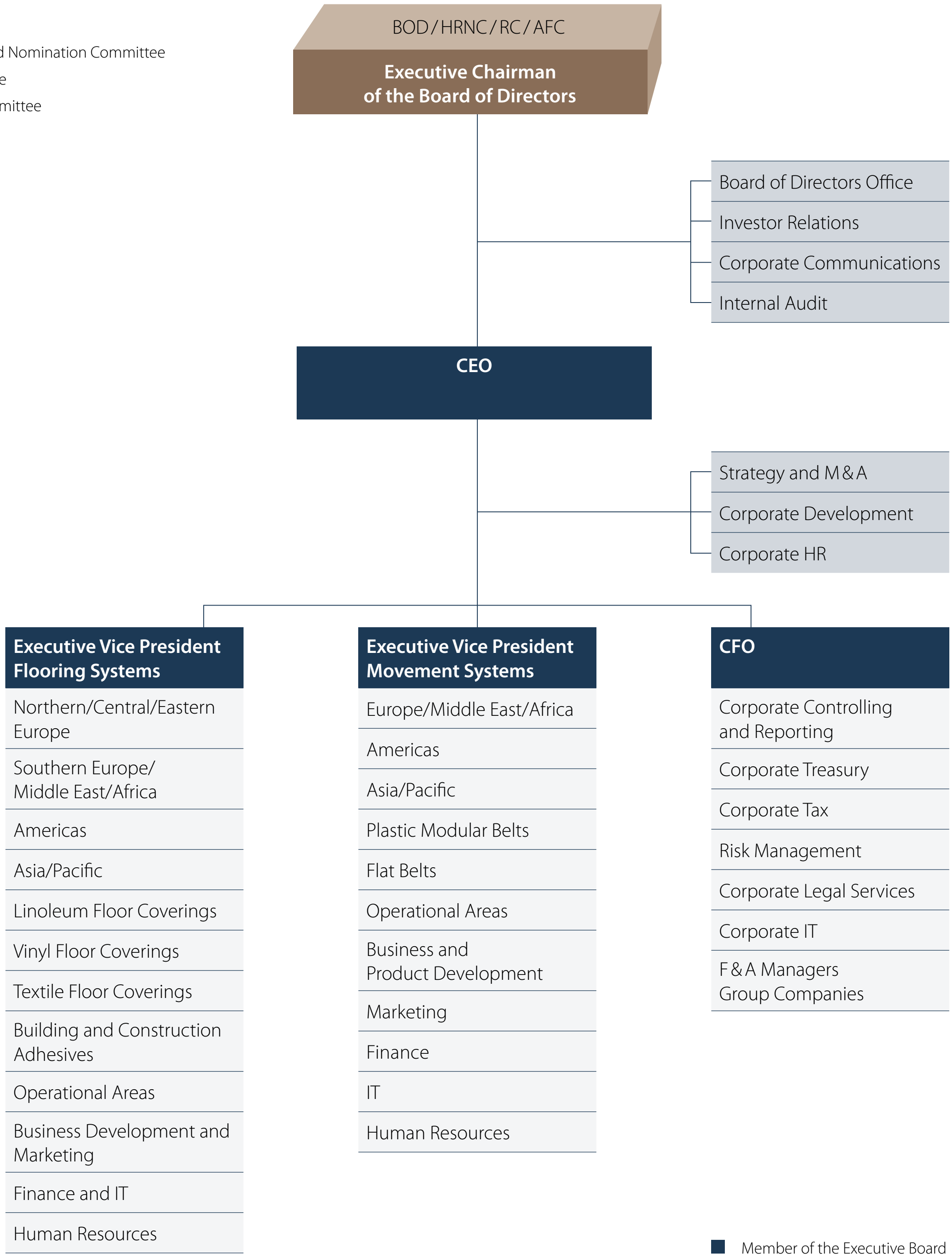
Tasks of the Executive Chairman of the Board of Directors

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

Tasks of the Chief Executive Officer

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

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



BOARD OF DIRECTORS

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

This E. Schneider
Executive Chairman

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

Michael Pieper
Vice Chairman

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

Dr. Peter Altorfer
Vice Chairman

Partner at the law firm Wenger & Vieli AG, Zurich
Member of the Board of Directors of agta record ag, Fehraltorf
Member of the Board of Directors of BIH SA, Rapperswil-Jona
Member of the Board of Directors of Privatbank Bellerive AG, Zurich
Member of the Board of Directors of Nomura Bank (Schweiz) AG, Zurich
Further mandates with non-listed investment and real-estate companies
as well as charitable foundations in Switzerland

Claudia Coninx-Kaczynski
Member

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

Dr. Reto Müller
Member

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

Vincent Studer
Member

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

THE FORBO SHARE

THE FORBO SHARE

It was clear early on in the year under review that the main central banks would react to the weakness in the global economy by again pursuing a more expansionary monetary policy. Price gains on the international stock markets were therefore less a result of good news from companies than the consequence of monetary policy decisions by certain central banks. The indices on various stock markets thus reached new highs despite the global economic slowdown.

The Swiss Performance Index (SPI) posted steady gains in 2019. Although there were more and more uncertainties, especially in early and late summer, the fluctuations were only brief and the markets staged a rapid recovery each time. The SPI climbed from 9,830.06 points at end-2018 to close at 12,837.50 by the end of 2019.

For most of the year under review, the Forbo share price tracked the SPI trend by and large. Following a downturn in the summer, the Forbo share again developed very positively and closed the year at CHF 1,648.00. This marks a gain of + 19.3% in 2019.

For a number of years now the Forbo share has been steadily performing better-than-average. It has outperformed the SPI on an annual basis in more than two out of three years since 2005. In the same period, it has gained about four times as much in value as the SPI.

The Forbo share in comparison to the SPI

Share capital

		2019 number	2018 number	2017 number	2016 number	2015 number
Issued registered shares[1]		1,650,000	1,800,000	1,800,000	1,800,000	1,990,000
Thereof:						
Shares outstanding		1,601,315	1,601,718	1,704,444	1,709,844	1,708,458
Share buyback programs		0	150,000	63,105	0	190,000
Other treasury shares		27,266	26,863	11,032	68,737	70,123
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	180,000	180,000	180,000	199,000
Thereof:						
Shares outstanding		160,132	160,172	170,444	170,984	170,846
Share buyback programs		0	15,000	6,311	0	19,000
Other treasury shares		2,727	2,686	1,103	6,874	7,012
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]		422	354	383	364	300
Group profit per share (undiluted)[2] [3]		86.3	82.4	22.4	74.7	62.1
Gross dividend and cash distribution		23.0[4]	21.00	19.00	19.00	17.00
Gross dividend yield (in %)[4] [5]	High	1.3[4]	1.3[5]	1.1[5]	1.4[5]	1.4[5]
	Low	1.7[4]	1.6[5]	1.4[5]	2.0[5]	2.1[5]
Payout ratio[6] (in %)		27	25	85	25	27

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	1,799	1,620	1,669	1,367	1,255
	Low	1,353	1,302	1,313	960	811
	Year-end	1,648	1,381	1,505	1,313	1,182
Market capitalization (m)[7]	High	2,968	2,916	3,004	2,461	2,497
	Low	2,232	2,344	2,383	1,728	1,613
	Year-end	2,719	2,486	2,709	2,363	2,352

1) Par value per share in 2019, 2018, 2017, 2016 and 2015: CHF 0.10.
2) Based on the weighted average of the number of shares as set out in note 11 'Earnings per share' on page 114 of the financial report.
3) See note 11 'Earnings per share' on page 114 of the financial report.
4) Proposal of the Board of Directors to the 2020 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 47. The scope of consolidation of Forbo Holding Ltd does not include any listed companies. The non-listed companies within the scope of consolidation of Forbo Holding Ltd are listed in the section 'Group companies' starting on page 134 in the financial report section. The company name and domicile, share capital, and percentage of participation, along with information relating to the allocation of the Group company to the Group's businesses, can also be found in that section of this Annual Report.

Significant shareholders
As of December 31, 2019, 3,963 shareholders were listed in the share register of Forbo Holding Ltd, or 166 (4%) fewer than in the previous year. As of December 31, 2019, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2019 as a percentage
Michael Pieper[1]	29.50
UBS Fund Management (Switzerland) AG	3 – 5
BlackRock, Inc.	3 – 5
Credit Suisse Funds AG	3 – 5

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.

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

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

On March 22, 2019, This E. Schneider reported that he had fallen below the 3% threshold and that he held 53,894 shares, corresponding to 2.994% of the voting rights.

On June 28, 2019, Forbo Holding Ltd reported that it had fallen below the threshold of 3% and that it held 46,956 of its own shares, corresponding to 2.85% of the voting rights, directly or indirectly via Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland.

On July 3, 2019, BlackRock, Inc. reported that it had exceeded the 3% threshold and that it held 52,825 shares and 748 voting rights for exercise at its own discretion, corresponding to 3.25% of the voting rights.

On December 31, 2019, Credit Suisse Funds AG reported that it had exceeded the 3% threshold and that it held 49,617 shares, corresponding to 3.01% 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.six-exchange-regulation.com → Publications → Significant shareholders).

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

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

Capital structure

Share capital
As of December 31, 2019, Forbo Holding Ltd had a fully paid up share capital of CHF 165,000, divided into 1,650,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

– 70.52% were registered in the name of 3,936 shareholders with voting rights
– 26.19% were shares of banks or of SIX SIS AG pending registration of transfer
– 3.29% were registered in the share register without voting rights

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

The 2017 – 2020 share buyback program, which was based on the authorization of the Ordinary General Meeting of Forbo Holding Ltd on April 6, 2017, was terminated prematurely on March 5, 2019. In the framework of this share buyback program, a total of 63,105 shares were repurchased at a fixed price, plus a further 86,895 shares via a second trading line, between November 16, 2017 and March 5, 2019. The Ordinary General Meeting of Forbo Holding Ltd on April 5, 2019 decided to cancel the 150,000 shares (8.33%) purchased as part of this share buyback program; it further resolved to reduce the share capital and amend the Articles of Association accordingly.

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

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

No changes to the capital of Forbo Holding Ltd were made either in 2017 or in 2018.

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

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

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

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

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

Board of Directors

Members of the Board of Directors
The cut-off date for the following information is December 31, 2019.

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

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

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

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

Dr. Peter Altorfer, Vice Chairman
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 agta record ag in Fehraltorf, BIH SA in Rapperswil-Jona, Privatbank Bellerive AG in Zurich and Nomura Bank (Schweiz) AG in Zurich, and further non-listed investment and real estate companies as well as charitable foundations in Switzerland. He has been a member of the Board of Directors of Forbo Holding Ltd since March 2005.

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. 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 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 and sits on other Boards of Trustees. She has been a member of the Board of Directors of Forbo Holding Ltd since April 2014.

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

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

Board of Directors of Forbo Holding Ltd as per December 31, 2019

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

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

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

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

Election and term of office

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

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

Internal organizational structure

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

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

As a rule, the Executive Chairman of the Board of Directors chairs the meetings of the Board and the General Meeting. He plans and conducts the meetings of the Board and the General Meeting. The meetings of the Board and the relevant items on the agenda are prepared by the Executive Chairman. He monitors the execution of the measures adopted by the Board. He is the direct superior of the CEO, is in regular contact with him, and has an advisory and supervisory function. In addition, the Executive Chairman represents the Board and the Forbo Group vis-à-vis the public, the authorities, and the shareholders. The tasks of the Executive Chairman of the Board and the demarcation of responsibilities from those of the CEO are set out in the section 'Areas of responsibility' on pages 63 and 64.

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 2019, the Board of Directors met five times, with meetings lasting between half a day and a whole day. Every Board member participated in all meetings.

The Executive Chairman may invite members of the Executive Board or other senior employees to attend Board meetings for individual items. In the 2019 business year, members of the Executive Board and other senior employees participated in all meetings of the Board of Directors for the vast majority of the agenda items. 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 2019 business year, no external consultants participated in the meetings of the Board of Directors. Participation of external consultants in meetings of the AFC, RC and HRNC are listed in the chapters on the AFC, RC and HRNC on pages 63, 74, 75 and 76.

Audit and Finance Committee

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

The AFC convenes as often as business requires, but at least twice a year. In the 2019 business year, two meetings were held, each lasting about half a day. All members of the AFC were present at both meetings. The external auditors were present for selected items on the agenda of the AFC's meeting on the financial statements and at the meeting to discuss the scope of the audit and the audit fee. The Ernst & Young representatives responsible for internal audit attended the discussions of the internal audit reports at both meetings. No external consultants participated in the meetings of the AFC in the year under review.

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

Human Resources and Nomination Committee

We refer to the explanations in the remuneration report on pages 74 and 75.

Remuneration Committee

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

Areas of responsibility

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

- overall management of the company and issuing of the necessary directives
- definition of the organizational structure
- determination of accounting, financial controlling, and financial planning principles
- appointment and dismissal of persons entrusted with the management of the company
- overall supervision of the persons entrusted with managing the company, particularly with respect to compliance with the law, Articles of Association, regulations, and directives

– preparation of the Annual Report as well as of the General Meeting and implementation of its resolutions
– preparation of the remuneration report
– notification of the court in the event of over-indebtedness

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

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

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

Tasks of the Executive Chairman of the Board of Directors:

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

Tasks of the Chief Executive Officer:

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

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

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

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

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

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

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

The Executive Board meets as often as business requires, normally once a month. In the 2019 business year, eleven meetings were held, with the meetings usually lasting half a day.

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

The Board of Directors fulfills its supervisory and monitoring obligations also by means of financial reporting and its role in the planning cycle. The internal and external auditors may assist the Board in this task. However, neither the external auditors nor the internal auditors were invited to any meetings of the Board of Directors in 2019 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 2019, eleven 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 related to the audited business processes. Lastly, additional risks and controls in connection with the audited business processes were analyzed. Ten companies in Forbo Flooring Systems and one company in Forbo Movement Systems were audited in the course of the internal audits.

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

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

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

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

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

Executive Board

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

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

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

Compensation, shareholdings, and loans

For information on this subject, refer to the remuneration report from page 74.

Shareholders' participation rights

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

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

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

Statutory quorums

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

Convening of the General Meeting

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

Agenda

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

Entry in the share register

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

Changes in control and defense measures

Duty to make an offer

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

Clause on changes of control

As per year-end 2019, 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 0.9 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 2019. These fees were charged mainly for the provision of tax advice.

Information instruments of the external auditors

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

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

Information policy

Transparency for investors

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

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

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

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

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

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

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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 81 to 83. An amendment to the Articles of Association concerning this matter was approved by a large majority at the Ordinary General Meeting on April 6, 2017.

The shareholders will vote separately on the following four compensation motions at the 2020 Ordinary General Meeting:

- Maximum total remuneration for the Board of Directors for 2021
- Maximum fixed remuneration for the Executive Board for 2021
- Short-term variable remuneration of the Executive Board for 2019 (bonus/short-term incentive)
- Maximum total amount of the long-term participation for the Executive Board for 2020 (long-term incentive plan 2020 – 2022)

The total remuneration was approved by a large majority in a consultative vote on the 2018 remuneration report at the Ordinary General Meeting of April 5 2019 (agenda item 6.1). Participants in the 2020 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2019 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 2019 business year, the HRNC held two meetings, each lasting a couple of hours. No external consultants participated in these meetings.

The Human Resources and Nomination Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 5, 2019, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2019 business year.

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

The Remuneration Committee (RC): task and function

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

The Remuneration Committee meets as often as business requires, but at least twice a year. In the 2019 business year, the Remuneration Committee held two meetings, each lasting a couple of hours. No external consultants participated in these meetings.

The Remuneration Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 5, 2019 elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the Remuneration Committee for the 2019 business year. The members of the Remuneration Committee are independent (non-executive) members of the Board of Directors, i.e. they have never belonged to the management of Forbo and have no, or only negligible, business relations with the company, though they may be shareholders.

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

Decision-making process of the Remuneration Committee

The maximum amount of the total remuneration paid to the Board of Directors and the maximum fixed remuneration paid to the Executive Board are usually determined by the Remuneration Committee once a year in the spring for the following business year and are submitted to the Board of Directors for acceptance at its March 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 2019

In the business year 2019, no important changes to the remuneration system were made either for the Board of Directors or for the Executive Board.

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

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

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

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

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

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

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

Determining the remuneration of the Board of Directors

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

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

Elements of remuneration for the Board of Directors

Non-executive members of the Board of Directors
The non-executive members of the Board of Directors receive a fixed remuneration, the amount of which is determined based on whether the member is Board Chairman, a simple Board member, or also a member of the Audit and Finance Committee (AFC), the Remuneration Committee (RC) or the Human Resources and Nomination Committee (HRNC). Of the remuneration, 40% is paid to the Board of Directors in shares of Forbo Holding Ltd. The portion paid in shares is derived from a fixed remuneration amount. These shares have a lock-up 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 lock-up period of three years. The annual cash payment for the year under review of CHF 310,000 (previous year: CHF 310,000) is used largely for employee contributions to the pension fund and social security (AHV and IV) and for other levies. The underlying share price used to calculate the number of shares is the weighted average price of the first ten days on which Forbo Holding Ltd shares were traded on the stock market in 2019, less the reduced value as a result of locking-up the shares (tax value 2019: CHF 1,189.90 per share; previous year: CHF 1,313.08 per share). The share package corresponds to annual compensation at fair value (excluding the reduction for the lock-up period) of CHF 2,263,250 (1,597 shares); previous year: CHF 2,262,960 (1,447 shares).

With this share package and this cash remuneration, all compensations such as bonuses, inflation, salary adjustments, options, etc. 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 3,005,300 for the year under review (previous year: CHF 2,999,902). Contained in this amount and reported in the column 'Other payments' are employer contributions to the pension fund, other usual social insurances, private use of the company car, contributions for accident and health insurance, and location expenses. The Executive Chairman of the Board of Directors is not a party to the management investment plan (MIP) or the share-based compensation program of the Board of Directors.

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

Determining the remuneration of the Executive Board

Basic principles

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

Alignment of performance-based remuneration with the corporate strategy

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

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

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

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

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

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

Planning cycle

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

■ Decision period

Elements of remuneration of the Executive Board

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

Fixed remuneration
The fixed base remuneration paid to the Executive Board in the reporting year consists of the gross base salary, private company car use, and social security payments made by the company. The Remuneration Committee may also decide that part of the remuneration will be paid in the form of shares in Forbo Holding Ltd (lock-up 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 (25 to 40% of the variable remuneration), EBIT of the Group and/or a division (50 to 55% of the variable remuneration), and net working capital of the Group and/or a division (5 to 10% 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. In future, the qualitative objectives will contain a larger 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.

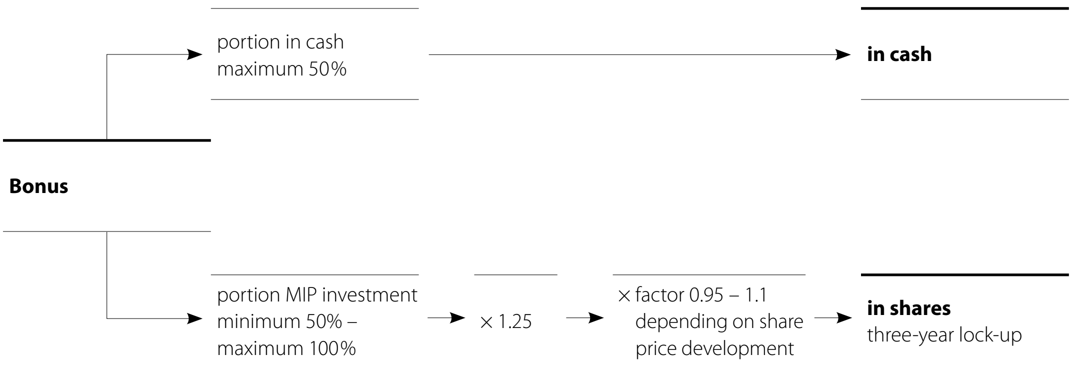
Conversion of remuneration into shares in the management investment plan (MIP)
The bonus payment from the bonus/short-term incentive is linked to the management investment plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual short-term variable 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 lock-up period. In addition, this amount will be multiplied by a factor that tracks the share price movement. This factor is calculated as follows:

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

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



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

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

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

The long-term incentive consists of a performance share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share. The size of the PSU allocation corresponds to a defined percentage of the Executive Board member's fixed remuneration; the percentage may vary from 10 to 30 percent. 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 long-term incentive objectives are based on a target achievement of 100%. It is not possible to exceed the maximum target achievement level of 100%. If a member fails to reach a given threshold for an objective, no PSUs are converted into shares for this indicator.

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

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

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

There are no option plans.

Employment contracts of the Executive Board members

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

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

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

No severance payments have been agreed with Executive Board members.

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

Remuneration of the Board of Directors
The total remuneration paid to the non-executive members of the Board of Directors came to CHF 809,444 in the year under review (previous year: CHF 811,423). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 412,175 (previous year: CHF 413,198) and the base remuneration in shares (40% of the remuneration) of CHF 336,852 (previous year: CHF 335,640). This corresponds to 207 shares (previous year: 241 shares) at a market value of CHF 1,627.30 each (previous year: CHF 1,392.70). The portion paid in shares is derived from a fixed remuneration amount. This total remuneration includes a lump sum for expenses plus employer contributions to the usual social insurances, which are reported separately in the column 'Other remuneration'.

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

Remuneration of the Executive Board
The total remuneration paid to the members of the Executive Board came to CHF 2,274,552 in the year under review (previous year: CHF 2,764,288), subject to approval of the variable portion by the 2020 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,529,870 (previous year: CHF 1,541,548) and short-term variable bonus remuneration (short-term incentive) of CHF 108,412 (previous year: CHF 592,540), a long-term participation (long-term incentive) of CHF 267,354 (previous year: CHF 222,816) 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 (lock-up period of five years) came to CHF 326,245 (previous year: CHF 329,018). The portion paid in shares is derived from a fixed remuneration amount. The portion of the variable remuneration (short-term incentive plan) paid in shares in connection with the MIP (lock-up period of three years) came to CHF 92,054 (previous year: CHF 520,562), which is subject to approval by the 2020 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 448 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)
2017 – 2019	April 2017	2017 – 2019	April 2020	April 2023	118	159,794
2018 – 2020	April 2018	2018 – 2020	April 2021	April 2024	141	221,088
2019 – 2021	April 2019	2019 – 2021	April 2022	April 2025	189	267,354

Disclosure of remuneration of the Board of Directors and Executive Board

Remuneration For the year 2019[1)]	Base salary			Variable remunerations					Other remunera-tion[4)]	Total
				Bonus/short-term incentive[2)]			Long-term incentive[3)]			
	Cash		Shares	Cash		Shares	Allocation performance share units			
Name and function	CHF	Number	CHF	CHF	Number	CHF	Number	CHF	CHF	CHF
This E. Schneider, Executive Chairman[5)]	310,000	1,597	2,263,250						432,050	3,005,300
Michael Pieper, Vice Chairman	80,348	40	65,092						12,140	157,580
Dr. Peter Altorfer, Vice Chairman	103,952	52	84,620						14,894	203,466
Claudia Coninx-Kaczynski, member	70,813	36	58,583						13,584	142,980
Dr. Reto Müller, member	70,813	36	58,583						11,107	140,503
Vincent Studer, member	86,249	43	69,974						8,692	164,915
Board of Directors total[6)]	**722,175**	**1,804**	**2,600,102**						**492,467**	**3,814,744**
Executive Board[7)8)9)] total	**1,203,625**	**207**	**326,245**	**16,358**	**55**	**92,054**	**189**	**267,354**	**368,916**	**2,274,552**
Of whom highest-paid member of Executive Board (Stephan Bauer)	400,000	128	201,796	0	25	41,843	54	76,387	167,415	887,441

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

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

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

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

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

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

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

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

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

Remuneration
For the year 2018[1)]

	Base salary			Variable remunerations					Other remuneration[4)]	Total
				Bonus/short-term incentive[2)]			Long-term incentive[3)]			
	Cash	Shares		Cash	Shares		Allocation performance share units			
Name and function	CHF	Number	CHF	CHF	Number	CHF	Number	CHF	CHF	CHF
This E. Schneider, Executive Chairman[5)]	310,000	1,447	2,262,960						426,942	2,999,902
Michael Pieper, Vice Chairman	80,043	47	65,457						12,140	157,640
Dr. Peter Altorfer, Vice Chairman	104,842	60	83,562						17,085	205,489
Claudia Coninx-Kaczynski, member	70,889	42	58,493						13,584	142,966
Dr. Reto Müller, member	70,889	42	58,493						11,107	140,489
Vincent Studer, member	86,535	50	69,635						8,669	164,839
Board of Directors total[6)]	**723,198**	**1,688**	**2,598,600**						**489,527**	**3,811,325**
Executive Board[7)8)9)] total	**1,212,530**	**225**	**329,018**	**71,978**	**368**	**520,562**	**141**	**222,816**	**407,384**	**2,764,288**
Of whom highest-paid member of Executive Board (Stephan Bauer)	400,000	138	201,808	0	210	297,060	38	60,000	189,166	1,148,034

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 2018 and will be submitted to the April 2019 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 1,414.57. 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 2018 (long-term incentive plan 2018 – 2020) and to the number of future subscription rights allocated to the plan in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share and is subject to a three-year vesting period.

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

5) Please refer to page 78 of this remuneration report for details on the structure of the remuneration of the Executive Chairman of the Board of Directors. These details also contain the criterion for determining the number of shares issued and their lock-up 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 1,392.70. The allocation is made at the discounted tax value of CHF 1,169.30. The shares are locked up for a period of three years and are reported at market value in the table above.

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

8) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated in April for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of five years. The value of the shares allocated was CHF 1,568.00 in 2018 and CHF 1,414,57 for 2019.

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 2018 will be allocated in April 2019, subject to approval by the 2019 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,414.57. 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, 2019, 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

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

Shareholdings 2019

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

As at December 31, 2018, 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 2018

Name and function	Shares
This E. Schneider, Executive Chairman	54,611
Michael Pieper, Vice Chairman	486,764
Dr. Peter Altorfer, Vice Chairman	1,287
Claudia Coninx-Kaczynski, member	212
Dr. Reto Müller, member	632
Vincent Studer, member	916
Total Board of Directors	**544,422**
Stephan Bauer, Chief Executive Officer	2,969
Marc Deimling, Executive Vice President Movement Systems	3
Urs Uehlinger, Chief Financial Officer	104
Jean-Michel Wins, Executive Vice President Flooring Systems	104
Total Executive Board	**3,180**

Report of the statutory auditor

Report of the Statutory Auditor

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

We have audited the accompanying remuneration report of Forbo Holding Ltd for the year ended 31 December 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) on pages 85 to 88 of the remuneration report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2019, of Forbo Holding Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, 26 February 2020

FINANCIAL REPORT

Consolidated balance sheet

Assets		31.12.2019	31.12.2018
CHF m	Note		
Current assets		**652.1**	**567.3**
Cash and cash equivalents		217.7	127.4
Current financial assets	22	0.0	0.1
Trade receivables	12	160.4	168.9
Other receivables		23.7	26.0
Accrued income and deferred expenses		14.8	14.8
Inventories	13	235.5	230.1
Non-current assets		**445.3**	**412.7**
Non-current financial assets	22	0.2	0.3
Deferred tax assets	10	45.4	39.9
Property, plant, and equipment	14/21	291.8	259.4
Intangible assets and goodwill	15	107.9	113.1
Total assets		**1,097.4**	**980.0**

Shareholders' equity and liabilities			
CHF m	Note		
Current liabilities		**257.3**	**261.9**
Current financial liabilities	22/23	13.4	0.1
Trade payables	22	98.1	109.2
Other current liabilities		28.2	28.7
Current tax liabilities	10	19.0	16.2
Accrued expenses and deferred income	16	78.2	87.7
Current provisions	17	20.4	20.0
Non-current liabilities		**163.5**	**126.5**
Non-current financial liabilities	22/23	26.8	0.0
Deferred tax liabilities	10	11.2	12.1
Non-current provisions	17	46.9	40.7
Employee benefit obligations	18	78.6	73.7
Total liabilities		**420.8**	**388.4**
Shareholders' equity		**676.6**	**591.6**
Share capital	20	0.2	0.2
Treasury shares	20	–0.1	–0.1
Reserves and retained earnings		676.5	591.5
Total shareholders' equity and liabilities		**1,097.4**	**980.0**

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

Consolidated income statement

CHF m	Note	2019	2018
Net sales	5	**1,282.2**	**1,327.0**
Cost of goods sold		– 788.6	– 824.9
Gross profit		**493.6**	**502.1**
Development costs	6	– 16.0	– 16.6
Marketing and distribution costs		– 191.4	– 198.1
Administrative costs		– 92.8	– 96.1
Other operating expenses	7	– 26.2	– 23.5
Other operating income	8	9.1	7.5
Operating profit		**176.3**	**175.3**
Financial income		0.8	0.9
Financial expenses		– 1.8	– 0.6
Group profit before taxes		**175.3**	**175.6**
Income taxes	10	– 37.0	– 38.0
Group profit for the year		**138.3**	**137.6**
Group profit attributable to shareholders of Forbo Holding Ltd		138.3	137.6

Earnings per share, total

CHF	Note	2019	2018
Basic earnings per share	11	86.33	82.38
Diluted earnings per share	11	86.33	82.38

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

Consolidated comprehensive income statement

CHF m	Note	2019	2018
Group profit for the year		**138.3**	**137.6**
Items that will not be reclassified to the income statement:			
Remeasurements of employee benefit obligations, net of taxes	10	– 4.8	11.5
Items that are or may be subsequently reclassified to the income statement:			
Translation differences		– 12.5	– 29.6
Other comprehensive income for the year, net of tax		**– 17.3**	**– 18.1**
Total comprehensive income		**121.0**	**119.5**
Total comprehensive income attributable to the shareholders of Forbo Holding Ltd		121.0	119.5

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

Consolidated statement of changes in equity

2019

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
December 31, 2018 (before application of IFRS 16)	**0.2**	**– 0.1**	**905.1**	**– 313.6**	**591.6**
Effect of application of IFRS 16 (net of tax)			– 1.4		– 1.4
January 1, 2019 restated	**0.2**	**– 0.1**	**903.7**	**– 313.6**	**590.2**
Group profit for the year			138.3		138.3
Other comprehensive income for the year, net of tax			– 4.8	– 12.5	– 17.3
Total comprehensive income			**133.5**	**– 12.5**	**121.0**
Share-based payments			3.2		3.2
Treasury shares		0.0	– 4.1		– 4.1
Dividend payment			– 33.7		– 33.7
December 31, 2019	**0.2**	**– 0.1**	**1,002.6**	**– 326.1**	**676.6**

2018

CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
December 31, 2017 (before application of IFRS 9)	**0.2**	**– 0.1**	**945.1**	**– 284.0**	**661.2**
Effect of application of IFRS 9 (net of tax)			– 0.4		– 0.4
January 1, 2018 restated	**0.2**	**– 0.1**	**944.7**	**– 284.0**	**660.8**
Group profit for the year			137.6		137.6
Other comprehensive income for the year, net of tax			11.5	– 29.6	– 18.1
Total comprehensive income			**149.1**	**– 29.6**	**119.5**
Share-based payments			4.6		4.6
Treasury shares		0.0	– 160.9		– 160.9
Dividend payment			– 32.4		– 32.4
December 31, 2018	**0.2**	**– 0.1**	**905.1**	**– 313.6**	**591.6**

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

Consolidated cash flow statement

		2019	2018
Cash flow from operating activities			
CHF m	Note		
Group profit for the year		**138.3**	**137.6**
Tax expense	10	37.0	38.0
Financial result		1.0	– 0.3
Depreciation of property, plant, and equipment and right-of-use assets	14	52.4	35.3
Amortization of intangible assets	15	5.1	6.2
Profit (–)/Loss from the sale of non-current assets		– 0.5	0.3
Share-based payments	9	3.2	4.8
Income tax paid		– 39.0	– 39.5
Increase in provisions and employee benefit obligations		7.7	10.8
Increase in net operating working capital[1]		– 14.1	– 9.8
Increase in other current assets		– 6.0	– 12.2
Net cash flow from operating activities		**185.1**	**171.2**
Cash flow from investing activities			
CHF m	Note		
Purchase of business operations net of cash acquired			– 1.3
Purchase of non-current assets		– 36.1	– 38.7
Proceeds from the disposal of non-current assets		0.8	0.1
Interest received		0.8	0.8
Net cash flow from investing activities		**– 34.5**	**– 39.1**
Cash flow from financing activities			
CHF m	Note		
Payment of lease liabilities	21	– 18.4	– 0.3
Interest paid	21	– 1.0	0.0
Purchase of treasury shares		– 4.3	– 161.0
Proceeds from sale of treasury shares		0.0	1.1
Dividend payment		– 33.7	– 32.4
Net cash flow from financing activities		**– 57.4**	**– 192.6**
Change in cash and cash equivalents			
CHF m	Note		
Increase/decrease (–) in cash and cash equivalents		93.2	– 60.5
Translation differences on cash and cash equivalents		– 2.9	– 7.5
Total cash and cash equivalents at beginning of year		127.4	195.4
Total cash and cash equivalents at year-end		**217.7**	**127.4**

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

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

Notes – accounting principles

1 General information

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

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

These financial statements were approved by the Board of Directors on February 26, 2020, and released for publication on March 3, 2020. This financial report is subject to approval by the Ordinary General Meeting of April 3, 2020.

2 Summary of significant accounting policies

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

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

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

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

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

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

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

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

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

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

Associates are all entities over which the Group has significant influence but not control, generally accompanied by a shareholding of between 20% and 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 year under review, two new distribution and service companies were founded in the Movement Systems division: Forbo Siegling Poland sp. z o.o. in Łódź, Poland, and Forbo Siegling Colombia S.A.S. in Bogotá, D.C., Colombia. Forbo Finanz II AG in the Corporate Segment was liquidated in order to streamline the corporate structure.

In the previous reporting period, Forbo Finanz AG had acquired 100% of the capital of Transmeca AS in Oslo, Norway, effective May 2, 2018. Transmeca AS was an existing customer of Forbo that sells and distributes fabric conveyor belts. Transmeca AS has now become an additional distribution and service point for the Movement Systems division in Norway. Furthermore, the dormant company Forbo Project Vinyl AB in Gothenburg, Sweden, was liquidated in 2018.

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

Foreign currency translation

Transactions in foreign currencies

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

Foreign operations

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

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

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

			Income statement (average exchange rates for the year)		Balance sheet (year-end exchange rates)	
			2019	2018	2019	2018
Exchange rates						
Euro zone	EUR	1	1.1126	1.1552	1.0859	1.1275
USA	USD	1	0.9937	0.9786	0.9682	0.9853
Great Britain	GBP	1	1.2688	1.3058	1.2722	1.2596
Japan	JPY	100	0.9115	0.8860	0.8912	0.8959
China	CNY	100	14.3900	14.8000	13.9100	14.3200
Sweden	SEK	100	10.5164	11.2673	10.3745	11.0117

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, in other words, 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 recorded 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 prescribed by law. Provisions are made on the basis of the expected cash outflow for known warranty claims and those expected in future.
Movement Systems	The type and time of the fulfillment of the performance obligation and the terms of payment are identical with those for Flooring Systems. Movement Systems, in addition, provides services in connection with the servicing, maintenance, and seamless connection of belting products. These services are recognized separately as revenue at the time the service is provided.

Government grants

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

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

Research and development

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

Share-based payments

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

Earnings per share

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

Income taxes

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

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

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

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

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

Property, plant, and equipment
Property is recognized at cost on acquisition. Land is not depreciated, but allowances are set aside for impairments that have occurred. All other fixed assets such as machines, vehicles and 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	
IT	3 to 5 years
Vehicles	5 years
Other operational assets	3 to 10 years
Assets under construction	
Assets under construction	no depreciation

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

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

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

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

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

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

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

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

Financial instruments

Recognition and initial measurement

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

Classification and subsequent measurement of financial assets

Financial assets are classified in one of the following categories:

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

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

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

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

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

Classification and subsequent measurement of financial liabilities

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

Inventories

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

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

Shareholders' equity

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

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

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

Employee pension plans

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

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

For defined benefit plans, the pension costs and liabilities are assessed annually on the basis of various economic and demographic assumptions by independent actuaries according to the 'projected unit credit method'. The liabilities correspond to the present value of the expected future cash flows. 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 to the income statement.

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

Provisions

Provisions are recognized if the Group has a current legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provision is the best estimate on the reporting date of the amount required to meet the current obligation, taking into account the risks and uncertainties underlying the obligation.

Leasing

The Group is the lessee for various property, plant, and equipment; vehicles and buildings constitute the vast majority of leasing agreements. Until 2018, the Group had classified a lease as a financial lease in accordance with IAS 17/IFRIC 4, if it transferred substantially all the risks and rewards incidental to ownership. All other leases were treated as operating leases and not carried in the balance sheet.

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

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

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

3 Critical judgements, estimates and appraisals by management

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

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

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

Important assumptions in the calculations underlying these impairment tests include growth rates, margins, estimates and management's expectations of the future development of net working capital, and discount rates. The actual cash flows may deviate from the planned discounted future 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 the Group may arise that may not be covered, or are covered only in part, by provisions or insurance benefits. Further information on this topic can be found in note 17 'Provisions'.

Income taxes

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

4 Application of new or revised accounting standards

Applied new and revised standards and interpretations

The following relevant new and revised standards and interpretations of the International Accounting Standards Board (IASB) were applied for the first time in the business year that began on January 1, 2019:

– IFRS 16 'Leases'
– IFRIC 23 'Uncertainty over income tax treatments'
– Amendments to IAS 28 'Investments in Associates and Joint Ventures'
– Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'
– Amendments owing to annual improvement projects

With the exception of IFRS 16 Leases, the first-time adoption of the above-mentioned new or revised standards and interpretations had no appreciable impact on the consolidated financial statements presented here.

IFRS 16 'Leases'

With IFRS 16 a uniform accounting model was introduced, in which leases are to be recognized in the lessee's balance sheet. IFRS 16 defines a lease as a contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee recognizes a right-of-use asset that represents his right to control the use of the underlying asset, plus a liability from the lease that represents his obligation to make lease payments. Vehicles and buildings constitute the vast majority of leasing agreements.

The Group applied the new standard as of January 1, 2019, in accordance with the modified retrospective approach, recognizing the cumulative restatement effect at the date of initial application in shareholders' equity. Accordingly, the comparative figures for the previous periods were not restated.

When first applied, the lease liabilities were recognized at the present value of the remaining lease payments, discounted at the implicit interest rate of the lease or, if this was not available, at the incremental borrowing rate. Right-of-use assets were recognized at book value as if IFRS 16 had been applied since the commencement date. At the date of transition, the right-of-use assets were tested for impairment and no indications for impairment were noted. The Group made use of the recognition exception for low-value assets and short-term leases and applied the practical expedient of using hindsight when determining the lease term.

The effect on the consolidated balance sheet from the assessment of the right-of-use assets on the one hand and the leasing obligation and the cumulative restatement effect in shareholders' equity on the other was as follows:

CHF m	**January 1, 2019**
Right-of-use property, plant and equipment	42.1
Lease liability	43.5
Restatement effect in shareholders' equity	– 1.4

Depreciation and hence operating profit before depreciation and amortization (EBITDA) increased by CHF 17.1 million in the reporting period. Financial expenditure consists of interest on lease liabilities of CHF 1.0 million, which correspondingly had a positive impact on operating profit (EBIT). The effect of the application of IFRS 16 on the consolidated cash flow statement was to reduce cash flow from financing activities and increase cash flow from operating activities by each CHF 19.4 million. The effect on the Group profit is negligible.

The table below shows the reconciliation of leasing obligations under IAS 17 to leasing obligations under IFRS 16 as per January 1, 2019:

	CHF m
Operating leasing obligations (IAS 17) as per December 31, 2018	**28.3**
Effect of discounting at the average incremental borrowing rate	– 1.9
Not recognized leasing obligations with a term of less than 12 months	– 3.6
Not recognized leasing obligations of low-value assets	– 0.9
Extension options reasonably certain to be exercised	21.6
Leasing obligations on initial application of IFRS 16 on January 1, 2019	**43.5**

The average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019, came to about 2.5%.

Introduction of new standards in 2020 and beyond

The following new and revised standards and interpretations that were published by end-2019 but are not yet mandatory were not applied in advance in the present consolidated financial statements.

Standards		Date effective	Planned application
New standards or interpretations:			
IFRS 17 – 'Insurance Contracts'	*	January 1, 2021	2021 business year
Revisions and amendments of standards and interpretations:			
Amendments to IFRS 3 'Definition of a business'	*	January 1, 2020	2020 business year
Amendments to IAS 1 und IAS 8 'Definition of materiality'	*	January 1, 2020	2020 business year
Amendments to 'References to the conceptual framework in IFRS standards'	*	January 1, 2020	2020 business year
Amendments to IFRS 9, IAS 39, and IFRS 7 'Interest rate benchmark reform'	*	January 1, 2020	2020 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 business.

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:

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

1) Operating profit before depreciation and amortization

Segment information on the reportable segments for the prior year:

2018 CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total sales	913.2	414.0	– 0.2	1,327.0
Inter-segment sales	0.0	– 0.2	0.2	0.0
Net sales to third parties	913.2	413.8		1,327.0
Operating profit (EBIT)	136.5	49.4	– 10.6	175.3
EBITDA[1]	166.0	60.6	– 9.8	216.8
Operating assets	523.1	275.4	13.9	812.4
Capital expenditure	25.4	13.2	0.1	38.7
Number of employees (December 31)	3,194	2,503	42	5,739

1) Operating profit before depreciation and amortization

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

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

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

CHF m	2019	2018
Total segment result (EBIT)	**176.3**	**175.3**
Financial result	– 1.0	0.3
Group profit before taxes	**175.3**	**175.6**

CHF m	31.12.2019	31.12.2018
Total operating assets	**834.1**	**812.4**
Non-operating assets	263.3	167.6
Total assets	**1,097.4**	**980.0**

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	2019 Third-party sales	2018 Third-party sales	2019 Third-party sales	2018 Third-party sales
Regions				
Europe	664.7	693.8	156.2	163.8
Americas	131.4	136.3	141.9	138.9
Asia/Pacific and Africa	74.4	83.1	113.6	111.1
Total net sales to third parties	**870.5**	**913.2**	**411.7**	**413.8**

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

CHF m	2019 Third-party sales	2018 Third-party sales
Switzerland (domicile)	27.6	28.4
France	158.2	165.6
Germany	155.4	167.0
Benelux	130.5	134.2
Scandinavia	98.6	103.7
Great Britain and Ireland	90.0	92.7
Other countries Europe	160.6	166.0
Europe	**820.9**	**857.6**
USA	221.2	223.2
Other countries Americas	52.1	52.0
Americas	**273.3**	**275.2**
Asia/Pacific and Africa	**188.0**	**194.2**
Total net sales to third parties	**1,282.2**	**1,327.0**

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

Operating assets are distributed over the following regions:

CHF m	31.12.2019 Operating assets	31.12.2018 Operating assets
Switzerland (domicile)	29.7	25.9
France	69.0	68.4
Germany	85.7	82.9
Benelux	205.3	207.1
Scandinavia	31.3	29.5
Great Britain and Ireland	114.9	117.4
Other countries Europe	54.8	48.1
Europe	**590.7**	**579.3**
USA	101.2	94.3
Other countries Americas	14.1	11.3
Americas	**115.3**	**105.6**
Asia/Pacific and Africa	**128.1**	**127.5**
Total operating assets	**834.1**	**812.4**

6 Development costs

'Development costs', which mainly comprise product development, amounted to CHF 16.0 million in the reporting year (2018: CHF 16.6 million).

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

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

7 Other operating expenses

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

8 Other operating income

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

In the previous year, government grants in connection with the construction of the Movement Systems plant in Pinghu, China, amounting to CHF 1.7 million were recognized in the income statement.

9 Personnel expenses

	2019	2018
Personnel expenses		
CHF m		
Salaries and wages	308.5	315.1
Social security contributions	78.8	78.8
Employee benefit expenses for defined benefit plans	5.0	6.0
Total personnel expenses	**392.3**	**399.9**

As at December 31, 2019, the headcount was 5,614 (2018: 5,739). The weighted average headcount over the year was 5,716 (2018: 5,718).

Salaries and wages include share-based payments expenses of CHF 3.2 million (2018: CHF 4.6 million). A bonus program is available for around 140 managers, which is linked to achieving financial targets set for the Group, the divisions, and individual objectives (see also note 19 'Employee participation plan').

The cost of the contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 14.8 million (2018: CHF 14.6 million).

10 Income taxes

	2019	2018
Income taxes		
CHF m		
Current income taxes	42.0	40.1
Deferred income taxes	– 5.0	– 2.1
Total income taxes	**37.0**	**38.0**

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

	2019	2018
CHF m		
Group profit before taxes	175.3	175.6
Tax expense at the expected tax rate	**– 43.8**	**– 43.4**
Tax effects of:		
Non-tax-deductible expenses	– 1.8	– 1.9
Tax-exempt income	3.5	3.4
Recognition of previously unrecognized tax losses	2.1	0.5
Utilization of previously unrecognized tax losses		1.3
Previous-year taxes and other positions	3.0	2.1
Effective income tax expenses	**– 37.0**	**– 38.0**

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 income/expense of all subsidiaries. The expected individual tax income/expense in a country is calculated by multiplying the individual profit/loss by the tax rate applicable in the country concerned. The expected tax rate in the year under review was 25.0% (2018: 24.7%).

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

2019

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

2018

CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year			
2 years			
3 years	1.1	0.0	1.1
4 years	2.2	0.3	2.5
5 years	4.5	0.0	4.5
More than 5 years	39.3	37.3	76.6
Total tax loss carry-forwards	**47.1**	**37.6**	**84.7**

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

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

The following amounts are shown in the balance sheet:

	31.12.2019	31.12.2018
CHF m		
Deferred tax assets	45.4	39.9
Deferred tax liabilities	– 11.2	– 12.1
Deferred tax assets, net	**34.2**	**27.8**

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

Deferred tax assets

CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry-forwards	Employee benefit obligations	Other	Total
As at December 31, 2018 (before application of IFRS 16)	**7.5**	**1.4**	**10.2**	**10.8**	**14.9**	**4.8**	**49.6**
Effect of application of IFRS 16						0.2	0.2
January 1, 2019 restated	**7.5**	**1.4**	**10.2**	**10.8**	**14.9**	**5.0**	**49.8**
Changes recognized in income statement	1.6	– 0.4	3.6	2.1	– 1.5	0.8	6.2
Changes recognized in other comprehensive income					1.8		1.8
Translation differences	– 0.2	0.0	– 0.3	– 0.3	– 0.4	– 0.1	– 1.3
As at December 31, 2019	**8.9**	**1.0**	**13.5**	**12.6**	**14.8**	**5.7**	**56.5**
Netting with deferred tax liabilities							– 11.1
As at December 31, 2019, net							**45.4**

Deferred tax liabilities

CHF m	Inventories	Property, plant, and equipment	Provisions	Intangible assets	Employee benefit obligations	Other	Total
As at December 31, 2018 (before application of IFRS 16)	**2.7**	**3.1**	**2.1**	**12.2**	**0.0**	**1.7**	**21.8**
Effect of application of IFRS 16		0.1					0.1
January 1, 2019 restated	**2.7**	**3.2**	**2.1**	**12.2**	**0.0**	**1.7**	**21.9**
Changes recognized in income statement	0.3	1.8	– 1.9	– 0.7		1.7	1.2
Changes recognized in other comprehensive income							0.0
Translation differences	– 0.1	– 0.1	– 0.1	– 0.4	0.0	– 0.1	– 0.8
As at December 31, 2019	**2.9**	**4.9**	**0.1**	**11.1**	**0.0**	**3.3**	**22.3**
Netting with deferred tax assets							– 11.1
As at December 31, 2019, net							**11.2**

Increase in deferred tax assets, net	**6.4**

As at December 31, 2019, 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:

	2019			2018		
CHF m	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Actuarial losses (–)/gains on employee benefit obligations	– 6.6	1.8	– 4.8	14.0	– 2.5	11.5
Translation differences	– 12.5	0.0	– 12.5	– 29.6	0.0	– 29.6
Other comprehensive income	**– 19.1**	**1.8**	**– 17.3**	**– 15.6**	**– 2.5**	**– 18.1**

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:

	2019	2018
Group profit for the year in CHF million	138.3	137.6
Weighted average number of shares	1,601,927	1,670,473
Amount of shares adjusted for long-term incentive plans (LTI)	42	96
Weighted average number of shares used to calculate diluted earnings per share	1,601,969	1,670,569

12 Trade receivables

	31.12.2019	31.12.2018
Trade receivables		
CHF m		
Accounts receivable	149.7	160.0
Notes receivable	16.7	15.4
Allowance for doubtful trade receivables	– 6.0	– 6.5
Total trade receivables	**160.4**	**168.9**

The Group's credit and market risks and allowances for doubtful receivables are found in note 23 'Risk assessment and financial risk management'.

13 Inventories

	31.12.2019	31.12.2018
Inventories		
CHF m		
Raw materials and supplies	47.8	46.4
Work in progress	80.1	73.6
Finished goods	137.5	138.7
Valuation allowance for inventories	– 29.9	– 28.6
Total inventories	**235.5**	**230.1**

Expenses for inventories recognized in the reporting year came to CHF 495.3 million (2018: CHF 519.6 million).

14 Property, plant, and equipment

Cost on acquisition CHF m	Land and buildings	Machinery and equipment	Vehicles and other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
As at January 1, 2018	**128.6**	**719.0**	**117.6**	**48.4**	**1,013.6**
Changes in scope of consolidation		0.1			0.1
Additions	1.2	9.9	1.6	25.5	38.2
Disposals	– 0.3	– 12.2	– 1.2		– 13.7
Transfers	18.6	31.3	2.8	– 53.5	– 0.8
Translation differences	– 9.4	– 26.7	– 4.3	– 1.2	– 41.6
As at December 31, 2018 (before application of IFRS 16)	**138.7**	**721.4**	**116.5**	**19.2**	**995.8**
Effect of application of IFRS 16	26.8	1.6	13.7		42.1
January 1, 2019 restated	**165.5**	**723.0**	**130.2**	**19.2**	**1,037.9**
Additions	7.9	8.3	7.9	26.0	50.1
Disposals	– 1.5	– 5.9	– 1.7		– 9.1
Transfers	3.2	22.6	1.9	– 27.9	– 0.2
Translation differences	– 8.2	– 19.7	– 3.9	– 0.4	– 32.2
As at December 31, 2019	**166.9**	**728.3**	**134.4**	**16.9**	**1,046.5**

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, 2018	**27.4**	**608.5**	**110.1**	**0.0**	**746.0**
Depreciation	7.6	24.2	3.5		35.3
Disposals		– 12.1	– 1.2		– 13.3
Translation differences	– 5.7	– 22.1	– 3.8		– 31.6
As at December 31, 2018 (before application of IFRS 16)	**29.3**	**598.5**	**108.6**	**0.0**	**736.4**
Effect of application of IFRS 16					0.0
January 1, 2019 restated	**29.3**	**598.5**	**108.6**	**0.0**	**736.4**
Depreciation	16.2	26.0	10.2		52.4
Disposals	– 1.3	– 5.9	– 1.6		– 8.8
Translation differences	– 5.6	– 16.5	– 3.2		– 25.3
As at December 31, 2019	**38.6**	**602.1**	**114.0**	**0.0**	**754.7**
Net carrying amount					
As at January 1, 2018	101.2	110.5	7.5	48.4	267.6
As at December 31, 2018	109.4	122.9	7.9	19.2	259.4
As at January 1, 2019	136.2	124.5	21.6	19.2	301.5
As at December 31, 2019	128.3	126.2	20.4	16.9	291.8

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 41.8 million (see also note 21 'Leasing').

Maintenance and repair costs amounted to CHF 23.7 million (2018: CHF 23.1 million). The depreciation expense of CHF 52.4 million (2018: CHF 35.3 million) is included in the items 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.

As at December 31, 2019, there were no assets for which interest on borrowed capital was capitalized during the preparation phase.

As at December 31, 2019, the Group had outstanding purchase orders for capital goods amounting to CHF 8.3 million (2018: CHF 3.1 million).

15 Intangible assets and goodwill

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2018	**88.4**	**33.1**	**81.4**	**202.9**
Changes in scope of consolidation			1.6	1.6
Additions			0.5	0.5
Transfers			0.8	0.8
Translation differences	– 2.6	– 0.4	– 3.5	– 6.5
As at December 31, 2018	**85.8**	**32.7**	**80.8**	**199.3**
Additions			0.2	0.2
Transfers			0.2	0.2
Translation differences	– 1.5	0.1	0.3	– 1.1
As at December 31, 2019	**84.3**	**32.8**	**81.5**	**198.6**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at January 1, 2018	**9.3**	**26.2**	**45.0**	**80.5**
Amortization		0.2	6.0	6.2
Translation differences	– 0.3	– 0.1	– 0.1	– 0.5
As at December 31, 2018	**9.0**	**26.3**	**50.9**	**86.2**
Amortization			5.1	5.1
Translation differences	– 0.2	0.0	– 0.4	– 0.6
As at December 31, 2019	**8.8**	**26.3**	**55.6**	**90.7**
Net carrying amount				
As at January 1, 2018	79.1	6.9	36.4	122.4
As at December 31, 2018	76.8	6.4	29.9	113.1
As at December 31, 2019	75.5	6.5	25.9	107.9

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

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

	31.12.2019	31.12.2018
Flooring Systems	71.5	72.6
Movement Systems	4.0	4.2
	75.5	**76.8**

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

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

Cash flows beyond the detailed planning period are extrapolated to the terminal value by means of using sustainable earnings. The growth rate underlying the terminal value equals the expected inflation. During the detailed planning period, relatively constant EBITDA margins are assumed, which are around 20% (2018: 18%) for Flooring Systems and around 17% (2018: 16%) for Movement Systems.

The discount rate corresponds to the total weighted cost of capital before taxes including an average risk charge estimated by management, and is 8.7% (previous year: 9.1%). The intangible assets with an indefinite useful life were subject to impairment testing also in the form of sensitivity analyses.

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

16 Accrued expenses and deferred income

	31.12.2019	31.12.2018
Accrued expenses and deferred income		
CHF m		
Accrued expenses for compensation and employee benefits	38.5	41.5
Other accrued expenses	39.7	46.2
Total accrued expenses and deferred income	**78.2**	**87.7**

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, 2019	**5.2**	**8.2**	**29.8**	**13.1**	**4.4**	**60.7**
Additions	3.2		9.4	3.3	0.3	16.2
Used during the year	– 2.4			– 2.1	– 0.1	– 4.6
Released during the year	– 0.9		– 2.6	– 0.7	– 0.5	– 4.7
Translation differences	– 0.1	– 0.1			– 0.1	– 0.3
As at December 31, 2019	**5.0**	**8.1**	**36.6**	**13.6**	**4.0**	**67.3**
Of which current provisions	3.7		0.6	13.2	2.9	20.4
Of which non-current provisions	1.3	8.1	36.0	0.4	1.1	46.9

Warranty provisions are linked to product sales and are based on past experience. The provisions for legal claims relate in part to product liability claims in which the Group is involved in the course of its normal business. The personnel provisions include in particular the bonus programs, provisions for paid leave, and potential labor law issues.

18 Employee benefit obligations

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

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

Pension plans in the United Kingdom
The Group has two defined benefit pension plans in the United Kingdom. The main one is the Forbo Superannuation Fund (the FSF), which accounts for about 61% 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, 31% to deferred members and 67% to current beneficiaries. New employees in the United Kingdom who meet certain criteria are now offered a defined contribution plan.

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

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

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

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

The pension liabilities of the Swiss Group companies account for about 18% of the Group's entire pension liabilities. 96% of the liabilities are to active members and 4% to retired beneficiaries.

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

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

Other pension plans

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

The latest actuarial valuations of the present values of defined benefit liabilities and of service costs were performed as at December 31, 2019, by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at December 31, 2019, based on the information available when the annual financial statements were prepared. The weighted average duration of the pension plans ('plan duration') is 13.5 years for the United Kingdom, 19.8 years for Switzerland, and 16.5 years for the other countries.

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

Actuarial assumptions	2019				2018			
	Switzerland	UK	Other	Weighted	Switzerland	UK	Other	Weighted
Discount rate (in %)	0.3	1.8	1.1	1.4	0.9	2.7	1.8	2.2
Future increases in salaries (in %)	1.9	3.7	2.8	2.4	1.9	3.9	2.8	2.4
Inflation rate (in %)	1.3	3.0	1.9	2.6	1.3	3.2	1.9	2.8
Life expectancy at age of 65 (in years)								
Year of birth 1954								
Men	23	21	20	21	23	21	20	21
Women	25	23	24	23	25	23	24	23
Year of birth 1969								
Men	24	22	22	22	24	23	22	23
Women	26	24	25	24	26	25	25	25

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

Pension costs	2019				2018			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Service cost	2.0	0.6	1.4	4.0	1.9	0.6	2.2	4.7
Interest costs	0.5	5.6	1.0	7.1	0.4	5.8	1.0	7.2
Interest income on plan assets	–0.3	–5.6	–0.2	–6.1	–0.3	–5.5	–0.1	–5.9
Total actuarial net periodic pension costs	**2.2**	**0.6**	**2.2**	**5.0**	**2.0**	**0.9**	**3.1**	**6.0**

Changes in pension liabilities under the defined benefit plans:

Benefit obligations	2019				2018			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**57.1**	**211.3**	**58.2**	**326.6**	**59.9**	**250.5**	**59.0**	**369.4**
Service cost	2.0	0.6	1.4	4.0	1.9	0.6	2.2	4.7
Employee contributions	0.9		0.0	0.9	0.9		0.0	0.9
Interest costs	0.5	5.6	1.0	7.1	0.4	5.8	1.0	7.2
Benefits paid	– 1.6	– 9.7	– 3.3	– 14.6	– 4.5	– 10.4	– 2.4	– 17.3
Actuarial losses/gains (–)	4.5	18.9	6.0	29.4	– 1.5	– 24.7	0.2	– 26.0
Curtailments and settlements			– 0.1	– 0.1			– 0.1	– 0.1
Translation differences		2.2	– 1.9	0.3		– 10.5	– 1.7	– 12.2
As at December 31	**63.4**	**228.9**	**61.3**	**353.6**	**57.1**	**211.3**	**58.2**	**326.6**

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

Plan assets	2019				2018			
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**37.8**	**209.5**	**5.6**	**252.9**	**39.5**	**236.3**	**5.9**	**281.7**
Interest income on plan assets	0.3	5.6	0.2	6.1	0.3	5.5	0.1	5.9
Employer contributions	1.6	0.3	3.0	4.9	1.6	0.3	2.3	4.2
Employee contributions	0.9		0.0	0.9	0.9		0.0	0.9
Return on pension assets (excluding amounts in interest income)	5.7	17.1	0.0	22.8	0.0	– 11.9	– 0.1	– 12.0
Benefits paid	– 1.6	– 9.7	– 3.3	– 14.6	– 4.5	– 10.4	– 2.4	– 17.3
Curtailments and settlements			– 0.1	– 0.1			– 0.1	– 0.1
Translation differences		2.1	0.0	2.1		– 10.3	– 0.1	– 10.4
As at December 31	**44.7**	**224.9**	**5.4**	**275.0**	**37.8**	**209.5**	**5.6**	**252.9**

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 39.9 million (2018: CHF 40.2 million) out of a total of CHF 353.6 million (2018: CHF 326.6 million) are unfunded.

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

Net liabilities				2019				2018
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
As at January 1	**19.3**	**1.8**	**52.6**	**73.7**	**20.4**	**14.2**	**53.1**	**87.7**
Net pension cost	2.2	0.6	2.2	5.0	2.0	0.9	3.1	6.0
Employer contributions	– 1.6	– 0.3	– 3.0	– 4.9	– 1.6	– 0.3	– 2.3	– 4.2
Actuarial losses/gains (–)	– 1.2	1.8	6.0	6.6	– 1.5	– 12.8	0.3	– 14.0
Translation differences		0.1	– 1.9	– 1.8		– 0.2	– 1.6	– 1.8
Net liabilities as at December 31	**18.7**	**4.0**	**55.9**	**78.6**	**19.3**	**1.8**	**52.6**	**73.7**

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				2019				2018
CHF m	Switzerland	UK	Other	Total	Switzerland	UK	Other	Total
Actuarial losses (–)/gains in the current period:	**– 4.5**	**– 18.9**	**– 6.0**	**– 29.4**	**1.5**	**24.7**	**– 0.2**	**26.0**
Based on adjustment of demographic assumptions	2.1	4.1	0.0	6.2		10.2	– 0.3	9.9
Based on adjustment of financial assumptions	– 7.3	– 23.3	– 6.4	– 37.0	1.4	12.2	– 1.2	12.4
Experience adjustment	0.7	0.3	0.4	1.4	0.1	2.3	1.3	3.7
Return on pension assets (excluding amounts in interest income)	5.7	17.1	0.0	22.8	0.0	– 11.9	– 0.1	– 12.0
Total losses (–)/gains recognized in the comprehensive income statement before taxes	**1.2**	**– 1.8**	**– 6.0**	**– 6.6**	**1.5**	**12.8**	**– 0.3**	**14.0**

Change in the present value of defined benefit liabilities:

	2019			2018		
Sensitivities + 50bp			+ 50bp			+ 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	– 6.0	– 14.6	– 4.7	– 5.2	– 13.2	– 4.2
Increases in salaries	1.7	0.1	2.8	1.6	0.1	2.6
Inflation rate	1.3	8.6	4.4	1.2	7.8	3.7
Interest credits on retirement assets	1.5			1.3		

Sensitivities – 50bp			– 50bp			– 50bp
CHF m	Switzerland	UK	Other	Switzerland	UK	Other
Discount rate	6.7	16.2	5.3	5.9	14.7	4.7
Increases in salaries	– 1.7	– 0.1	– 2.5	– 1.6	– 0.1	– 2.4
Inflation rate	– 1.3	– 7.9	– 3.9	– 1.2	– 7.2	– 3.3
Interest credits on retirement assets	– 1.5			– 1.3		

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. The table illustrates the overall effect for each region. However, sensitivities may differ for individual plans within the regions. 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:

	2019	2018
%		
Shares	5.3	1.9
Bonds	44.5	43.8
Insurance contracts		15.0
Real Estate	3.8	
Other securities	39.1	37.2
Cash and cash equivalents	7.3	2.1
Total plan assets as at December 31	**100.0**	**100.0**

'Shares', 'Bonds', 'Real Estate' and 'Other securities' were all quoted investments. 'Insurance contracts' reflected the plan assets of the fully insured companies in Switzerland. As of January 1, 2019, all Swiss companies have moved to a semi-autonomous insurance scheme. 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, 2019, there existed the following share-based remuneration elements:

Remuneration of the Executive Board

Long-term incentive plan

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

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

The portion of variable remuneration that is settled in the form of equity instruments 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 472 (2018: 437). A further 230 shares (2018: 228) were allocated to Executive Board members in the reporting year as part of the fix base salary. The share price at measurement date was CHF 1,414.57 (2018: CHF 1,568.00).

Remuneration of the Board of Directors
The remuneration of the Executive Chairman of the Board of Directors is mainly in locked-up shares. The details and figures for this remuneration model are to be found on page 133 of this Financial Report and on pages 78 and 85 of the Remuneration Report. The number of shares with a three-year vesting period allocated to the non-executive members of the Board of Directors came to 207 in the reporting year (2018: 241).

The amount charged to the income statement in application of IFRS 2 for shares issued came to CHF 3.2 million in the year under review (2018: CHF 4.6 million).

20 Share capital and capital management

Share capital
As at December 31, 2019, the share capital of Forbo Holding Ltd stood at CHF 165,000 (2018: CHF 180,000), divided into 1,650,000 registered shares with a par value of CHF 0.10 each. Of this amount 21,419 registered shares without voting or dividend rights are unchanged at the disposal of the Board of Directors. Consequently, 1,628,581 (2018: 1,778,581) registered shares were eligible for dividends as at December 31, 2019.

Change of shares issued and outstanding:

	31.12.2019	Change	31.12.2018
	Number	Number	Number
Total shares outstanding	**1,650,000**	**– 150,000**	**1,800,000**
Treasury shares			
Shares with dividend rights:			
Treasury shares	27,266	403	26,863
Share buyback programs		– 150,000	150,000
Own shares with no dividend rights	21,419		21,419
Total treasury shares	**48,685**	**– 149,597**	**198,282**
Total shares issued and outstanding	**1,601,315**	**– 403**	**1,601,718**

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, 2019, it amounted to CHF 676.6 million (2018: CHF 591.6 million).

21 Leasing

The Group is the lessee for various fixed assets, in particular vehicles and buildings. The previous year all leases were classified as operating leases. The introduction of IFRS 16 meant that all leases, except for those with short terms of less than 12 months and those for low-value assets, were carried in the balance sheet.

Information on the effects of the initial application of IFRS 16 on January 1, 2019, are contained in note 4 'Application of new or revised accounting standards'.

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

Right-of-use assets CHF m	Land and buildings	Machinery and equipment	Vehicles and other property, plant, and equipment	Total property, plant, and equipment
As at January 1, 2019	**30.2**	**1.6**	**13.7**	**45.5**
Additions	6.8	1.0	6.5	14.3
Derecognition	0.0	0.0	0.0	0.0
Depreciation	– 9.4	– 0.9	– 6.8	– 17.1
Translation differences	– 0.6	0.0	– 0.3	– 0.9
As at December 31, 2019	**27.0**	**1.7**	**13.1**	**41.8**

The opening balance of the right-of-use assets recognized under 'Property, plant, and equipment' includes capitalized building rights in China amounting to CHF 3.4 million already recognized in the previous year.

Interest from lease liabilities amounted to CHF 1.0 million in the year under review. Expenditure for short-term leases came to CHF 3.6 million and for leases of low-value assets to CHF 0.9 million. Expenses for operating leases and rentals charged to the previous year's income statement totaled CHF 20.8 million.

The recognized lease liabilities came to CHF 40.0 million at year-end, stated in the current and non-current financial liabilities (see note 22 'Financial instruments'. The lease payments for recognized lease liabilities, including interest, came to CHF 19.4 million in the reporting year.

The following table shows the minimum lease payments for non-terminable leasing contracts as at December 31, 2018. The maturity analysis of the leasing liabilities as at December 31, 2019, is reported in note 23 'Risk assessment and financial risk management'.

Leasing CHF m	31.12.2018
Operating leasing liabilities:	
Up to 1 year	8.0
1 – 5 years	19.2
More than 5 years	1.1
Total liabilities from operating leases	**28.3**

22 Financial instruments

Classification and fair values

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

Classification of financial instruments

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

The item 'Derivative financial instruments' contains open foreign exchange hedging and swap transactions with a contract value at December 31, 2019, totaling CHF 41.5 million (previous year: CHF 56.9 million). The foreign exchange rates can be directly observed or determined. The derivatives are therefore assigned to hierarchy level 2. 'Current financial liabilities' and 'Non-current financial liabilities' reflect the liabilities from leasing.

Classification of financial instruments

	Carrying amount			
CHF m	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
31.12.2018				
Financial assets valued at fair value:				
Derivative financial instruments	0.1			0.1
Financial assets valued at amortized costs:				
Non-current financial assets			0.3	0.3
Trade receivables			168.9	168.9
Other receivables			5.2	5.2
Cash and cash equivalents			127.4	127.4
Financial liabilities valued at fair value:				
Derivative financial instruments				
Financial liabilities valued at amortized costs:				
Non-current financial liabilities				
Trade payables			109.2	109.2
Current financial liabilities			0.1	0.1
Other current liabilities			15.0	15.0

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

23 Risk assessment and financial risk management

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

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

– Market risk
– Liquidity risk
– Default risk

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

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

No hedge accounting was used in this context in 2019 or 2018.

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

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

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

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

Liquidity risk
Liquidity risk is the risk that the Group may possibly be unable to meet contractually agreed financial obligations that are settled by delivering cash or other financial assets. Group companies need sufficient cash in order to meet their commitments. Corporate Treasury is responsible for managing liquidity. The share of the aggregate cash and cash equivalents managed by Corporate Treasury was around 70% on December 31, 2019. 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, 2019

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

As at December 31, 2018

CHF m	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			
Liabilities from finance leasing	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:

	31.12.2019	31.12.2018
CHF m		
CHF	1.2	1.3
EUR	77.6	82.2
USD	24.2	26.4
JPY	14.7	14.2
GBP	9.7	9.8
CNY	5.7	8.5
SEK	4.0	4.4
Other	29.3	28.6
Total trade receivables, before loss allowance	**166.4**	**175.4**

The Group employs 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.

As at December 31, 2019				
CHF m	Gross carrying amount	Loss allowance	Weighted average loss rate	Credit impaired
Not due	142.2	2.8	2.0%	0.2
Overdue ≤ 30 days	12.8	0.1	0.8%	0.1
Overdue 31 – 90 days	6.3	0.2	3.2%	0.1
Overdue 91 – 180 days	2.5	0.4	16.0%	0.1
Overdue > 180 days	2.6	1.8	69.2%	0.2
Total	**166.4**	**5.3**	**3.2%**	**0.7**

As at December 31, 2018				
CHF m	Gross carrying amount	Loss allowance	Weighted average loss rate	Credit impaired
Not due	147.8	2.0	1.4%	0.2
Overdue ≤ 30 days	14.7	0.5	3.4%	0.1
Overdue 31 – 90 days	6.5	0.3	4.6%	0.1
Overdue 91 – 180 days	3.6	0.9	25.0%	0.3
Overdue > 180 days	2.8	1.5	53.6%	0.6
Total	**175.4**	**5.2**	**3.0%**	**1.3**

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

	2019	2018
CHF m		
As at January 1 (before application of IFRS 9)		**–6.9**
Effect of application of IFRS 9		–0.5
January 1	**–6.5**	**–7.4**
Additions	–1.2	–0.4
Release	1.2	0.4
Use	0.4	0.8
Translation differences	0.1	0.1
As at December 31	**–6.0**	**–6.5**

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	2019	2018	2019	2018	2019	2018
Remuneration	1.38	1.47	1.03	1.03	2.41	2.50
Employer contributions to the pension scheme	0.21	0.22	0.18	0.18	0.39	0.40
Share-based payments	0.47	0.96	2.60	2.60	3.07	3.56
Total payments	**2.06**	**2.65**	**3.81**	**3.81**	**5.87**	**6.46**

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 of Forbo Holding Ltd; short-term variable remuneration under the Management Investment Plan (MIP) for the reporting year; and the future subscription rights, awarded in the form of performance share units for the long-term incentive plans 2017 – 2019, 2018 – 2020 and 2019 – 2021 (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, 2019 and 2018, 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 2019 annual financial statements.

Group companies (as at December 31, 2019)

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	73,000	100%	S		
Forbo Siegling Austria Ges.m.b.H.	Vienna		EUR	330,000	100%		S	
Belgium								
Forbo Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S		
Brazil								
Forbo Pisos Ltda.	São Paulo		BRL	16,564,200	100%	S		
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%		MS	
Canada								
Forbo Flooring Canada Corp.	Halifax		CAD	500,200	100%	S		
Forbo Siegling Canada Corp.	Halifax		CAD	501,000	100%		S	
Chile								
Forbo Siegling Chile S.A.	Santiago	N	CLP	313,090,945	50%		S	
Colombia								
Forbo Siegling Colombia S.A.S.	Bogotá, D.C.		COP	1,000,000,000	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	32,300,000	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	6,400,000	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, 2019
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, 2019
D Direct participation of Forbo Holding Ltd

Group company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Movement 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		
Transmeca 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	100,000	100%		S	
Portugal								
Forbo-Revestimentos, S.A.	Maia (Porto)		EUR	74,850	100%	S		
Romania								
Forbo Siegling Romania S.R.L.	Bucharest		RON	38,000	100%		S	
Russia								
OOO 'Forbo Flooring'	Moscow		RUB	500,000	100%	S		
OOO 'Forbo Kaluga'	Moscow		RUB	158,313,780	100%	MS		
OOO 'Forbo Siegling CIS'	Saint Petersburg		RUB	400,000	100%		S	
OOO 'Forbo Eurocol RUS'	Stary Oskol		RUB	187,181,000	100%	MS		
Slovakia								
Forbo Siegling s.r.o.	Malacky		EUR	1,000,000	100%		MS	
South Korea								
Forbo Korea Ltd.	Seoul		KRW	900,000,000	100%	S	S	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2019
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 Financial Services AG	Baar	D	CHF	100,000	100%			H
Forbo Finanz AG	Baar	D	CHF	10,000,000	100%			H
Forbo-Giubiasco SA	Bellinzona		CHF	100,000	100%	MS		
Forbo International SA	Baar	D	CHF	100,000	100%		MS	H
Thailand								
Forbo Siegling (Thailand) Co. Ltd.	Samut Prakan	D	THB	13,005,000	100%		S	
Turkey								
Forbo Hareket ve Zemin Sistemleri Ticaret Limited Şirketi	Istanbul		TRY	5,500,000	100%	S	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, 2019
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 2019 and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 92 to 137) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Revenue recognition

Valuation of inventories

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

KPMG

Revenue recognition

Key Audit Matter

Total consolidated net sales of the financial year 2019 amounted to CHF 1,282.2 million (2018: CHF 1,327.0 million). The segment Flooring Systems contributed CHF 870.5 million (2018: CHF 913.2 million) or 67.9% (2018: 68.8%) to total net sales, while the segment Movement Systems realized CHF 411.7 million (2018: CHF 413.8 million), representing 32.1% of total net sales (2018: 31.2%).

Net sales are a key performance indicator for Forbo and therefore in the focus of internal and external stakeholders. Consequently, when performing the audit we had a focus on existence of revenue transactions and their recognition in the appropriate period.

Revenue from contracts with customers is recognized when the control of the goods or services is transferred to the customer. This point in time depends on specific terms of contracts and may vary between regions and the industry of the buyer. Owing to the types of products sold by either segment of the Group, the contractual sales arrangements are not complex. Due to the large number of transactions, the proper recognition of revenue nevertheless depends on a functioning internal control system, adapted to local circumstances. Furthermore, accurate data on volumes and prices are central to revenue recognition.

Our response

We mainly performed the following audit procedures:

— We analyzed the process from the purchase order to the receipt of payment and assessed whether transactions are completely and accurately recorded in the accounts.

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

— Based on a statistical sample of delivery notes and payments received, we assessed the existence of revenues and their recognition in the correct period.

— We furthermore performed analytical procedures on a segment level as well as on the level of specific individual entities. These included analyses of price and volume deviations, margin development, the largest clients and the most-sold products as well as analyses of the distribution of sales throughout the year and specific months.

For further information on revenue recognition refer to the following:

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

— Note 5 – Segment reporting, pages 107 – 109

Report of the statutory auditor

KPMG

Valuation of inventories

Key Audit Matter

Inventory as at 31 December 2019 amounted to CHF 235.5 million (31 December 2018: CHF 230.1 million) and represents one of the most material asset positions. 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 degree of judgment.

Our response

We mainly performed the following audit procedures:

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

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

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

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

For further information on inventories refer to the following:

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

— Note 13 – Inventories, page 114

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Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Report of the statutory auditor

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

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

Zurich, 26 February 2020

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

Consolidated balance sheets 2015 – 2019

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Assets					
CHF m					
Current assets	**652.1**	**567.3**	**638.2**	**601.2**	**509.3**
Cash and cash equivalents	217.7	127.4	195.4	209.7	116.3
Current financial assets	0.0	0.1	0.0	0.0	0.0
Trade receivables	160.4	168.9	169.2	151.4	147.3
Other receivables	23.7	26.0	27.6	19.8	18.8
Accrued income and deferred expenses	14.8	14.8	19.4	13.9	12.4
Inventories	235.5	230.1	226.6	206.4	214.5
Non-current assets	**445.3**	**412.7**	**429.3**	**388.1**	**402.8**
Non-current financial assets	0.2	0.3	0.3	0.2	0.3
Deferred tax assets	45.4	39.9	39.0	40.5	39.5
Property, plant, and equipment	291.8	259.4	267.6	227.6	227.3
Intangible assets and goodwill	107.9	113.1	122.4	119.8	135.7
Total assets	**1,097.4**	**980.0**	**1,067.5**	**989.3**	**912.1**

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Shareholders' equity and liabilities					
CHF m					
Current liabilities	**257.3**	**261.9**	**275.3**	**241.8**	**232.2**
Current financial liabilities	13.4	0.1	0.2	0.1	0.1
Trade payables	98.1	109.2	105.9	95.4	77.4
Other current liabilities	28.2	28.7	32.4	24.2	36.5
Current tax liabilities	19.0	16.2	26.5	20.4	20.3
Current provisions, accrued expenses, and deferred income	98.6	107.7	110.3	101.7	97.9
Non-current liabilities	**163.5**	**126.5**	**131.0**	**126.1**	**120.7**
Non-current financial liabilities	26.8	0.0	0.2	0.4	0.9
Deferred tax liabilities	11.2	12.1	10.8	10.9	24.0
Non-current provisions	46.9	40.7	32.3	26.1	25.7
Employee benefit obligations	78.6	73.7	87.7	88.7	70.1
Total liabilities	**420.8**	**388.4**	**406.3**	**367.9**	**352.9**
Shareholders' equity	**676.6**	**591.6**	**661.2**	**621.4**	**559.2**
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	676.5	591.5	661.1	621.3	559.1
Total shareholders' equity and liabilities	**1,097.4**	**980.0**	**1,067.5**	**989.3**	**912.1**

Consolidated income statements 2015 – 2019

	2019	2018	2017	2016	2015
CHF m					
Net sales	**1,282.2**	**1,327.0**	**1,246.4**	**1,185.5**	**1,139.1**
Cost of goods sold	– 788.6	– 824.9	– 764.5	– 715.2	– 698.3
Gross profit	**493.6**	**502.1**	**481.9**	**470.3**	**440.8**
Development costs	– 16.0	– 16.6	– 15.5	– 15.1	– 15.1
Marketing and distribution costs	– 191.4	– 198.1	– 195.8	– 190.7	– 181.1
Administrative costs	– 92.8	– 96.1	– 94.7	– 95.0	– 89.8
Other operating expenses	– 26.2	– 23.5	– 106.5	– 16.7	– 16.6
Other operating income	9.1	7.5	10.5	4.4	4.6
Operating profit	**176.3**	**175.3**	**79.9**	**157.2**	**142.8**
Financial income	0.8	0.9	0.9	2.0	2.0
Financial expenses	– 1.8	– 0.6	– 0.8	– 0.1	– 0.4
Group profit before taxes	**175.3**	**175.6**	**80.0**	**159.1**	**144.4**
Income taxes	– 37.0	– 38.0	– 43.5	– 31.5	– 28.7
Group profit for the year from continuing operations	**138.3**	**137.6**	**36.5**	**127.6**	**115.7**
Group profit for the year from discontinued operations after taxes	**0.0**	**0.0**	**2.2**	**0.0**	**0.0**
Group profit for the year	**138.3**	**137.6**	**38.7**	**127.6**	**115.7**

FINANCIAL REPORT

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

		31.12.2019	31.12.2018
Assets			
CHF	Note		
Current assets		**35,302,652**	**42,144,461**
Cash and cash equivalents		24,028,419	3,127,948
Other receivables from Group companies	2	11,274,233	38,921,310
Current tax receivables	5		62,670
Accrued income and deferred expenses			32,533
Non-current assets		**423,918,675**	**423,948,017**
Loans to Group companies	3	106,208,299	118,938,014
Investments in Group companies	4	317,710,376	305,010,003
Total assets		**459,221,327**	**466,092,478**

		31.12.2019	31.12.2018
Shareholders' equity and liabilities			
CHF	Note		
Current liabilities		**2,726,730**	**482,103**
Current liabilities to third parties		152,444	157,503
Other liabilities to Group companies	2	2,297,686	
Accrued expenses and deferred income		276,600	324,600
Shareholders' equity		**456,494,597**	**465,610,375**
Share capital	6	165,000	180,000
Statutory reserves:			
General reserves		15,600,000	15,600,000
Capital contribution reserves		15,302	15,302
Reserves for treasury shares	8	4,811,654	5,669,005
Available earnings:			
Retained earnings		444,436,650	475,362,702
Net profit for the year		26,266,218	225,439,863
Treasury shares	8	– 34,800,227	– 256,656,497
Total shareholders' equity and liabilities		**459,221,327**	**466,092,478**

Income statement for Forbo Holding Ltd

		2019	2018
Income			
CHF	Note		
Financial income:			
From investments in and loans to Group companies	9	31,122,672	231,822,143
From securities and current investments	10		252,298
Total income		**31,122,672**	**232,074,441**

		2019	2018
Expenses			
CHF	Note		
Administrative expenses	11	4,554,734	5,832,570
Financial expenses:			
From investments in and loans from Group companies	12	303,255	1,097,828
Taxes	5	– 1,535	– 295,820
Total expenses		**4,856,454**	**6,634,578**
Net profit for the year		**26,266,218**	**225,439,863**

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' contains the claims and 'Other liabilities to Group companies' contains the obligation on the cash pool accounts.

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. In the previous year, this item contained a loan of CHF 12.7 million that was repaid in full in the year under review.

4 Investments in Group companies

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

These investments did not change in 2019 from the previous year. As at December 31, 2019, 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 Financial Services AG	CH-Baar	Services	CHF	100	100%
Forbo Finanz AG	CH-Baar	Holding/Services	CHF	10,000	100%
Forbo International SA	CH-Baar	Services, Manufacturing, and Sales	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

In the year under review, Forbo Holding Ltd was able to claim the entire participation deduction on dividend income.

6 Share capital

As at December 31, 2019, the share capital of Forbo Holding Ltd totaled CHF 165,000 (2018: CHF 180,000), 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 of Forbo Holding Ltd on April 5, 2019, the shareholders approved a reduction in capital from CHF 180,000 to CHF 165,000 by cancelation of 150,000 shares with a nominal value of CHF 0.10 each. These shares had been purchased at the fixed price and via the second trading line of the SIX Swiss Exchange as part of the 2017 – 2020 share buyback program authorized by the Ordinary General Meeting of April 6, 2017. The shareholders also approved the corresponding amendment to the Articles of Association. The capital reduction was completed with the entry in the Commercial Register of the Canton of Zug on June 25, 2019, and was published in the SHAB on June 27, 2019. The exchange adjustment took place on June 28, 2019.

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, 2019, 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 34.8 million on the balance sheet date correspond to the value of all treasury shares valued at cost. The item 'Reserve for treasury shares' reflects the treasury shares held by subsidiaries of Forbo Holding Ltd, amounting to CHF 4.8 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, 2019	262,630,962	198,282
Additions	4,289,095	3,000
Disposals	227,306,034	– 152,597
As at December 31, 2019	**39,614,023**	**48,685**

9 Financial income from investments in and loans to Group companies

'Financial income from investments and loans to Group companies' amounting to CHF 31.1 million (2018: CHF 231.8 million) consisted mainly of dividend income in both periods.

10 Financial income from securities and current investments

'Financial income from securities and current investments' in the previous year consisted of the net proceeds from the sale of treasury shares.

11 Administrative expenses

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

12 Financial expenses from investments in and loans from Group companies

'Financial expenses from investments in and loans from Group companies' contained in particular losses on current loans in foreign currencies of CHF 0.3 million (2018: CHF 0.8 million), and – in the previous year – interest expenditure for liabilities to Group companies amounting to CHF 0.2 million.

13 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 6.8 million at year-end 2019 (2018: CHF 6.1 million), of which as in the previous year none were utilized.

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

14 Significant shareholders

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

	Number of shares	As percentage
Michael Pieper, Hergiswil, and Artemis Beteiligungen I AG, Hergiswil	486,804	29.50

Shareholdings

IN 2019

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

Shareholdings 2019

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

IN 2018
As at December 31, 2018, 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 2018

Name and function	Shares
This E. Schneider, Executive Chairman	54,611
Michael Pieper, Vice Chairman	486,764
Dr. Peter Altorfer, Vice Chairman	1,287
Claudia Coninx-Kaczynski, member	212
Dr. Reto Müller, member	632
Vincent Studer, member	916
Total Board of Directors	**544,422**
Stephan Bauer, Chief Executive Officer	2,969
Marc Deimling, Executive Vice President Movement Systems	3
Urs Uehlinger, Chief Financial Officer	104
Jean-Michel Wins, Executive Vice President Flooring Systems	104
Total Executive Board	**3,180**

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 2019 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:

	2019
CHF	
Net profit	26,266,218
Retained earnings	444,436,650
Treasury shares	– 34,800,227
Total at the shareholders' meeting's disposal[1]	**435,902,641**

be appropriated as follows:

	2019
CHF	
Distribution ordinary dividend	36,830,245
To be carried forward	399,072,396
Total at the shareholders' meeting's disposal[1]	**435,902,641**

1) At the Ordinary General Meeting of April 3, 2020, the Board of Directors will propose an ordinary gross dividend of CHF 23.00 per registered share (2018: CHF 21.00). No distribution will be made for treasury shares held by Forbo Holding Ltd or any of its subsidiaries on the record date, which explains why the amount of ordinary dividends may therefore still change.

Report of the statutory auditor

KPMG

Statutory Auditor's Report

To the General Meeting of Forbo Holding Ltd, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Forbo Holding Ltd, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 148 to 154) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report of the statutory auditor

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

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

Zurich, 26 February 2020

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