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

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Sales growth in all regions thanks to sales price increases – profitability affected by slump in demand and one-time impacts – measures to increase earnings introduced – dividend CHF 23 per share

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 1,293.2 million in the 2022 business year. This corresponds to growth of 8.5% in local currencies and 3.1% the Group currency, due to negative currency effects. Group operating profit (EBIT) decreased as a result of the significant slump in demand and one-time impacts by 25.9% to CHF 132.6 million (previous year: CHF 179.0 million). Group profit came to CHF 101.4 million, 28.2% lower than the previous year (CHF 141.2 million).

Baar, March 2, 2023

Forbo looks back on a mixed year. The company made a good start to 2022 after the pandemic-affected performances of previous years. This changed in an environment that became challenging once again from spring 2022 due to the difficult geopolitical and financial situation. Profitability was held back by significant increases in the cost of raw materials, transport, and energy along with higher personnel and other costs. It was possible to reduce the extent of this effect, though with a certain time lag, by raising sales prices. In addition, the sales development in Asia/Pacific was affected by renewed Covid lockdowns in China.

Overall, Forbo dealt well with most of these challenges in the first half of 2022. Afterwards, however, demand began to decline in late summer 2022, with this trend accelerating in the fourth quarter 2022. Volume growth in the first half of 2022 gave way to an unexpectedly sharp fall in demand in the second half – with Flooring Systems being increasingly hard hit. As a result, volumes were lower for the year as a whole.

In 2021, Forbo's sales and earnings had returned to the pre-pandemic levels of 2019. In the first half of the reporting year, the Group expanded structures and staffing levels significantly, with a view to achieving further growth. From late summer 2022, this much higher cost base was set against an increasingly sharp decline in volumes, which together resulted in substantially lower earnings. At the same time, the cost of raw materials, energy, and logistics continued to rise.

However, thanks to innovative, high-quality products and services, Forbo was able to offset most of these increases with corresponding sales price increases.

Owing to the stronger Swiss franc, the translation of local results into the corporate currency produced a negative currency effect year on year, with a CHF 67 million impact on sales. Many of Forbo's main operating currencies were affected, in particular the euro, the pound sterling, the Japanese yen, and the Swedish krona. Only the US dollar yielded a positive effect.

Sales growth in all regions thanks to sales price increases

In the year under review, Forbo generated net sales of CHF 1,293.2 million (previous year: CHF 1,254.0 million), up 8.5% in local currencies. This was largely attributable to increases in sales price amounting to 11.0%. Due to negative currency effects, this equates to a rise in sales of 3.1% in the corporate currency. All three regions contributed to this sales growth in local currencies: +12.0% in Asia/Pacific, +8.0% in Europe, and +7.6% in the Americas.

Profitability affected by slump in demand and one-time impacts

On the basis of the positive market development at the end of 2021 and beginning of 2022, structures were expanded and staffing levels significantly increased in the first half of 2022. From late summer 2022, this was set against an increasingly strong decline in volumes, which together resulted in substantially lower earn-

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ings. At the same time, costs of raw materials, energy, and logistics continued to rise. Sales price increases had a positive effect on the result, as did the initiatives to increase earnings introduced in the second half of 2022.

The operating result was further impaired by a number of one-time impacts totaling CHF 20 million, the majority of which affected Flooring Systems. Due to the political and economic situation in Russia, impairments were made on goodwill and property, plant, and equipment. Added to this was the cost of structural adjustments and various elements recognized in other operating expenses and income, including the creation of provisions for a number of legal cases.

Operating profit before depreciation and amortization (EBITDA) reduced by CHF 42.2 million, or 17.9%, to CHF 193.4 million (previous year: CHF 235.6 million). Group operating profit (EBIT) decreased by CHF 46.4 million or 25.9% to CHF 132.6 million (previous year: CHF 179.0 million). This resulted in an EBITDA margin of 15.0% (previous year: 18.8%) and an EBIT margin of 10.3% (previous year: 14.3%).

Lower earnings reflected in Group profit

As a result of the significantly lower operating profit (EBIT), a slightly higher tax rate of 22.6% (previous year: 22.1%), and a lower financial result of CHF -1.6 million (previous year: CHF +2.2 million) due to exchange rate losses on foreign currencies, Group profit decreased by 28.2% or CHF 39.8 million to CHF 101.4 million (previous year: CHF 141.2 million).

Performance of the divisions

The **Forbo Flooring Systems** division generated net sales of CHF 878.0 million in the 2022 business year (previous year: CHF 851.8 million), corresponding to an increase of 9.0% in local currencies and equating to growth of 3.1% in the corporate currency, taking negative currency effects into account. This increase is entirely due to sales price increases. After a positive first half-year, demand declined from late summer 2022, significantly so from the fourth quarter. One of the reasons for this was the shift away from renovation projects to energy-saving projects due to the energy crisis. This came at the expense of flooring orders.

There was also caution in general about taking on new major projects, due to the significant rise in construction costs. The division accounted for 67.9% of Group sales. Operating profit (EBIT) reduced by CHF 32.6% to CHF 88.4 million (previous year: CHF 131.2 million). This substantial downturn can be attributed in particular to the fall in volumes and to one-time impacts. This significantly higher cost of raw materials, transport, energy, and personnel, and negative currency effects were also factors. The EBIT margin declined by 5.3 percentage points to 10.1% (previous year: 15.4%).

The **Forbo Movement Systems** division generated net sales of CHF 415.2 million in the year under review (previous year: CHF 402.2 million), corresponding to a year-on-year increase of 7.3% in local currencies and equating to growth of 3.2% in the corporate currency, taking negative currency effects into account. This increase is entirely due to sales price increases. In all customer segments, sales returned to pre-pandemic levels, as in some areas there was a discernible catch-up effect. There was an above-average increase in demand for conveyor and processing belts used in industrial production, for flat belts used in packaging plants, and for conveyor belts for sports treadmills in fitness centers and for processing raw materials. The division accounted for 32.1% of Group sales in 2022. Operating profit (EBIT) decreased slightly by 0.6% to CHF 54.0 million (previous year: CHF 54.3 million), which was attributable to the increased cost of raw materials, transport, and energy as well as to negative currency effects. The EBIT margin declined by 0.5 percent points to 13.0% (previous year: 13.5%).

Solid balance sheet

Inventories increased by 20.3% or CHF 53.3 million to CHF 316.2 million due to higher procurement and manufacturing costs, complex supply chains, and challenges in the coordination of sales and production planning. Net liquidity came to CHF 21.4 million at year-end 2022 (previous year: CHF 56.2 million). This decrease was mainly attributable to the lower earnings and the significantly higher operating working capital. In addition, as at December 31, 2022, Forbo held treasury shares valued at CHF 78.6 million. Free cash flow declined by 60.6%

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to CHF 50.5 million (previous year: CHF 128.1 million), due to the strong decrease in earnings and the higher value of inventories.

The solid equity ratio increased to 57.3% (previous year: 53.2%).

The undiluted earnings per share reflect the significantly lower earnings and therefore declined by 21.7% to CHF 71.76 (previous year: CHF 91.63).

Priorities for 2023

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

Forbo will continue to pursue the successful strategy of recent years. Both divisions have an attractive product portfolio. Forbo is continuing to invest in line with the strategy in its range of products and services, in growth markets, in digitization and in new production technologies and expansion – combined as always with an improved carbon footprint and increased efficiency. External opportunities for growth will be exploited if they can create long-term added value.

Proposals to the Ordinary General Meeting

Elections to the Board of Directors

With the exception of Jens Fankhänel, all the current members of the Board of Directors will stand for re-election for a further one-year term of office. Jens Fankhänel will succeed Michael Schumacher as CEO of the Forbo Group as of March 1, 2023. This E. Schneider – Executive Chairman of the Board since 2014 – will, at the request of the Board of Directors and as previously announced in summer 2022, stand for election as full-time Chairman of the Board of Directors at the upcoming Ordinary General Meeting.

Dividend adjusted in line with the decline in earnings

Due to the lower earnings and reduced cash flow in the reporting year, though with a sound equity base and confidence that the earnings

situation will improve, the Board of Directors will propose to the Ordinary General Meeting that a dividend of CHF 23 per share be paid for the 2022 business year (previous year: CHF 25 per share), corresponding to a payout ratio of 32 percent.

Authorization for a share buyback program

The Board of Directors will propose to the Ordinary General Meeting that it be authorized, over a period of three years, to repurchase treasury shares up to a maximum of 10 percent of the share capital via a second trading line on the SIX Swiss Exchange or by another means in order to reduce capital.

Outlook for 2023

Thanks to its solid and healthy financial foundations, proven strategy and leading market position, Forbo is well-placed to achieve further sustainable and profitable growth again and build on the levels of profitability it has been accustomed to.

Forbo expects the first half of 2023 to be a demanding period with volumes decreasing slightly compared with the same period of 2022. Despite further inflation-related cost increases and ongoing high raw material prices, Forbo is convinced that the implemented measures and initiatives, a clear focus, as well as higher sales prices will mitigate these factors.

Assuming there is no significant change in the geopolitical and economic environments, Forbo anticipates slightly higher sales in local currencies compared with the previous year. With the elimination of the one-time impacts and implementation of the measures to improve operating profitability, the company expects a Group profit in the magnitude of CHF 130 million if foreign exchange rates remain the same.

You can find further information in the 2022 Annual Report published online this morning: 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

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and carbon-neutral (cradle to gate), without off-setting. In the manufacture of its heterogenous 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 CO₂ 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 47 sales organizations in a total of 39 countries around the world. 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 CHF million	2021 CHF million	Change	
			Corporate currency	Local currencies
Net sales	1,293.2	1,254.0	+3.1%	+8.5%
Flooring Systems	878.0	851.8	+3.1%	+9.0%
Movement Systems	415.2	402.2	+3.2%	+7.3%
Operating profit before depreciation and amortization (EBITDA)	193.4	235.6	-17.9%	
EBITDA margin	15.0%	18.8%		
Operating profit (EBIT)	132.6	179.0	-25.9%	
One-time impacts:	20			
– Impairments Russia	7			
– Structural adjustments	6			
– Other	7			
EBIT margin	10.3%	14.3%		
Group profit	101.4	141.2	-28.2%	
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	2022	2021		
Earnings per share (undiluted)	CHF 71.76	CHF 91.63	-21.7%	
Equity ratio	57.3%	53.2%		