

2021 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 5,500 people and has an international network of 25 production and distribution companies, 6 fabrication centers 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 production facilities
- Building and construction adhesives production facilities

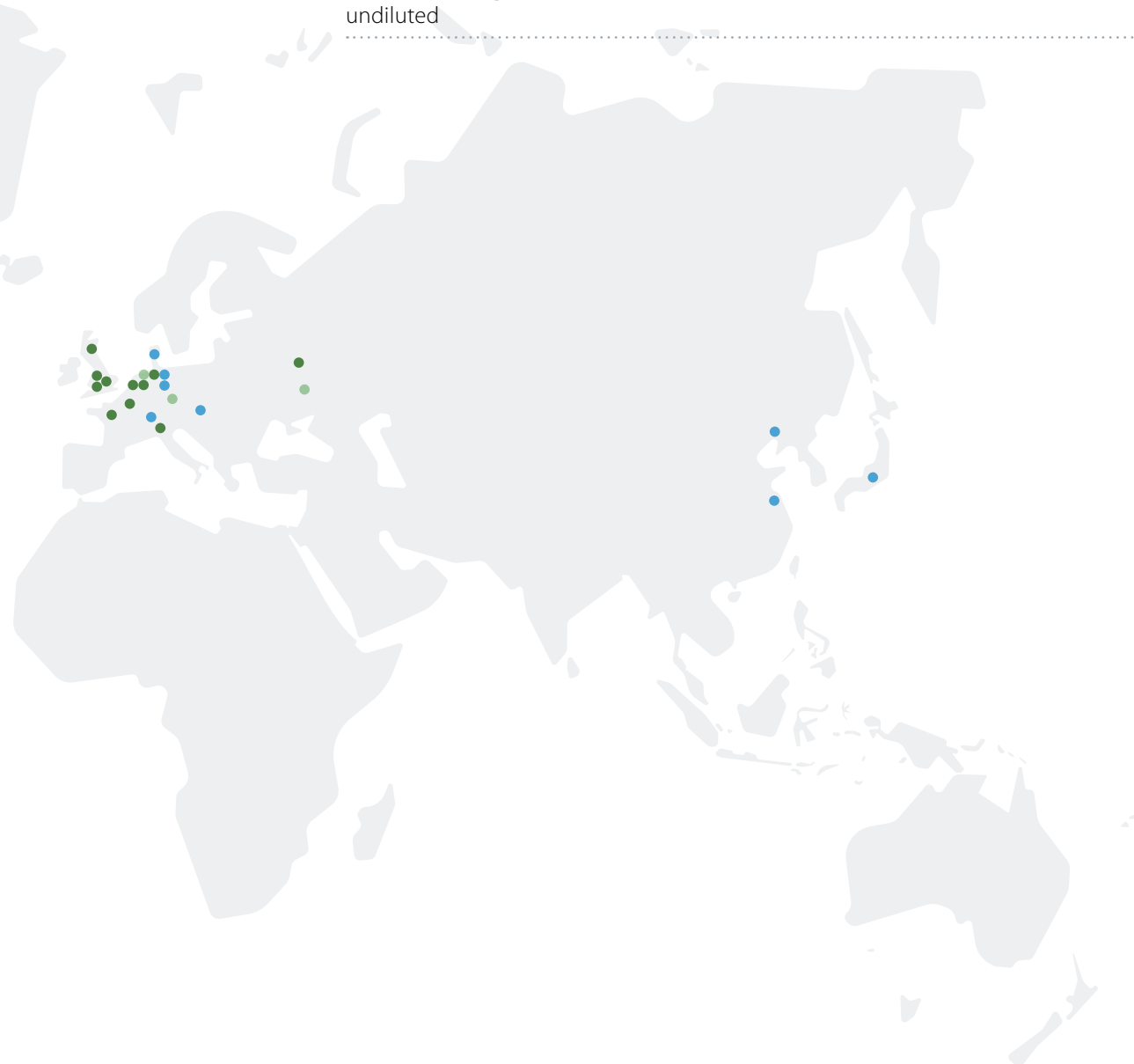
Movement Systems

10 production sites and 6 fabrication centers in 9 countries and distribution companies in 32 countries. Over 300 sales and service offices worldwide.

- Production facilities and fabrication centers

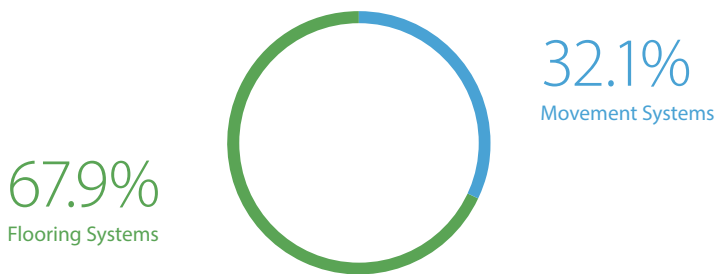


Net sales	CHF 1,254.0 million
EBIT	CHF 179.0 million
EBIT margin	14.3%
Group profit	CHF 141.2 million
Earnings per share undiluted	CHF 91.63



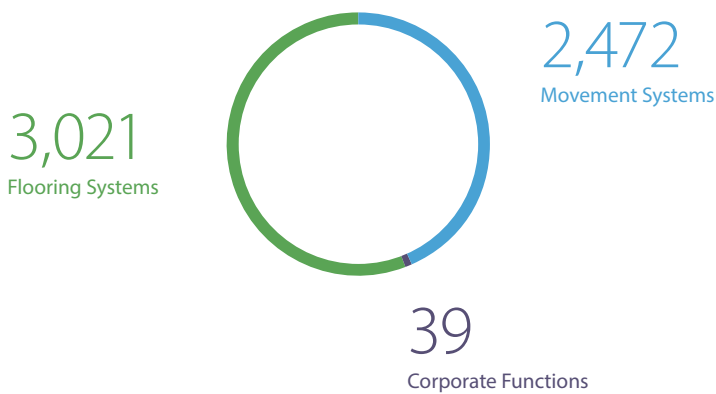
Net sales by division

	2021 CHF m	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	851.8	12.5	11.7	67.9
Movement Systems	402.2	11.5	11.9	32.1
Total	1,254.0	12.2	11.8	100.0



Employees by division

	2021 number	Change on previous year		In % of total
		in %	in %	
Flooring Systems	3,021	1.8	54.6	
Movement Systems	2,472	7.1	44.7	
Corporate Functions	39	-4.9	0.7	
Total	5,532	4.0	100.0	



Financial overview Forbo Group

	2021	2020	2021	2020
Income statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Net sales	1,254.0	1,117.7	1,159.9	1,044.0
Flooring Systems	851.8	757.0	787.9	707.1
Movement Systems	402.2	360.7	372.0	336.9
Operating profit before depreciation and amortization (EBITDA)	235.6	192.0	217.9	179.3
Operating profit (EBIT)	179.0	137.0	165.6	128.0
Group profit	141.2	106.2	130.6	99.2
Balance sheet	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Total assets	981.6	1,110.8	908.0	1,037.5
Operating assets	850.7	809.3	786.9	755.9
Shareholders' equity	521.8	683.5	482.7	638.4
Net cash ²⁾	56.2	255.9	52.0	239.0
Cash flow statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Cash flow from operating activities	166.5	171.4	154.0	160.1
Cash flow from investing activities	-38.4	-38.9	-35.5	-36.3
Free cash flow	128.1	132.5	118.5	123.8
Key ratios	%	%		
ROS (EBITDA/net sales)	18.8	17.2		
Equity ratio (shareholders' equity/total assets)	53.2	61.5		
Gearing (net debt/shareholders' equity)	-10.8	-37.4		
Employees (as at December 31)	Number	Number		
Total employees	5,532	5,317		
Ratios per share	CHF	CHF	EUR ¹⁾	EUR ¹⁾
Earnings per share (undiluted) ³⁾	91.63	66.60	84.76	62.21
Equity (undiluted)	338.52	428.64	313.13	400.37
Dividend	25.00 ⁴⁾	20.0 ⁵⁾	23.12 ⁴⁾	18.68 ⁵⁾
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Stock market capitalization ⁶⁾	3,085.5	2,504.7	2,854.0	2,339.5

1) Euro values translated at the average annual exchange rate of CHF 1.0811/1 EUR (2021) and CHF 1.0706/1 EUR (2020).

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

3) See note 11 'Earnings per share' on page 116 of the financial report.

4) The Board of Directors proposes to the Ordinary General Meeting of April 1, 2022, the distribution of a dividend in the amount of CHF 25.00 per registered share.

5) Approval of a dividend of CHF 20.00 per registered share at the Ordinary General Meeting of April 1, 2021.

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

SALES AND EARNINGS ABOVE PRE-PANDEMIC LEVELS

The positive demand trend seen at the end of 2020 continued in the reporting year. Overall, demand recovered in most of our markets and customer segments. The improving global economy led to challenges in the procurement of raw materials, however. This resulted in supply chain bottlenecks and significantly higher costs for raw material, logistics, freight, and energy. A flexible and agile response was required in all parts of the organization to achieve the best possible solutions for our own value chain and ensure our service level. We also had to adjust prices.

Operating profits rose disproportionately compared with sales growth, due mainly to higher utilization of production capacity, improved productivity, increased efficiency, and adjustments to sales prices. Adjusted for currency effects, sales increased to above the pre-pandemic levels of 2019.

After two years marked by the COVID pandemic, Forbo has a strong financial basis, also after the share repurchases undertaken. The favorable earnings situation and solid cash flow allowed a sustainable level of investment in expansion of the product portfolio and capacities, as well as new technologies with accompanying digitization.

Net sales by geographic area

	Change on previous year			2021 CHF m												
	2021 in %	in %	in local currencies in %		25	50	75	100	125	150	175	200	225	250	275	
Germany	12.4	6.9	5.8	155.9												
France	12.0	20.6	19.4	149.9												
Benelux	10.3	5.9	4.8	129.4												
Scandinavia	8.2	8.6	5.0	102.7												
Great Britain/Ireland	5.9	10.9	6.5	74.5												
Switzerland	2.2	6.5	6.5	27.9												
Other countries Europe	14.0	19.9	20.8	174.2												
Europe	65.0	12.2	11.0	814.5												
USA	16.5	11.1	13.8	207.5												
Other countries Americas	3.8	16.7	13.7	46.8												
Americas	20.3	12.1	13.8	254.3												
Asia/Pacific and Africa	14.7	12.1	12.6	185.2												
Total	100.0	12.2	11.8	1 254.0												

Strong sales growth

The recovery in the markets and customer segments toward the end of 2020 continued in the reporting year and resulted in double-digit growth in all regions. Overall in 2021, net sales came to CHF 1,254.0 million (previous year: CHF 1 117.7 million); sales in local currencies were 11.8% higher. In the corporate currency, this corresponded to an increase of 12.2%. Overall, the Americas region saw the biggest sales growth in terms of local currencies, followed by Asia/Pacific and Europe. Both divisions increased currency-adjusted sales compared with the pre-pandemic year of 2019.

The Flooring Systems division generated net sales of CHF 851.8 million in the 2021 business year (previous year: CHF 757.0 million), which reflects an increase of 11.7% in local currencies (12.5% in the corporate currency). Asia/Pacific and the Americas recorded higher growth than Europe.

The Movement Systems division generated net sales of CHF 402.2 million in the year under review (previous year: CHF 360.7 million), which reflects an increase of 11.9% in local currencies (11.5% in the corporate currency). Due to the development in the previous year, Europe and the Americas achieved a more marked rise in sales than Asia/Pacific.

EBITDA by division

	2021 CHF m	Change on previous year in %									
			-25	0	25	50	75	100	125	150	175
Flooring Systems	166.7	15.3									
Movement Systems	74.2	34.9									
Corporate	-5.3	30.3									

Significant rise in profitability despite higher prices for raw materials

Operating profits rose significantly, showing a disproportionate increase compared with sales growth. This effect resulted mainly from higher utilization of production and fabrication capacities driven by sales growth. The positive impact of these economies of scale led to higher productivity based on optimized operating structures. Improved efficiency, a continuing cost focus and price adjustments on our part also contributed. This was counteracted by a sharp rise in some raw material prices and significantly higher energy and freight costs.

The Group increased operating profit before depreciation and amortization (EBITDA) by 22.7% to CHF 235.6 million (previous year: CHF 192.0 million). EBITDA at Flooring Systems increased by 15.3% to CHF 166.7 million (previous year: CHF 144.6 million). At Movement Systems EBITDA rose by 34.9% to CHF 74.2 million (previous year: CHF 55.0 million).

This resulted in a Group EBITDA margin of 18.8% (previous year: 17.2%). At Flooring Systems, the EBITDA margin increased from 19.1% the previous year to 19.6% in the year under review, while at Movement Systems the EBITDA margin rose by 3.2 percentage points to 18.4% (previous year: 15.2%).

Group operating profit (EBIT) was 30.7% higher at CHF 179.0 million (previous year: CHF 137.0 million). The Group EBIT margin increased from 12.3% the previous year to 14.3% in the year under review.

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

Taxes and financial income

The tax rate in the year under review was 22.1% (previous year: 22.0%), in line with the long-term average.

Financial expense in 2021 came to CHF 0.8 million (previous year: CHF 1.6 million), consisting solely of interest expense for leasing liabilities recognized in the balance sheet. The year 2020 was still affected by foreign exchange losses. Offsetting this was financial income higher than in the previous year of CHF 3.0 million (previous year: CHF 0.7 million), which consisted largely of exchange rate gains on foreign currencies. On balance, the net financial result rose to CHF 2.2 million (previous year: CHF -0.9 million).

Free cash flow

	2021 CHF m	2020 CHF m	-50	0	50	100	150	200
Cash flow from operating activities	166.5	171.4						
Cash flow from investing activities	-38.4	-38.9						
Free cash flow	128.1	132.5						

Solid cash flow performance

In the reporting year, cash flow from operating activities was CHF 166.5 million (previous year: CHF 171.4 million), down slightly despite the much higher result. This is because inventories in the pandemic year of 2020 were reduced, and trade receivables decreased. Trade receivables rose in the reporting year in step with the market recovery. The increase in inventories is partly due to the marked rise in raw material prices. On the other hand, inventories of raw materials were deliberately built up to ensure availability. The cash outflow from capital spending was comparable with previous years and came to CHF -38.4 million (previous year: CHF -38.9 million). Free cash flow thus totaled CHF 128.1 million (previous year: CHF 132.5 million).

Strong balance sheet

Total assets at December 31, 2021, decreased by CHF 129.2 million – mainly due to the share buyback in the reporting year of CHF 269.2 million – and amounted to CHF 981.6 million (previous year: CHF 1,110.8 million). Net cash reduced by CHF 199.7 million to CHF 56.2 million (previous year: CHF 255.9 million), also as a result of the share buyback. For the same reason, equity decreased by CHF 161.7 million and stood at CHF 521.8 million on December 31, 2021 (previous year: CHF 683.5 million). Further factors were the positive Group profit less the dividend payout. The equity ratio remains solid, standing at 53.2% (previous year: 61.5%).

Investments 2017 – 2021

	Flooring Systems CHF m	Movement Systems CHF m	Total CHF m	10	20	30	40	50	60
2021	23	15	39						
2020	21	19	40						
2019	23	13	36						
2018	25	13	39						
2017	22	36	58						

Value-adding investments

Our investments are wide-ranging, combining the demands of sustainability with efficiency gains in operating processes. In the reporting year, both business divisions invested in strategic projects in the areas of product portfolio, technology, infrastructure, and specific market and capacity expansion projects. Total Group investments in property, plant, and equipment and intangible assets in 2021 were CHF 38.8 million (previous year: CHF 39.7 million).

In the reporting period, Flooring Systems invested CHF 23.4 million (previous year: CHF 20.5 million) at various manufacturing sites in new coating and cutting systems, modernized planning and control equipment, renewal of specific machinery and afterburners with new filter technology, allowing a significant reduction in CO₂ emissions. More substantial investments were made in a next-generation digital printer for vinyl floor coverings in France, a new coating system combined with automated cutting for entrance flooring systems in the Netherlands, and a renewed powder plant and

an expanded warehouse facility for building and construction adhesives in the Netherlands.

At Movement Systems, after above-average investments in property, plant, and equipment in previous years, investments came to CHF 15.4 million (previous year: CHF 19.1 million). Most of the funds were committed to a further stage in the expansion of the production site for Prolink plastic modular belts in Denmark to increase the capacity of injection molding machines, and a newly installed heat recovery system. In India, a new plant with increased fabrication capacity was built, and in the USA, Germany, and Russia local fabrication and service centers were opened. A new software tool was developed for global planning of production and processing, to optimize materials planning and minimize the number of cutting scrap.

Workforce expansion based on individual market development

The Forbo Group employed 5 532 people at year-end 2021. This is a total of 215 more employees than at the end of the previous year. Workforce expansion was mostly in production and processing as well as in the expansion of sales activities.

The individual percentage changes in staffing levels mostly reflect the recovery in the markets and the business performance in the different countries and regions. They mirror the situation at the end of the year.

Employees by geographic area

	2021 in %	Change on previous year in %	2021 number	200	400	600	800	1 000	1 200	1 400
Benelux	21.3	1.6	1 181							
Germany	12.1	3.6	669							
Great Britain/Ireland	9.5	2.1	523							
France	7.4	2.8	408							
Switzerland	3.3	1.1	181							
Scandinavia	3.2	2.9	179							
Other countries Europe	14.2	10.1	785							
Europe	71.0	3.8	3 926							
Asia/Pacific and Africa	14.8	3.4	823							
USA	10.6	5.0	585							
Other countries Americas	3.6	9.4	198							
Americas	14.2	6.1	783							
Total	100.0	4.0	5 532							

In Europe, Flooring Systems contributed to the increase in staffing levels in France, Great Britain, and the Netherlands in particular – all countries with larger production sites. We continued to expand resources in the successful growth market of Russia. The increase in the number of employees at Movement Systems was based on the expansion of production capacity in Germany, including the new production plant for homogenous conveyor belts, and the increased fabrication capacity in Slovakia, as well as the expansion of plastic modular belt capacity in Denmark.

The increase in Asia/Pacific mainly reflected the expansion of production and fabrication capacity at Movement Systems in China and India.

In the Americas, the built-up number of employees was mainly due to the market recovery at Movement Systems in the USA and the expansion of service personnel in Mexico and Columbia.