

## MEDIA RELEASE

### INITIAL INFORMATION ON THE 2022 BUSINESS YEAR

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

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## **A sharp rise in the cost basis, delayed reaction to a decline in demand and the effect of one-time impacts in the second half of 2022 led to a significant reduction in EBIT and Group profit.**

The Forbo Group – a leading producer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions – reported net sales of CHF 1,293 million for the business year 2022. This corresponds to growth of 8% in local currencies (+3% in the corporate currency). For the 2022 business year, management expects EBIT to come in at CHF 131 million (including one-time impacts of CHF 20 million), with a Group profit of CHF 101 million and a significantly lower free cash flow of slightly below CHF 50 million. Publication of the financial statements and Annual Report is set for March 2, 2023. The targeted implementation of strategic projects and initiatives which is already underway, along with the simplification of structures, will enable Forbo to meet the current challenges and ensure the sustainable success of the company.

Baar, January 17, 2023

Forbo looks back on a mixed year. After the first half-year 2022 in which sales and earnings were more or less in line with expectations despite the various challenges faced, business performance proceeded to decline strongly in the second half of 2022.

#### **Significant drop in demand and associated decline in volumes from late summer 2022**

Forbo Group's net sales increased in the 2022 business year by 8% in local currencies to CHF 1,293 million. This was largely attributable to sales price rises totaling 11%. In the corporate currency, sales growth was 3% due to negative currency effects.

Following the ongoing revival of the markets in 2021 and early 2022, demand dropped from the late summer 2022. This development reinforced during the fourth quarter of 2022, which led to an unexpectedly strong decline in volumes in the second half-year of 6% in contrast to growth of 3% in the first half of the year. For the 2022 year overall, this equates to a decrease in volume of 3%.

#### **Delayed reaction to declining volumes and significant rise in cost structure resulted in strong reduction in EBIT and margins**

As Forbo recorded in 2021 sales and earnings at the pre-pandemic levels of 2019, structures and workforce levels were expanded in line with this market development in the first half of 2022, with a view to achieving further growth.

From the late summer of 2022, this significantly higher cost basis was set against an increasingly strong decline in volumes, which combined to result in a significantly lower EBIT.

At the same time, costs for raw materials, energy and logistics continued to rise. However, it was largely possible to offset these increases – albeit with a delay in project business – thanks to innovative, high-quality products and services with corresponding sales price rises.

Group EBIT is expected to come in at CHF 131 million. Higher sales prices had a positive effect on the result, as did the initiatives taken in the second half of 2022 to effect increases in earnings. It was negatively affected by the lower volumes and sharp increase in the cost basis, along with one-time impacts. Group profit will be CHF 101 million, by no meaningful change in the tax rate.

The drop in free cash flow to slightly below CHF 50 million can be attributed to the reduced profit and the increase in operating working capital. For its rise there were several reasons: higher trade receivables; the significant increase in the value of the inventories caused by higher purchase and manufacturing costs; challenges related to sales and production planning, and the increase in safety stock held to counter bottlenecks in the supply chain.

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EBIT was negatively affected by one-time impacts totaling CHF 20 million. Due to the political and economic situation in Russia, local impairments were made mainly on goodwill and property, plant, and equipment. Added to this, there were the costs of structural adjustments and various items affecting operating expenses and revenues, including, among others, the creation of provisions for various legal cases.

#### Range of tough challenges

Measures have been introduced and are being implemented to improve operational profitability and accelerate the implementation of operational and strategic projects. These include focusing on essential projects, optimizing aspects of sales and production planning, taking measures to increase efficiency, and adapting structures in accordance with the lower volumes.

Despite these measures, due to the general economic situation Forbo is expecting the first half of 2023 to be a demanding period with declining volumes in comparison to the first half of 2022, significantly higher workforce costs and further inflation-related cost increases.

This E. Schneider, Executive Chairman, says: "In the first half of 2022, based on the continuing positive growth of volumes at the time, we intensified our investments in markets and sales activities and the expansion of operating structures and personnel. When the market abruptly weakened in the late summer of 2022, we reacted with a delay by taking the necessary measures, which further impacted the earnings position in the second half of 2022.

Forbo will continue to pursue the successful strategy of recent years. We have an attractive and innovative product portfolio in both divisions. We are continuing to invest in line with strategy in our range of products and services, in growth markets, in digitization, and in new production technologies and enhancements – combined as always with an improved carbon footprint and increased efficiency."

#### Priorities for 2023

Major strategic projects, such as the expansion of capacities in China with the addition of a second production line in Pinghu, the complete renewal of the Movement Systems coating plant

in Japan, and the expansion of the Flotex textile product line with the addition of a new production plant at Flooring Systems in the USA are being planned and implemented.

Based on the measures taken and a solid and healthy financial foundation, Forbo is well positioned to meet the challenges that lie ahead and ensure the sustainable success of the company.

Forbo will provide further details of its performance in 2022 with the publication of the annual results and the Annual Report on March 2, 2023.

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 carbon-neutral (cradle to gate), without offsetting. 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 about 5,400 people and has an international network of 25 sites with production 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 1,293 million in the business year 2022. 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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## FINANCIAL OVERVIEW OF THE FORBO GROUP

### 2022 FIGURES PRELIMINARY AND UNAUDITED

	2022 CHF million	2021 CHF million	Change	
			Corporate currency	Local currencies
<b>Net sales</b>	<b>1,293</b>	<b>1,254</b>	<b>+3%</b>	<b>+8%</b>
<b>Gross profit</b>	<b>440</b>	<b>451</b>	<b>-2%</b>	
<b>Operating expenses</b>	<b>-309</b>	<b>-272</b>		
<b>EBITDA <sup>1)</sup></b>	<b>193</b>	<b>236</b>	<b>-18%</b>	
<b>EBITDA margin</b>	<b>15%</b>	<b>19%</b>		
<b>Depreciation and amortization</b>	<b>-62</b>	<b>-57</b>		
<b>EBIT</b>	<b>131</b>	<b>179</b>	<b>-27%</b>	
ONE-TIME IMPACTS:		20		
– IMPAIRMENTS RUSSIA	7			
– STRUCTURAL ADJUSTMENTS	6			
– OTHER	7			
<b>EBIT margin</b>	<b>10%</b>	<b>14%</b>		
<b>Financial result</b>	<b>-1</b>	<b>2</b>		
<b>Group profit before taxes</b>	<b>130</b>	<b>181</b>	<b>-28%</b>	
<b>Income taxes</b>	<b>-29</b>	<b>-40</b>		
<b>Group profit</b>	<b>101</b>	<b>141</b>	<b>-28%</b>	

<sup>1)</sup> Operating profit before depreciation and amortization