

## MEDIA RELEASE

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### **Double-digit organic sales growth – disproportionately higher operating profit – group profit doubled – guidance increased for full year 2021**

The Forbo Group – a leading manufacturer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions – reported net sales of CHF 623.1 million in the first half of 2021 (prior-year period: CHF 542.3 million), representing a gratifying increase of 14.9% (14.3% in local currencies). Operating profit (EBIT) rose to CHF 82.1 million (prior-year period: CHF 41.1 million), an almost twofold increase. The EBIT margin improved significantly to 13.2% (prior-year period: 7.6%). Group profit doubled to CHF 63.5 million (prior-year period: CHF 31.7 million).

Baar, July 30, 2021

Forbo made a good start to 2021 despite the ongoing COVID-19 pandemic. The first half of the year saw a continuation of the positive trend recorded in the fourth quarter of the previous year. The markets continued to revive, despite the fact that locally occurring outbreaks of COVID-19 around the world operationally challenged Forbo again with new short-notice restrictions.

Demand rose in many markets and customer segments. Forbo's strategy of offering high-quality products and services rather than simply expanding into volume business proved successful during these challenging times. Also under such special circumstances, Forbo developed application-specific innovations and brought them to the market. Its globally oriented market position, the strong brand and the long-standing, close customer relationships helped Forbo participate quickly and efficiently in the upswing.

Operating profits and margins increased significantly in the first half of 2021 and showed a disproportionate growth compared to sales. This was primarily attributable to the substantial impact of the COVID-19 pandemic in the prior-year period, when from February onwards Forbo was confronted, unexpectedly at the time, with full lockdowns imposed at extremely short notice. Businesses forced to shut down, interruptions to supply chains and canceled or indefinitely postponed customer projects were the order of the day. In many instances this was happening in countries where Forbo has major production plants, assembly centers and sales organizations. This had a significant negative impact on operational efficiency and productivity in the first half of 2020. At the same time, it was important for Forbo to protect the health of its employees with hygiene and protection measures and adjustments to work processes, causing additional expense. During this period, the company adapted its operating structures and processes to the prevailing circumstances.

Over the past months, due to the gratifying growth in sales, Forbo has been able to improve utilization of its production and assembly sites considerably, which has resulted in disproportionately higher margins. The sharp increase in prices for raw materials since the end of 2020 had for now only a limited impact on the first half of 2021, but will significantly more affect earnings in the second half-year.

#### **Double-digit sales growth in all regions**

In the first half of 2021, Forbo achieved a substantial growth in sales of 14.9% to CHF 623.1 million (prior-year period: CHF 542.3 million), which equates to an increase of 14.3% in local currencies. Adjusted for currency effects, this offsets the downturn from 2020. All regions contributed to this growth in local currencies: by +14.0% in Europe, +12.9% in the Americas and +17.7% in Asia/Pacific. Forbo is still periodically affected by COVID-19 restrictions in some local markets. In most cases, the markets which were heavily affected in the prior-year period recorded the highest increases in sales. Individual customer segments have seen varying degrees of recovery. Sales orders in the gastronomy sector was an area to show only a moderate level of recovery, a trend that applied to both divisions. For Flooring Systems it affected floor coverings for restaurants, hotels and bars. For Movement Systems it was food-processing companies in the system catering.

Translation of local sales into the corporate currency reveals the different developments in the individual currencies. Flooring Systems recorded a generally positive currency effect, whereas for Movement Systems the currency translation effect was negative overall on account of the greater share made up by the weaker Japanese yen and the US dollar.

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Flooring Systems reported sales growth of 15.5% in the corporate currency (14.0% in local currencies). Projects in the healthcare and education segments are on the increase, while demand remains moderate particularly in the office space and retail segments, as well as in the gastronomy business.

Movement Systems achieved a sales increase of 13.6% in the corporate currency (14.8% in local currencies). This growth was driven in particular by the logistics segment with its expansions in e-commerce, mail distribution centers and global courier services, as well as by a return to increased operations at airports. Renewals in the industrial production segments showed a further increase; sales of sports treadmills for fitness centers are recovering hesitantly, however.

### Disproportionately higher profitability

Operating profits increased sharply in the first half of 2021 and showed a disproportionate growth compared to sales. This effect was attributable in particular to increased utilization of production capacity to meet the growth in sales and improved productivity driven by the optimization of operating structures, and also to the cost reduction measures implemented in the second quarter of 2020. The effect was counteracted by higher prices for raw materials.

Operating profit before depreciation and amortization (EBITDA) came to CHF 109.9 million (prior-year period: CHF 68.4 million), corresponding to an increase of 60.7%. The EBITDA margin increased to 17.6% (prior-year period: 12.6%). Operating profit (EBIT) almost doubled to CHF 82.1 million (prior-year period: CHF 41.1 million). The EBIT margin rose to 13.2% (comparable prior-year period: 7.6%).

### Group profit

On the basis of the substantially higher operating profit, Group profit doubled to CHF 63.5 million (prior-year period: CHF 31.7 million). Earnings per share (undiluted) increased by 104.2% to CHF 40.52 (prior-year period: CHF 19.84).

### Equity ratio remains strong

Equity at the end of June 2021 stood at CHF 677.7 million (year-end 2020: CHF 683.5

million). The equity ratio was 60.0% (year-end 2020: 61.5%).

### Solid balance sheet

Net cash came to CHF 182.4 million at end of June 2021 (year-end 2020: CHF 255.9 million). The decline was mainly due to the dividend payment and the share buyback. In addition, Forbo held treasury shares worth CHF 189.0 million, based on the share price at the end of June 2021 (year-end 2020: CHF 107.4 million based on the share price at the end of 2020). CHF 56.4 million of these are marked for cancellation as part of the share buyback program.

### Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 423.1 million in the first half of 2021 (prior-year period: CHF 366.2 million). All three regions reported double-digit sales growth in local currencies: Asia/Pacific showed the highest increase, followed by Europe and, slightly less, the Americas. In Europe, France, Italy and Spain benefited the most from the surge in demand. Great Britain also recorded a significant market recovery. Germany, the Netherlands, Switzerland and Eastern Europe reported a solid increase in sales. Most Nordic markets were more or less flat year-on-year. Russia again grew strongly. In the Americas region, USA recovered with growth that just hit double-digits, and Canada also saw clear catch-up effects. In Asia/Pacific, the Chinese market grew significantly and smaller markets in Southeast Asia and South Korea also performed well, so did Turkey. The building and construction adhesives activity reported very pleasing overall sales growth.

Operating profit (EBIT) rose by CHF 68.9% to CHF 61.8 million (prior-year period: CHF 36.6 million). This significant increase was attributable to the positive sales trend, the adjustment of operating structures and the strong operational leverage. In the second quarter of 2020 in particular, major production locations in France, Great Britain and the Netherlands were seriously affected by lockdowns imposed at short notice and lengthy company closures. The EBIT margin increased to 14.6% (prior-year period: 10.0%). In the coming months, further interesting collections are set to be introduced

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and will be attractively marketed in combination with good global availability. At the same time, the sharp increase in the cost of raw materials makes it necessary to adjust corresponding pricings on Forbo's side and to remain flexible beside prudent cost management.

The **Forbo Movement Systems** division reported net sales of CHF 200.0 million in the first half of 2021 (prior-year period: CHF 176.1 million). All three regions reported double-digit sales growth in local currencies: Asia/Pacific showed the highest increase, followed by the Americas and, slightly lower, Europe. The countries worst hit by the previous year's slump in demand, such as Great Britain, France, Italy and Spain, reported above-average growth rates. Most other markets in Europe, including Germany, Switzerland, Scandinavia and Russia, also reported a pleasing rise in sales. In the Americas, the main market USA showed above-average growth following a strong recovery in the first half of the year, Mexico also achieved good results. In Asia/Pacific, all markets showed sales growth of varying degrees. The core Chinese market grew sharply, India also performed well in an environment which remains challenging, so did Turkey. Australia, South Korea and Southeast Asia reported a solid rise in sales, while Japan's recovery proceeds at a slightly slower pace.

Operating profit (EBIT) more than doubled to CHF 25.3 million (prior-year period: CHF 10.2 million). This significant improvement is due to the positive sales trend, the adjustment of operating structures and above all to the strongly increased capacity utilization. Movement Systems was already affected in early 2020 by the then sudden consequences of COVID-19, with Movement Systems' important production site in China having gone into full operation in 2019. It was followed somewhat later by other major production and assembly sites in Germany, Slovakia and the USA, as well as many smaller local assembly and service sites. The EBIT margin came to 12.7% (prior-year period: 5.8%). The focus for the second half-year will be on the market launch of the newly developed product line of homogeneous conveyor belts – these are primarily designed for the food industry – as well as the flexible sales price adjustments in response to the cost increases in

some raw materials, combined with a continuing prudent cost management.

### Increased focus on implementing strategy after operational challenges

Even after this special pandemic year, Forbo has a solid capital structure, good liquidity, a robust cash flow, and is free of debt. Its global presence and strong market positions, plus the broad, innovative and sustainable product portfolio enable Forbo to persistently implement its strategy. The company has therefore continued to pursue all its strategically important projects despite the difficult times. Following the operational challenges which dominated 2020, Forbo will again increasingly focus on expansion in growth markets, targeted strengthening of its 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 provided added value can thereby be created.

### Outlook for 2021

The pandemic will remain with us and will continue to have negative effects in certain areas in the second half of the year, albeit to a lesser extent. The significant base effect will be greatly diminished in the second half of the year due to the good second-half performance in the previous year. Rising prices for raw materials and some bottlenecks in the availability of raw materials will be additional factors. These will be counteracted by the realized adjustments on operating structures and processes along with attractive new products and services.

With regard to guidance for the full year 2021, Forbo is cautiously optimistic and is increasing its outlook on sales and Group profit. Provided that there are no fundamental changes to the overall general conditions, Forbo anticipates sales growth close to reaching double-digit growth figures and Group profit to be up to one-quarter higher than in the previous year.

You can find further information in the electronic version of the 2021 half-year report published this morning on the Internet: [www.forbo.com](http://www.forbo.com) –> Investors

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Forbo is a leading producer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. Forbo's linoleum floor coverings are made from natural raw materials. It is biodegradable and CO<sub>2</sub>-neutral (cradle to gate), without offsetting. In the manufacture of its heterogeneous vinyl floor coverings, Forbo uses the latest in phthalate-free plasticizers with a base layer containing up to 45% recycled material. The BioBelt™ is a biologically degradable conveyor belt made largely from renewable, plant-based materials. The AmpMiser™ conveyor belt enables energy savings and therefore also a reduction in CO<sub>2</sub> emissions of up to 50%.

For Forbo as a responsible manufacturer, the careful use of all resources for a sustainable future is a guiding principle.

Forbo employs about 5,500 people and has an international network of 25 sites with production and distribution, 6 assembly centers, and 49 sales organizations in a total of 39 countries around the world. The company generated net sales of CHF 1,117.7 million in the 2020 business year. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

Forbo Holding Ltd is listed on SIX Swiss Exchange (security number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

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