

2022 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 5,400 people and has an international network of 25 production and distribution companies, 6 fabrication centers and 47 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
- Other local distribution companies

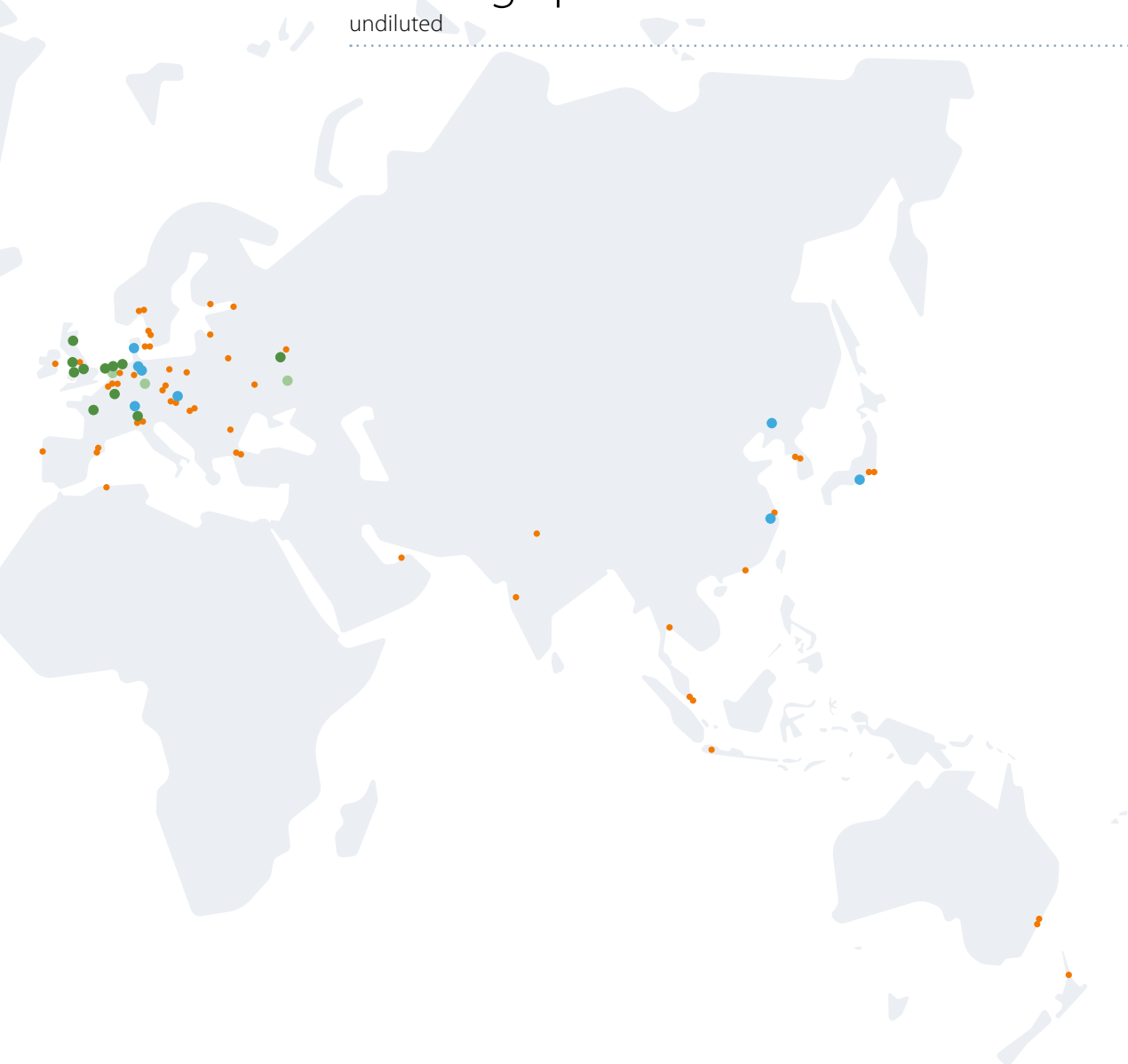
Movement Systems

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
- Other local distribution companies

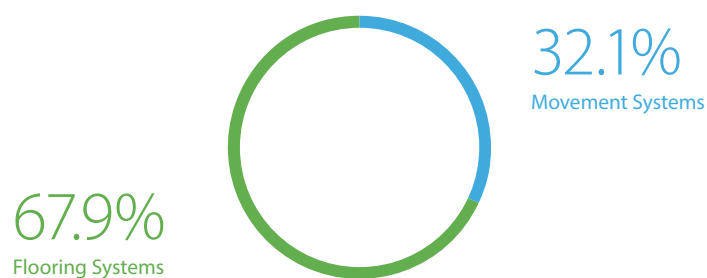


Net sales	CHF 1,293.2 million
EBIT	CHF 132.6 million
EBIT margin	10.3%
Group profit	CHF 101.4 million
Earnings per share undiluted	CHF 71.76



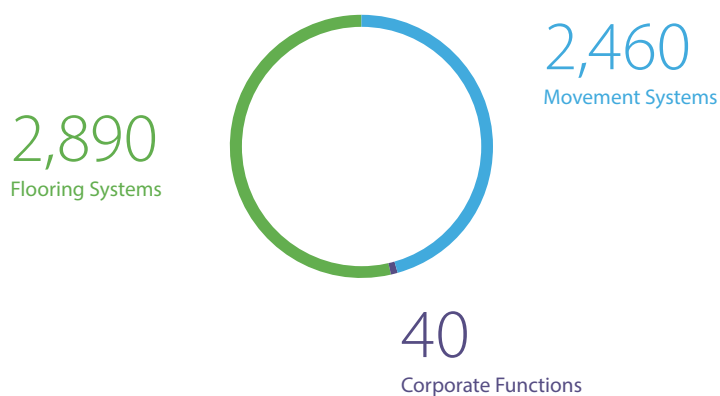
Net sales by division

	2022 CHF m	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	878.0	3.1	9.0	67.9
Movement Systems	415.2	3.2	7.3	32.1
Total	1,293.2	3.1	8.5	100.0



Employees by division

	2022 number	Change on previous year		In % of total
		in %	in %	
Flooring Systems	2,890	-4.3		53.6
Movement Systems	2,460	-0.5		45.6
Corporate Functions	40	2.6		0.8
Total	5,390	-2.6		100.0



Financial overview Forbo Group

	2022	2021	2022	2021
Income statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Net sales	1,293.2	1,254.0	1,288.0	1,159.9
Flooring Systems	878.0	851.8	874.5	787.9
Movement Systems	415.2	402.2	413.5	372.0
Operating profit before depreciation and amortization (EBITDA)	193.4	235.6	192.6	217.9
Operating profit (EBIT)	132.6	179.0	132.1	165.6
Group profit	101.4	141.2	101.0	130.6
Balance sheet	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Total assets	960.2	981.6	956.4	908.0
Operating assets	879.2	850.7	875.7	786.9
Shareholders' equity	550.1	521.8	547.9	482.7
Net cash ²⁾	21.4	56.2	21.3	52.0
Cash flow statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Cash flow from operating activities	80.6	166.5	80.3	154.0
Cash flow from investing activities	-30.1	-38.4	-30.0	-35.5
Free cash flow	50.5	128.1	50.3	118.5
Key ratios	%	%		
ROS (EBITDA/net sales)	15.0	18.8		
Equity ratio (shareholders' equity/total assets)	57.3	53.2		
Gearing (net debt/shareholders' equity)	-3.9	-10.8		
Employees (as at December 31)	Number	Number		
Total employees	5,390	5,532		
Ratios per share	CHF	CHF	EUR ¹⁾	EUR ¹⁾
Earnings per share (undiluted) ³⁾	71.76	91.63	71.47	84.76
Equity (undiluted)	389.16	338.52	388.03	313.13
Dividend	23.00 ⁴⁾	25.00 ⁵⁾	22.91 ⁴⁾	23.12 ⁵⁾
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Stock market capitalization ⁶⁾	1,615.7	3,085.5	1,609.2	2,854.0

1) Euro values translated at the average annual exchange rate of CHF 1.0040/1 EUR (2022) and CHF 1.0811/1 EUR (2021).

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

3) See note 11 'Earnings per share' on page 124 of the financial report.

4) The Board of Directors proposes to the Ordinary General Meeting of March 30, 2023, the distribution of a dividend in the amount of CHF 23.00 per registered share.

5) Approval of a dividend of CHF 25.00 per registered share at the Ordinary General Meeting of April 1, 2022.

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

SLUMP IN DEMAND HITS PROFITABILITY

For all areas of the Forbo organization 2022 proved to be a challenging year. After a positive start to 2022, the business environment became increasingly demanding from the spring onward due to the difficult geopolitical and financial situation. The consequence was a significant slump in demand, which made its mark from the late summer and worsened during the fourth quarter. The ongoing Covid lockdowns in China reinforced this trend in Asia/Pacific.

Volume growth in the first half of 2022 gave way to an unexpectedly significant decline in the second semester, with Flooring Systems being increasingly affected. The result was a decline in volumes for the year overall.

Sharply rising costs for raw materials, transport, and energy, along with increases in personnel and other costs as well as negative currency effects, served to undermine operating profitability further. Combined with one-time impacts, this resulted in a significant reduction in earnings.

Net sales by geographic area

	Change on previous year			2022 CHF m											
	2022 in %	in %	in local currencies in %		25	50	75	100	125	150	175	200	225	250	275
France	12.0	3.4	11.3	155.0											
Germany	11.9	-1.1	6.5	154.2											
Benelux	9.5	-5.3	1.9	122.5											
Scandinavia	7.4	-6.5	3.5	96.0											
Great Britain/Ireland	6.2	7.0	14.4	79.7											
Switzerland	2.4	11.5	11.5	31.1											
Other countries Europe	14.3	6.5	10.3	185.6											
Europe	63.7	1.2	8.0	824.1											
USA	17.7	10.3	6.0	228.8											
Other countries Americas	4.2	15.8	14.5	54.2											
Americas	21.9	11.3	7.6	283.0											
Asia/Pacific and Africa	14.4	0.5	12.0	186.1											
Total	100.0	3.1	8.5	1,293.2											

Sales growth in all regions due to sales price increases

Group net sales rose by 8.5% in local currencies to CHF 1,293.2 million (previous year: CHF 1,254.0 million), attributable in particular to sales price increases of 11.0%.

This corresponds to an increase of 3.1% in the corporate currency, once negative currency effects of CHF 67 million are factored in. Overall, the Asia/Pacific region saw the biggest sales growth in local currency terms, followed by Europe and the Americas.

The Flooring Systems division generated net sales of CHF 878.0 million in the 2022 business year (previous year: CHF 851.8 million), which reflects growth of 9.0% in local currencies (+3.1% in the corporate currency). Asia/Pacific saw the highest effect with growth almost in double-digit figures in the Americas as well, and a similar outcome in Europe.

The Movement Systems division generated net sales of CHF 415.2 million in the year under review (previous year: CHF 402.2 million), which reflects an increase of 7.3% in local currencies (+3.2% in the corporate currency). Sales increased most substantially in Europe, growth in Asia/Pacific was slightly lower, with the Americas about the same level.

EBITDA by division

	2022 CHF m	Change on previous year in %	-25	0	25	50	75	100	125	150
Flooring Systems	127.3	-23.6								
Movement Systems	75.4	1.6								
Corporate	-9.3	-75.5								

Profitability affected by slump in demand and one-time impacts

Following the pandemic-affected performances of previous years, the successes achieved in 2021 were the basis for further growth in the first half of 2022, resulting in significant expansion of structures and workforce. This higher cost base was set against an increasingly sharp decline in volumes. The combined effect was a substantial reduction in earnings. At the same time, the costs of raw materials, energy, and logistics continued to rise. Price increases had a positive effect, though after a delay in some cases, as did the measures and initiatives designed to increase earnings. The operating result was further impacted by one-time impacts totaling CHF 20 million, the majority of which affected Flooring Systems. The political and economic situation in Russia required impairments, particularly on goodwill and property, plant, and equipment. Added to this were costs arising from structural adjustments and various elements affecting other operating expenses and income.

Group operating profit before depreciation and amortization (EBITDA) declined by 17.9% to CHF 193.4 million (previous year: CHF 235.6 million). EBITDA at Flooring Systems decreased by 23.6% to CHF 127.3 million (previous year: CHF 166.7 million). At Movement Systems, EBITDA rose slightly, by 1.6% to CHF 75.4 million (previous year: CHF 74.2 million).

This resulted in a Group EBITDA margin of 15.0% (previous year: 18.8%). At Flooring Systems, the EBITDA margin declined from 19.6% the previous year to 14.5% in the year under review, while at Movement Systems the EBITDA margin decreased by 0.2 percentage points to 18.2% (previous year: 18.4%).

Group operating profit (EBIT) was 25.9% lower, at CHF 132.6 million (previous year: CHF 179.0 million). The Group EBIT margin decreased from 14.3% the previous year to 10.3% in the year under review.

Due to the significantly lower operating profit (EBIT), a slightly higher tax rate, and a reduced financial result caused by exchange rate losses on foreign currencies, Group profit reduced by 28.2% or CHF 39.8 million to CHF 101.4 million (previous year: CHF 141.2 million).

Taxes and financial result

The tax rate in the year under review was 22.6% (previous year: 22.1%), slightly above the long-term average.

Financial expense in 2022 came to CHF 2.5 million (previous year: CHF 0.8 million), which includes comparable interest expense for both years and foreign exchange losses in the year under review. By contrast, financial income decreased year on year to CHF 0.9 million (previous year: CHF 3.0 million). This again included interest income on a par with the previous year, whereas exchange rate gains were made on foreign currencies in 2021. On balance, the net financial result came to CHF -1.6 million (previous year: CHF +2.2 million).

Free cash flow

	2022 CHF m	2021 CHF m	-50	0	50	100	150	200
Cash flow from operating activities	80.6	166.5						
Cash flow from investing activities	-30.1	-38.4						
Free cash flow	50.5	128.1						






Cash flow performance affected by lower earnings and increased inventories

In the reporting year, cash flow from operating activities was CHF 80.6 million (previous year: CHF 166.5 million), a marked decrease due to much lower earnings and higher inventories. The significant increase in inventories is attributable to the rise in prices of raw materials and challenges in the coordination of sales and production planning. On the other hand, inventories of raw materials were deliberately built up to ensure availability because of the complex supply chains. Beside the increased stock level, the amount of trade receivables also rose. Cash flow from investing activities declined due to increased delivery times for components for technical upgrades and new production plant parts and came to CHF -30.1 million (previous year: CHF -38.4 million). Free cash flow thus totaled CHF 50.5 million (previous year: CHF 128.1 million).

Solid balance sheet

Total assets as at December 31, 2022, reduced by CHF 21.4 million and stood at CHF 960.2 million (previous year: CHF 981.6 million). This was mainly attributable to currency translation differences and the 2022 portion of the share buyback. Net cash decreased by CHF 34.8 million to CHF 21.4 million (previous year: CHF 56.2 million), which was mainly due to the significantly higher operating working capital as well as lower earnings and the share buyback. Shareholders' equity rose by CHF 28.3 million, mainly due to Group profit, and as at the end of December 2022 was CHF 550.1 million (previous year: CHF 521.8 million). By comparison, the previous year included a much higher amount for repurchased shares. The equity ratio remained solid at 57.3% (previous year: 53.2%).

Investments 2018 – 2022

	Flooring Systems CHF m	Movement Systems CHF m	Total CHF m	
2022	18	13	31	
2021	23	15	39	
2020	21	19	40	
2019	23	13	36	
2018	25	13	39	

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 invested in important activities and strategic projects. These spanned product portfolio, technology, infrastructure, and specific capacity expansion projects. Total Group investments in property, plant, and equipment and intangible assets in 2022 were CHF 30.9 million (previous year: CHF 38.8 million). The lower value in the year under review was the result of delays in the supply of plant and machinery parts for technical upgrades. These were caused by bottlenecks in availability on the part of suppliers, along with more difficult logistics and shipping terms and conditions.

In the reporting year, Flooring Systems invested CHF 17.9 million (previous year: CHF 23.4 million) in various production sites, accompanied by environmental improvements to optimize the circular economy. Technical upgrades enable offcuts and recycled coverings from the vinyl production process to be reused in a number of collections – for vinyl backing on Flotex floor coverings or acoustic vinyl products. New mist filter technology at the vinyl floor coverings plant in Coevorden significantly reduces gas and CO₂ output. A new laminating line for loose lay design flooring raises the service level. In linoleum production, a number of processing stages, including cutting lines and mixers, were upgraded or redesigned for new collections and installing options.

Investment in property, plant, and equipment at Movement Systems came to CHF 13.0 million (previous year: CHF 15.4 million). This amount includes various upgrades and technical additions to production plants, long-term infrastructure projects and capacity expansions, for example new control systems for mixing equipment and coating machines at several locations, a photovoltaic installation, a high-tech exhaust air system, and a dual-fuel burner. New slitting equipment

was purchased for the manufacturing centers in Germany and Slovakia, along with a storage rack system. Additional injection molding machines and the relevant specialist tools were acquired for the Prolink plastic modular belts in Denmark, rounding off the capacity expansion. A major part of the investments went into a new production line for Transilon belts at the site in Pinghu/China.

Employees by geographic area

	2022 in %	Change on previous year in %	2022 number	200	400	600	800	1,000	1,200	1,400
Benelux	19.7	-10.2	1,061							
Germany	12.6	1.8	681							
Great Britain/Ireland	9.2	-5.0	497							
France	7.6	-0.2	407							
Switzerland	3.5	2.8	186							
Scandinavia	3.4	2.2	183							
Other countries Europe	14.1	-2.9	762							
Europe	70.1	-3.8	3,777							
Asia/Pacific and Africa	15.3	0.4	826							
USA	10.9	0.5	588							
Other countries Americas	3.7	0.5	199							
Americas	14.6	0.5	787							
Total	100.0	-2.6	5,390							

Operating structures and headcount adjusted

At year-end 2022, the Forbo Group employed 5,390 people. This is a total of 142 fewer than at the end of the previous year. The individual percentage changes in staffing levels mostly reflect market trends and the business performance in the different countries and regions. They mirror the situation on the reporting date at the end of the year.

In order to cushion the negative impact of the sharp downturn in demand from late summer 2022 and the associated downturn in volumes, an adjustment to operating structures was unavoidable in addition to a wide range of further measures. We mainly reduced flexible resources at major production sites and scaled back new hires to the absolute minimum. The significant reduction in personnel at the biggest production sites in the Netherlands and Great Britain reflect the pronounced downturn in demand at Flooring Systems. Headcount in the Americas and Asia/Pacific regions remained approximately at the level of the previous year.