



This E. Schneider

Chairman of the Board of Directors

Jens Fankhänel

Chief Executive Officer

'Forbo is looking back on another challenging year. Adverse currency effects and a very gloomy economic environment with a significant drop in demand have increasingly challenged us in the second half of the year.

The resulting lower volumes, higher personnel cost due to inflation, and continued high energy cost required consistent optimization measures and strict resource management.

At the same time, despite the economic challenges, we continued to pursue strategic topics such as innovative and sustainable additions to our product portfolio, digitalization, and new production technologies.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir

After the first glimmers of hope in a challenging market environment and a slight recovery in the first half of the year, the geopolitical and macroeconomic situation deteriorated increasingly from the third quarter onwards. As a result, Forbo also experienced a slowdown in market momentum and a resulting decline in demand, which intensified in the fourth quarter and was reflected in lower volumes. In addition, the year was characterized by significant adverse currency effects on net sales and earnings.

We implemented targeted measures to improve profitability and efficiency and further operational improvements. Our operating structures were adapted to the lower volumes, inventories were reduced, and the necessary sales price increases were implemented. These measures compensated for the increased personnel cost due to inflation and the continuing high energy cost. Overall, we achieved a significantly higher cash generation.

Translating local results into the corporate currency resulted in significant currency losses on net sales (CHF 80 million) and EBIT (CHF 10 million).

Significant decline in demand from third quarter 2023 onwards

Slight decline in net sales in local currencies

In the year under review, Forbo generated net sales of CHF 1,175.2 million (previous year: CHF 1,293.2 million). In local currencies, this represents a decline of 2.9% and corresponds to a decrease in net sales of 9.1% in the corporate currency due to strongly adverse currency effects. In local currencies, the three regions contributed as follows: Asia/Pacific +6.6%, Europe –3.3%, and the Americas –8.0%.

Forbo's customers' investment activity slowed noticeably due to increasing global uncertainties. This development was evident in both divisions and across all regions.

Net sales of Flooring Systems fell by 3.1% in local currencies to CHF 796.5 million (previous year: CHF 878.0 million). In corporate currency, this represents a decline of 9.3%. Activity in the construction industry slowed significantly due to higher interest rates and a massive increase in construction cost. At the same time, customers shifted their renovation investments from flooring replacements to energy-saving investments.

Movement Systems generated net sales of CHF 378.7 million (previous year: CHF 415.2 million), a decrease of 2.6% in local currencies and 8.8% in corporate currency. Demand in the globally important logistics segment remained subdued after several years of growth. Demand in the other segments was stable overall. The expected economic recovery has yet to occur in the crucial Chinese market.

Operating profit impacted by lower demand and adverse currency effects

Double-digit EBIT margin

Operating profit before depreciation and amortization (EBITDA) decreased by CHF 13.5 million (–7.0%) to CHF 179.9 million (previous year: CHF 193.4 million). Group operating profit (EBIT) decreased by CHF 2.7 million (–2.0%) to CHF 129.9 million (previous year: CHF 132.6 million, including one-time impacts). This resulted in an EBITDA margin of 15.3% (previous year: 15.0%) and an EBIT margin of 11.1% (previous year: 10.3%).

A double-digit EBIT margin was achieved despite a difficult market environment with declining demand and a corresponding significant decline in sales volumes (–9%), significantly adverse currency effects, higher personnel cost due to inflation, and continuing high energy cost. This was achieved thanks to adjusted operating structures, efficiency measures, and sales price increases (+6%).

The partial decline in raw material prices in the second half of the year had only a minor impact on profitability for the entire year.

Group profit slightly higher than previous year

Positive financial result

Based on the slightly lower operating result, a comparable tax rate of 22.4% (previous year: 22.6%) and a positive financial result of CHF +1.9 million (previous year: CHF –1.6 million) due to foreign exchange gains and interest income, the Group profit increased by 0.9% or CHF 0.9 million to CHF 102.3 million (previous year: CHF 101.4 million).

Solid balance sheet

Strong equity base

Due to strict inventory management and optimized sales and production planning, inventories were reduced by 16.4%, or CHF 52.0 million, to CHF 264.2 million (previous year: CHF 316.2 million). Net cash and cash equivalents amounted to CHF 69.0 million at the end of 2023 (previous year: CHF 21.4 million). This increase is mainly due to the significant reduction in operating working capital. In addition, Forbo held treasury shares of CHF 81.8 million as at December 31, 2023, valued at the 2023 year-end price. Free cash flow of CHF 115.9 million more than doubled (previous year: CHF 50.5 million) due to the targeted optimization of inventories.

The equity ratio is very solid and has increased to 61.4% (previous year: 57.3%). Undiluted earnings per share reflect the slight improvement in earnings and increased by 1.1% to CHF 72.55 (previous year: CHF 71.76).

Good progress on sustainability topics

Ongoing reduction of CO₂ footprint

We aim to reduce CO₂ emissions further in both divisions by continuously increasing the proportion of renewable or recycled raw materials used in the manufacturing of our product portfolio. Further measures include expanding local take-back programs for products at the end of their life cycle and increasing the use of renewable energy.

In the year under review, we laid the foundations for measuring Scope 1, 2, and 3 emissions following current requirements, which are being reported for the first time for the entire Forbo Group in 2023.

Change on the Executive Board

New Chief Executive Officer

Jens Fankhänel took over as Chief Executive Officer and Chairman of the Executive Board of the Forbo Group at the beginning of March 2023, succeeding This E. Schneider (Chairman of the Board of Directors), who had held this position on an interim basis since the end of November 2022.

Information and proposals to the Ordinary General Meeting

Changes on the Board of Directors

Dr. Peter Altorfer will not be standing for re-election after almost 20 years with the company. He has made a significant and pivotal contribution to the further development of the Forbo Group with his legal expertise, profound financial knowledge, and many years of professional experience. The Board of Directors owes him an outstanding debt of gratitude for his exceptional commitment and the trust and cooperation he has shown and wishes him all the best for the future.

The Board of Directors will propose Jörg Kampmeyer and Bernhard Merki for election to the Board of Directors at the Ordinary General Meeting. Bernhard Merki has worked as an entrepreneur since 2019 and is a professional and independent board member with seats in various national and international companies. Jörg Kampmeyer is a managing partner of Gebr. Knauf KG, one of the world's largest producers of building materials.

In Bernhard Merki, we have gained a Board member with extensive industrial experience in both of Forbo's divisions. With Jörg Kampmeyer, we have gained an excellent executive leader with expertise in the global supply of construction materials and in marketing and digitalization.

Increase in the dividend

Based on the substantial increase in free cash flow and the solid equity base, the Board of Directors will propose to the Ordinary General Meeting a dividend of CHF 25 per share (previous year: CHF 23 per share), representing an increase of 9% and a payout ratio of 34%.

Priorities and outlook for 2024

Priorities for 2024

Attractive product and service offerings, high product availability, reliable delivery quality, and customer intimacy will be critical success factors, especially in the current market environment. Therefore, we will actively implement our defined sales and marketing activities and important operational excellence initiatives. In a geopolitically volatile and still tense climate, it is also crucial to deploy our funds and resources in an entrepreneurial and focused manner.

Forbo will continue to pursue the successful strategy of the past years. We have an attractive product portfolio in both divisions. We will continue to invest in our sustainable product and service offering and growth markets. We will focus on further efficiency improvements and progress in all sustainability areas through digitalization, new production technologies, and technology enhancements. We will exploit external growth opportunities if and when they create long-term value.

Outlook for 2024

There is currently no sign of recovery in the market environment in the short term and, therefore, 2024 will continue to challenge us in all areas of the organization.

However, we are well prepared to face the currently very challenging market environment with a solid financial foundation that is both sound and without debts, a proven strategy, and leading market positions. Thanks to our targeted investments and strategic initiatives, we will strengthen our competitiveness and create the base to take full advantage of increasing demand.

Provided the geopolitical and economic environment does not change significantly, we expect net sales and Group profit to grow in local currencies. With foreign exchange rates at current levels, we expect net sales of around CHF 1.2 billion and Group profit of up to CHF 110 million.

Acknowledging our stakeholders

Great commitment and cooperation

The reporting year once again demanded a special and above-average commitment from our employees to meet the various challenges in the best possible way. With great dedication, flexibility, agility, perseverance, good communication, and teamwork, we responded to the changing circumstances and served our customers reliably and competently. Many thanks to our teams for their tireless and much-appreciated commitment.

We would also like to thank our customers, business partners, and suppliers for their excellent cooperation during these challenging times.

On behalf of the Board of Directors and Group Executive Board, we would also like to thank our valued shareholders for your continued trust and loyalty to our company.

Baar, March 2024



This E. Schneider
Chairman of the Board of Directors



Jens Fankhänel
Chief Executive Officer