

2020 AT A GLANCE

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

The company employs about 5,300 people and has an international network of 25 production and distribution companies, 6 assembly operations and 49 pure sales organizations in a total of 39 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

FORBO IN FIGURES

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

Flooring Systems

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

- Floor coverings
- Building and construction adhesives

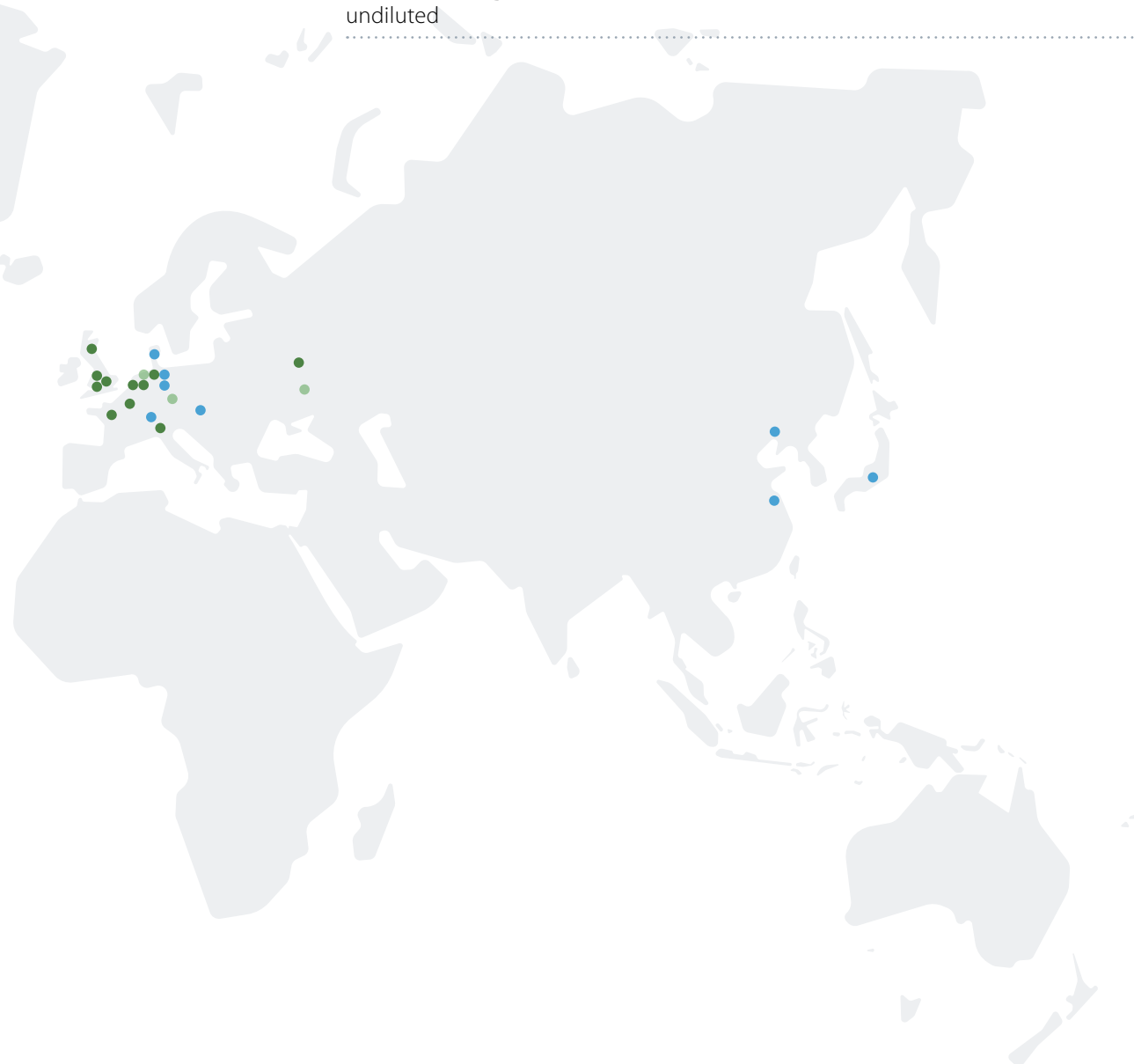
Movement Systems

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

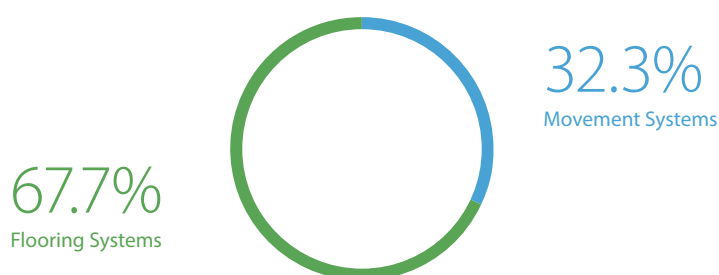


| | |
|---------------------------------|----------------------------|
| Net sales | CHF 1,117.7 million |
| EBIT | CHF 137.0 million |
| EBIT margin | 12.3% |
| Group profit | CHF 106.2 million |
| Earnings per share undiluted | CHF 66.60 |



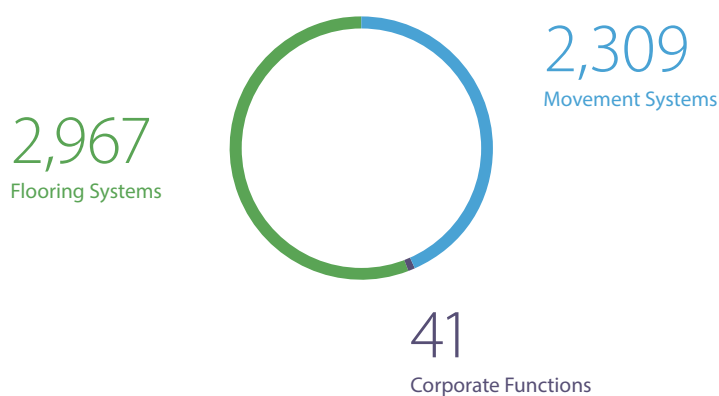
Net sales by division

| | 2020 CHF m | Change on previous year | | In % of total |
|------------------|----------------|-------------------------|--------------------------|---------------|
| | | in % | in local currencies in % | |
| Flooring Systems | 757.0 | -13.0 | -8.4 | 67.7 |
| Movement Systems | 360.7 | -12.4 | -7.4 | 32.3 |
| Total | 1,117.7 | -12.8 | -8.1 | 100.0 |



Employees by division

| | 2020 number | Change on previous year in % | | In % of total |
|---------------------|--------------|------------------------------|--------------------------|---------------|
| | | in % | in local currencies in % | |
| Flooring Systems | 2,967 | -5.2 | -5.2 | 55.8 |
| Movement Systems | 2,309 | -5.4 | -5.4 | 43.4 |
| Corporate Functions | 41 | -4.7 | -4.7 | 0.8 |
| Total | 5,317 | -5.3 | -5.3 | 100.0 |



Financial overview Forbo Group

| | 2020 | 2019 | 2020 | 2019 |
|--|--------------------|---------------------|---------------------|---------------------|
| Income statement | CHF m | CHF m | EUR m ¹⁾ | EUR m ¹⁾ |
| Net sales | 1,117.7 | 1,282.2 | 1,044.0 | 1,152.4 |
| Flooring Systems | 757.0 | 870.5 | 707.1 | 782.4 |
| Movement Systems | 360.7 | 411.7 | 336.9 | 370.0 |
| Operating profit before depreciation and amortization (EBITDA) | 192.0 | 233.7 | 179.3 | 210.0 |
| Operating profit (EBIT) | 137.0 | 176.3 | 128.0 | 158.5 |
| Group profit | 106.2 | 138.3 | 99.2 | 124.3 |
| Balance sheet | CHF m | CHF m | EUR m ¹⁾ | EUR m ¹⁾ |
| Total assets | 1,110.8 | 1,097.4 | 1,037.5 | 986.3 |
| Operating assets | 809.3 | 834.1 | 755.9 | 749.7 |
| Shareholders' equity | 683.5 | 676.6 | 638.4 | 608.1 |
| Net cash ²⁾ | 255.9 | 217.5 | 239.0 | 195.5 |
| Cash flow statement | CHF m | CHF m | EUR m ¹⁾ | EUR m ¹⁾ |
| Cash flow from operating activities | 171.4 | 185.1 | 160.1 | 166.4 |
| Cash flow from investing activities | -38.9 | -34.5 | -36.3 | -31.0 |
| Free cash flow | 132.5 | 150.6 | 123.8 | 135.4 |
| Key ratios | % | % | | |
| ROS (EBITDA/net sales) | 17.2 | 18.2 | | |
| Equity ratio (shareholders' equity/total assets) | 61.5 | 61.7 | | |
| Gearing (net debt/shareholders' equity) | -37.4 | -32.1 | | |
| Employees (as at December 31) | Number | Number | | |
| Total employees | 5,317 | 5,614 | | |
| Ratios per share | CHF | CHF | EUR ¹⁾ | EUR ¹⁾ |
| Earnings per share (undiluted) ³⁾ | 66.60 | 86.33 | 62.21 | 77.59 |
| Equity (undiluted) | 428.64 | 422.36 | 400.37 | 379.62 |
| Dividend | 20.0 ⁴⁾ | 23.00 ⁵⁾ | 18.68 ⁴⁾ | 20.67 ⁵⁾ |
| Stock market capitalization (as at December 31) | CHF m | CHF m | EUR m ¹⁾ | EUR m ¹⁾ |
| Stock market capitalization ⁶⁾ | 2,504.7 | 2,719.2 | 2,339.5 | 2,444.0 |

1) Euro values translated at the average annual exchange rate of CHF 1.0706/1 EUR (2020) and CHF 1.1126/1 EUR (2019).

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 1, 2021, the distribution of a dividend in the amount of CHF 20.00 per registered share.

5) Approval of a dividend of CHF 23.00 per registered share at the Ordinary General Meeting of April 3, 2020.

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

Global slump in demand toward the end of the first quarter

After a good start in 2020, we felt the first negative effects caused by the COVID-19 pandemic on demand in China in February, and these spread fairly quickly to further markets and regions around the world. As of the fourth quarter we began to notice a recovery in some markets and customer segments. On balance for 2020, net sales came to CHF 1,117.7 million (previous year: CHF 1,282.2 million); sales in local currencies were thus 8.1% lower, and this equates to a sales decline of 12.8% in the corporate currency owing to negative currency effects. Overall, the Americas region was hardest hit (a low double-digit percentage decline), the impact in Europe and Asia/Pacific was slightly less.

The Flooring Systems division generated net sales of CHF 757.0 million in the 2020 business year (previous year: CHF 870.5 million), which reflects a decrease of 8.4% in local currencies (– 13.0% in the corporate currency). All three regions reported a decline in sales, with the Americas being hardest hit. Europe and Asia/Pacific decreased by about the same amount but less significantly.

The Movement Systems division generated net sales of CHF 360.7 million in the year under review (previous year: CHF 411.7 million), which reflects a decline of 7.4% in local currencies (– 12.4% in the corporate currency). All three regions reported a decrease in sales to varying degrees, the strongest affected being the Americas, Europe somewhat less so and Asia/Pacific least of all.

EBITDA by division

| | 2020 CHF m | Change on previous year in % | | | | | | | | |
|------------------|---------------|---------------------------------|------|---|----|----|----|-----|-----|-----|
| | | | – 25 | 0 | 25 | 50 | 75 | 100 | 125 | 150 |
| Flooring Systems | 144.6 | – 16.2 | | | | | | | | |
| Movement Systems | 55.0 | – 20.6 | | | | | | | | |
| Corporate | – 7.6 | 7.3 | | | | | | | | |

Profitability hit by the sales downturn and the strong Swiss franc

Profitability was impacted negatively both by the decrease in sales and by negative currency effects owing to the strong Swiss franc. The effect of Forbo's far-reaching and targeted measures to optimize operating and cost structures along with steps taken to improve efficiency was increasingly felt in the second half of the year.

Group operating profit before depreciation and amortization (EBITDA) therefore reduced by 17.8% to CHF 192.0 million (previous year: CHF 233.7 million). EBITDA at Flooring Systems declined by 16.2% to CHF 144.6 million (previous year: CHF 172.6 million). EBITDA at Movement Systems decreased by 20.6% to CHF 55.0 million (previous year: CHF 69.3 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 Group EBITDA margin came to 17.2% (previous year: 18.2%). The EBITDA margin at Flooring Systems declined from 19.8% the previous year to 19.1%, while at Movement Systems the EBITDA margin reduced by 1.6 percentage points to 15.2% (previous year: 16.8%).

Group operating profit (EBIT) was 22.3% lower, decreasing to CHF 137.0 million (previous year: CHF 176.3 million). The Group EBIT margin declined from 13.7% the previous year to 12.3% in the year under review.

Group profit reduced 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.

Taxes and financial income

The tax rate in the year under review was 22.0% (previous year: 21.1%), in line with the long-term average.

Financial expense in 2020 came to CHF 1.6 million (previous year: CHF 1.8 million), consisting of interest expense of CHF 0.9 million for leasing liabilities recognized in the balance sheet. Apart from that financial expense remained close to the previous year's level owing to minor currency losses. Offsetting this was financial income, comparable with the previous year, of CHF 0.7 million (previous year: CHF 0.8 million), which consisted of interest income on liquidity. On balance, the net financial result improved to CHF – 0.9 million (previous year: CHF – 1.0 million).

Free cash flow

| | 2020 CHF m | 2019 CHF m | -50 | 0 | 50 | 100 | 150 | 200 |
|-------------------------------------|---------------|---------------|-----|---|----|-----|-----|-----|
| Cash flow from operating activities | 171.4 | 185.1 | | | | | | |
| Cash flow from investing activities | -38.9 | -34.5 | | | | | | |
| Free cash flow | 132.5 | 150.6 | | | | | | |

Solid cash flow performance

In the reporting year, cash flow from operating activities was down by CHF 13.7 million to CHF 171.4 million (previous year: CHF 185.1 million); this factors in a slight reduction in operating working capital, which is in line with performance. Cash flow from investing activities rose by CHF 4.4 million owing to the ongoing high level of investment volume and stood at CHF -38.9 million (previous year: CHF -34.5 million). Free cash flow thus totaled CHF 132.5 million (previous year: CHF 150.6 million).

Healthy balance sheet

Total assets at December 31, 2020, increased by CHF 13.4 million and rose to CHF 1,110.8 million (previous year: CHF 1,097.4 million), mainly due to the positive cash flow and despite the negative currency effects. Net liquidity rose by CHF 38.4 million to CHF 255.9 million (previous year: CHF 217.5 million); particularly in the present circumstances, this is a cushion providing security and independence for entrepreneurial decisions. Equity rose by CHF 6.9 million and stood at CHF 683.5 million on December 31, 2020 (previous year: CHF 676.6 million). The main factors in this increase were Group profit less the dividend payout, the purchase of treasury shares, and currency losses. The equity ratio remains solid, standing at 61.5% (previous year: 61.7%).

Investments 2016 – 2020

| | Flooring Systems CHF m | Movement Systems CHF m | Corporate CHF m | Total CHF m | 10 | 20 | 30 | 40 | 50 | 60 |
|------|------------------------------|------------------------------|--------------------|----------------|----|----|----|----|----|----|
| 2020 | 21 | 19 | 0 | 40 | | | | | | |
| 2019 | 23 | 13 | 0 | 36 | | | | | | |
| 2018 | 25 | 13 | 0 | 39 | | | | | | |
| 2017 | 22 | 36 | 0 | 58 | | | | | | |
| 2016 | 20 | 17 | 3 | 40 | | | | | | |

Value-adding investments

Our investments are wide-ranging, combining the demands of sustainability with efficiency gains in operating processes. In the reporting year, both divisions concentrated their resources on key activities and strategic projects in the areas of product portfolio, technology, efficiency and optimization of operating processes, infrastructures, and targeted market and capacity expansion. Total Group investments in property, plant, and equipment and intangible assets in 2020 came to CHF 39.7 million, which was CHF 3.7 million, or 10.3%, higher than the previous year (CHF 36.0 million) despite the negative currency effects.

In the reporting period, Flooring Systems invested CHF 20.5 million (previous year: CHF 22.8 million). This amount includes various upgrades and technological expansions of production plants, new product developments, and innovations in the areas of design, surface structure and surface coatings. State-of-the-art process control systems, automated equipment for specific production steps, and optimized and expanded plant infrastructures serve to improve efficiency. Significant amounts were invested in renewing the drying kilns for linoleum floor coverings, the building of a new research and development center for vinyl floor coverings, and in a new plant for reactive building and construction adhesives in Russia. The division continued to roll out digital platforms to support sales.

Investments in property, plant, and equipment at Movement Systems came to CHF 19.1 million (previous year: CHF 13.2 million), which marked a significant increase. The division invested larger-than-average amounts in the development and construction of a new product line for homogeneous belts, which involved erecting a new plant in a custom-built production site in Germany. It also invested in injection molding machines for the production of new series of

Prolink plastic modular belts in Denmark and in a custom-built plant including warehousing and logistics facilities, quality control, and administration. In addition to digital programs, upgrades, and technological expansion of production plant, the division also implemented infrastructure projects such as a new thermal oil plant, a new roller bearing system for 5-meter wide belts, and the development of assembly facilities in Colombia.

Employees by geographic area

| | % | Change on previous year in % | 2020 number | 200 | 400 | 600 | 800 | 1,000 | 1,200 | 1,400 |
|--------------------------------|-------------|---------------------------------|----------------|-----|-----|-----|-----|-------|-------|-------|
| Benelux | 21.9 | -5.5 | 1,162 | | | | | | | |
| Germany | 12.1 | -8.9 | 646 | | | | | | | |
| Great Britain/Ireland | 9.6 | -8.1 | 512 | | | | | | | |
| France | 7.5 | -4.6 | 397 | | | | | | | |
| Switzerland | 3.4 | 1.1 | 179 | | | | | | | |
| Scandinavia | 3.3 | -2.8 | 174 | | | | | | | |
| Other countries Europe | 13.3 | -0.6 | 713 | | | | | | | |
| Europe | 71.1 | -5.0 | 3,783 | | | | | | | |
| Asia/Pacific and Africa | 15.0 | -4.1 | 796 | | | | | | | |
| USA | 10.5 | -8.8 | 557 | | | | | | | |
| Other countries Americas | 3.4 | -4.2 | 181 | | | | | | | |
| Americas | 13.9 | -7.8 | 738 | | | | | | | |
| Total | 100 | -5.3 | 5,317 | | | | | | | |

Operating structures and headcount adjusted

At year-end 2020, the Forbo Group employed 5,317 people. This is a total of 297 fewer employees than at the end of the previous year. To cushion the negative impact of the current economic situation, Forbo was taking wide-ranging measures including the reduction of overtime and unused holidays, different forms of furlough or short-time working, and the adjustment of operating structures. To do so, we mainly reduced flexible resources at major production sites, reached agreements for early retirement, and scaled back new hires to the absolute minimum. A few new positions were filled but only in growth markets where demand is expanding.

The individual percentage changes in staffing levels mostly reflect market developments in the different countries and regions and mirror the situation on the balance-sheet date at the end of the year.