



This E. Schneider
Executive Chairman

Stephan Bauer
CEO

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

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

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

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

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

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

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

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

Global slump in demand toward the end of the first quarter

Recovery in some markets as of the fourth quarter

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

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

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

Profitability impacted by sales downturn and strong Swiss franc

Measures taken in springtime in combination with higher capacity utilization lifted earnings above average in the second half of the year

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

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

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

Group profit lower than previous year

Lower earnings reflected in Group profit

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

Solid balance sheet

High liquidity and robust equity base

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

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

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

Proposals to the Ordinary General Meeting

Re-elections to the Board of Directors

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

Dividend adjusted to the decline in earnings

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

Outlook for 2021

Strategy confirmed even in challenging times

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

Guidance for 2021

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

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

Thank you

Thanks to employees, business partners, and shareholders

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

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

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

Baar, March 2021



This E. Schneider
Executive Chairman



Stephan Bauer
CEO

Financial calendar

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