



This E. Schneider

Executive Chairman

Michael Schumacher

CEO

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

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

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

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

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

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

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

Double-digit sales growth in all regions

Sales above pre-pandemic levels

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

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

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

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

Distinctive increase in operating profits and margins

Significant rise in profitability despite higher prices for raw materials

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

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

Significant increase in Group profit

Growth in operating earnings reflected in Group profit

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

Strong balance sheet

Healthy equity ratio and high level of liquidity despite share buyback

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

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

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

Proposals to the Ordinary General Meeting

Elections to the Board of Directors

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

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

Dividend adjusted to the increase in earnings

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

Share buyback program

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

Priorities and outlook for 2022

Focus on implementing current strategy

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

Outlook for 2022

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

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

Thank you

Change on the Executive Board

At the end of September 2021, Stephan Bauer left Forbo at the age of 60 after an eight-year tenure as CEO in order to dedicate himself to non-executive roles outside our company. His time with us saw the implementation of important projects in the areas of innovation, growth markets and modernization of factories, and a substantial increase in earning power. The Board of Directors would like to thank him for all his commitment and valuable achievements and wishes him all the best for this new chapter in his life.

In October 2021, Michael Schumacher took over the position of Chief Executive Officer and Chairman of the Executive Board of the Forbo Group after an induction period of one month. The Board of Directors wishes him every success in his new role.

Thanks to employees, business partners, and shareholders

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

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

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

Baar, March 2022



This E. Schneider
Executive Chairman



Michael Schumacher
CEO

Financial calendar

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