

## MEDIA RELEASE

AD HOC ANNOUNCEMENT PURSUANT TO ARTICLE 53 OF THE SIX EXCHANGE REGULATION LISTING RULES

PAGE 1 OF 5

### **Double-digit sales growth in local currencies in all regions – negative currency effects on sales and earnings – results also hit by significant rise in cost of raw materials**

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 667.3 million in the first half of 2022 (prior-year period: CHF 623.1 million), which reflects growth of 11.4% in local currencies (7.1% in the corporate currency). Operating profit (EBIT) decreased by 4.3% to CHF 78.6 million (prior-year period: CHF 82.1 million). The EBIT margin came to 11.8% (prior-year period: 13.2%). Group profit saw a decline of 5.0% to CHF 60.3 million (prior-year period: CHF 63.5 million).

Baar, July 29, 2022

Forbo made a good start to 2022 after the pandemic-affected performances of previous years. However, recent months have been characterized by the major challenge of persistent steep increases in raw material prices.

Negative currency effects, significant increases in the cost of raw materials, transport and energy, along with increases in personnel and other costs, combined to strongly impact profitability. It was possible to reduce the extent of this, albeit with a certain time lag, through the implementation of sales price increases on our part. In addition, sales growth in Asia/Pacific was affected by the renewed imposition of COVID lockdowns in China.

On the whole, Forbo responded with considerable success to these challenges in an increasingly difficult environment. The short-term bottlenecks in the supply chains were successfully rectified and this, combined with raising the minimum stock levels of raw materials, ensured that the availability of the products was guaranteed to the greatest possible extent.

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

In the first half of 2022, Forbo achieved a considerable increase in sales in local currencies of 11.4% to CHF 667.3 million (prior-year period: CHF 623.1 million), which equates to a rise of 7.1% in the corporate currency. All regions contributed to this growth in local currencies: +14.0% in Asia/Pacific, +11.1% in Europe and +10.7% in the Americas. These increases are primarily attributable to sales price rises. In many customer segments, demand plateaued at pre-pandemic levels.

The conversion of local sales into the corporate currency reveals the trends of the individual currencies in combination with the respective

geographical market presence of the divisions. Overall, Flooring Systems was harder hit by the negative currency effects than Movement Systems, with the pound sterling, the Swedish krona and the Turkish lira having a particularly significant impact. Overall, the currency-related decline in sales amounted to around CHF 27 million, which is largely attributable to the euro when viewed across the Group as a whole.

Flooring Systems reported sales growth of 12.9% in local currencies (7.8% in the corporate currency). Projects in the transport, retail, gastronomy, hotel and leisure facilities segments as well as in healthcare saw increased growth.

Movement Systems reported a sales increase of 8.3% in local currencies (5.5% in the corporate currency). The contributions of very diverse customer segments were evenly balanced. In the logistics segment, demand for extensions and new plants levelled off, whereas the maintenance and service business for online commerce continued at a high level.

#### **Profitability impacted by strong increases in raw material prices**

Negative currency effects and distinctly higher costs for raw materials, transport and energy, along with higher personnel and other cost increases, significantly impacted profitability compared with the prior-year period. Due to the proportion of the overall value chain including assembly and services accounted for by raw materials, the effect on Movement Systems was less marked than on Flooring Systems. Sales price rises reduced the scale of the impact, but there was a time lag before their effect was felt on sales, especially in Flooring Systems, due to the high proportion of project business.

## MEDIA RELEASE

AD HOC ANNOUNCEMENT PURSUANT TO ARTICLE 53 OF THE SIX EXCHANGE REGULATION LISTING RULES

PAGE 2 OF 5

Operating profit before depreciation and amortization (EBITDA) came to CHF 106.3 million (prior-year period: CHF 109.9 million), corresponding to a decline of 3.3%. The EBITDA margin stood at 15.9% (prior-year period: 17.6%). Operating profit (EBIT) decreased by 4.3% to CHF 78.6 million (prior-year period: CHF 82.1 million), resulting in an EBIT margin of 11.8% (prior-year period: 13.2%).

### Group profit

On the basis of the lower operating profit, a marginally higher tax rate and a slightly higher financial expense, Forbo posted a Group profit of CHF 60.3 million (prior-year period: CHF 63.5 million), corresponding to a decline of 5.0%. Due to the share buyback program completed in 2022 and the associated cancelation of shares, earnings per share (undiluted) increased by 5.1% and amounted to CHF 42.60 (prior-year period: CHF 40.52).

### Equity ratio remains strong

Equity at end of June 2022 stood at CHF 532.4 million (year-end 2021: CHF 521.8 million), corresponding to an increase of 2.0%. The equity ratio was 52.2% (year-end 2021: 53.2%).

### Solid balance sheet

After cancelation of the 165,000 treasury shares from the share buyback program 2019–2022 in the second quarter of 2022, Forbo held net cash in the amount of CHF -36.0 million (year-end 2021: CHF 56.2 million). This reduction is largely attributable to the dividend payment, the share buyback and the distinctly higher operating working capital due to the substantial increase in raw material prices. In addition, Forbo held treasury shares worth CHF 93.2 million, based on the share price at end of June 2022.

### Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 456.2 million in the first half of 2022 (prior-year period: CHF 423.1 million). All regions reported a double-digit sales growth in local currencies: Asia/Pacific showed the clearest increase, followed by the Americas and then Europe, which just reached double digit figures. The increase was achieved despite construction materials becoming scarcer and more expensive again, which led to the postponement of some

projects. In Europe, France, Italy, Spain, Portugal and Poland recorded above-average growth. Sweden and Great Britain were also very successful. Growth in high single-digit figures was achieved by the DACH region. The Netherlands saw moderate growth. In the Americas, the USA, Canada and Brazil continued to show pleasing positive momentum. In Asia/Pacific, sales presented a very mixed picture. Japan, South Korea, Southeast Asia and Turkey saw above-average growth, Australia remained at the previous year's level and China recorded a strong decline in sales due to the COVID lockdowns.

The building and construction adhesives activity reported good overall sales growth in an increasingly challenging market environment.

Operating profit (EBIT) decreased by 5.8% to CHF 58.2 million (prior-year period: CHF 61.8 million). This reduction is due to the substantial increases in the cost of raw materials and transport, along with higher energy and personnel costs. Due to the high proportion of project business, sales price adjustments could be implemented only with a certain time lag, meaning that the additional costs were not offset in full. Negative currency effects also reduced profit when translated into the corporate currency. The EBIT margin decreased accordingly to 12.8% (prior-year period: 14.6%). Following the successful launch of the new "TopshieldPro" linoleum coating, the second half-year will see a focus on attractive new collections of vinyl and textile floor coverings, which will be accompanied by a global sustainability initiative. At the same time, it will be necessary to address the respective market environments by applying strict cost management and adopting a flexible approach.

The **Forbo Movement Systems** division reported net sales of CHF 211.1 million in the first half of 2022 (prior-year period: CHF 200.0 million). All regions reported pleasing sales growth in local currencies: in Europe this was in the double-digit range, in the Americas somewhat more moderate and in Asia/Pacific well above the level of the previous year. In Europe, Germany, Switzerland, Denmark, France, Italy and Spain recorded double-digit growth. Pleasing progress was also made in Sweden and the Netherlands. In the Americas, the main

## MEDIA RELEASE

AD HOC ANNOUNCEMENT PURSUANT TO ARTICLE 53 OF THE SIX EXCHANGE REGULATION LISTING RULES

PAGE 3 OF 5

market USA saw a moderate growth in sales in the face of various market challenges, as did Canada. Mexico, with a strong customer base in the food segment, showed pleasing growth, as did Columbia, a growth market. Asia/Pacific showed a mixed trend. Growth drivers were Japan, India, Southeast Asia and Turkey. Sales in core markets such as China and Australia declined slightly below those of the previous year.

Operating profit (EBIT) rose by 8.3% to CHF 27.4 million (prior-year period: CHF 25.3 million). Movement Systems was also affected by the increased cost of raw materials, transport, energy and personnel, as well as negative currency effects. Sales price adjustments served to offset these impacts. The EBIT margin came to 13.0% (prior-year period: 12.7%). The focus for the second half-year will be on completing the launch of the new Fullsan product line of homogenous conveyor belts with the introduction of two further innovative and more sophisticated belt types. Additional production capacity for Transilon belts is in preparation. Combined with strict cost management, the key elements for success will be optimal operational planning and coordination along the value chain.

### Russia/Ukraine

At the two local production plants in Kaluga and Sary Oskol, Flooring Systems produces vinyl floor coverings and building and construction adhesives primarily for the local market. Forbo is in regular contact with local management in both divisions and is doing everything possible to support its employees and business operations in Russia and Ukraine at a local level. In this Forbo adheres at all times to the applicable legal provisions. Forbo is continuously monitoring the situation and adapting its considerations and measures accordingly.

### Outlook for 2022

Due to the extremely volatile market environment and a difficult geo and fiscal political situation, Forbo will not forecast sales or earnings for 2022 overall.

Despite the challenging situation, Forbo has consistently implemented the strategy and remains on track.

Based on many years of successful business and a solid and health financial foundation, Forbo is in a strong position to meet the challenges that lie ahead and ensure the long-term success of the company.

With its strong brand, Forbo is able to contribute to the reduction of the global carbon footprint with its sustainable, high-quality products and innovative solutions in both divisions, and thanks to its technical expertise, leading market positions and global presence is well placed to forge ahead with its key strategy areas.

### Elections to the Board of Directors at the Ordinary General Meeting 2023

In view of the geopolitical challenges, This E. Schneider, Executive Chairman of the Board of Directors since 2014, will, at the request of the Board of Directors, stand for election at the Ordinary General Meeting in spring 2023 as full-time Chairman of the Board of Directors.

You can find further information in the electronic version of the half-year report 2022 published this morning on the Internet: [www.forbo.com](http://www.forbo.com) -> Investors

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. They are biodegradable and CO<sub>2</sub>-neutral (cradle to gate), without off-setting. In the manufacture of its heterogeneous vinyl floor coverings, Forbo uses phthalate-free plasticizers of the latest generation. Vinyl floor coverings also contain up to 25% recycled material in relation to their total product weight. 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 more than 5,700 people and has an international network of 25 sites with pro-

## **MEDIA RELEASE**

AD HOC ANNOUNCEMENT PURSUANT TO ARTICLE 53 OF THE SIX EXCHANGE REGULATION LISTING RULES

PAGE 4 OF 5

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duction and distribution, 6 fabrication centers, and 49 sales organizations in a total of 39 countries around the world. The company generated net sales of CHF 1,254.0 million in the business year 2021. 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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Contact person:  
This E. Schneider  
Executive Chairman  
Phone +41 58 787 25 49  
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