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

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Solid result in difficult market environment – Net sales in local currencies slightly below strong prior-year period – Negative currency impact on net sales and earnings – Measures to increase earnings prove effective – EBIT margin increased – Confirmation of guidance from spring 2023

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 615.2 million in the first half of 2023 (prior-year period: CHF 667.3 million), representing a decrease of 2.2% in local currencies (7.8% in the corporate currency). Operating profit (EBIT) declined by 4.3% to CHF 75.2 million (prior-year period: CHF 78.6 million). The EBIT margin rose to 12.2% (prior-year period: 11.8%). Group profit saw a decline of 4.8% to CHF 57.4 million (previous year: CHF 60.3 million). Cash flow from operating activities improved significantly and came to CHF 33.0 million (prior-year period: CHF –10.0 million).

Baar, July 28, 2023

As expected, the first half of 2023 was affected by geopolitical and macroeconomic challenges that also had an impact on Forbo's businesses. Compared with the strong performance in the first half of 2022, there was a significant slump in demand and an associated decline in volumes. In addition, strong negative currency effects and significant rises in personnel and energy cost had to be offset. Forbo focused on realizing measures previously announced to improve profitability and implementing operational and strategic projects. Forbo aligned its operating structures to the lower volumes, reduced inventories, and applied the necessary sales price increases. This resulted in an increase in cash inflow. The first half of 2023 showed some improvements over the final months of 2022, especially in terms of volume and margin development.

Forbo overcame the challenges faced in an extremely demanding environment, and increased profitability slightly in comparison to the strong first half of 2022.

Major impact of currency effects on net sales and earnings

The conversion of local results into the corporate currency exposed Forbo to considerable currency-related negative impacts in the areas of net sales (CHF 37 million) and EBIT (CHF 5 million). Both divisions were affected to a similar degree. The Japanese yen, the Chinese renminbi, the Swedish krona, and the pound sterling all contributed, along with the euro and the US dollar. The euro was the main driver for the majority of the impact.

Net sales in local currencies down slightly in comparison with strong first half of 2022

With net sales of CHF 615.2 million in the first half of 2023 (prior-year period: CHF 667.3 million), Forbo registered a slight decrease in local currencies of 2.2% (–7.8% in the corporate currency). Compared with a strong first half year in 2022, the net sales development in local currencies for the regions were as follows: Asia/Pacific +3.1%, Europe –2.0%, and the Americas –6.3%. It was not possible to fully offset the clearly discernible downturn in demand and volumes through price adjustments.

Flooring Systems reported a decline in net sales of 3.4% in local currencies (–8.8% in the corporate currency). Demand continues to be affected by the shift away from renovation projects to energy-saving projects in response to the energy crisis. In addition, the construction industry remains generally sluggish due to the effects of inflation on construction cost and higher interest rates.

Movement Systems achieved net sales at the previous year's level in local currencies (+0.3%, –5.6% in the corporate currency). Following some years of growth, demand in the logistics segment is still at a reduced level, as the requirement for new e-commerce and parcel centers is not as strong as during the time of the pandemic. Processing belts for the food industry, for industrial production segments, and for processing raw materials were increasingly in demand. On the other hand, there was no sign yet of a discerning economic recovery in China, a key market for Movement Systems.

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Profitability increased despite decline in volumes and strong negative currency effects

Operating profit before depreciation and amortization (EBITDA) came to CHF 102.8 million (prior-year period: CHF 106.3 million), corresponding to a decline of 3.3%. The EBITDA margin increased to 16.7% (prior-year period: 15.9%). Operating profit (EBIT) reduced by CHF 4.3% to CHF 75.2 million (prior-year period: CHF 78.6 million) and the EBIT margin rose to 12.2% (prior-year period: 11.8%).

Despite the decrease in volumes (–8%) due to continuing muted demand (especially in Flooring Systems), negative currency effects, and significantly higher personnel and energy cost, profitability increased slightly in comparison with the first half of 2022. This was the result of adjusting operating structures, optimizing sales and production planning processes, introducing measures to increase efficiency, and implementing sales price increases (+6%). Furthermore, inventories were reduced.

Group profit

On the basis of the lower operating profit, a slightly higher financial result, and a more or less unchanged tax rate, Forbo posted a Group profit of CHF 57.4 million (prior-year period: CHF 60.3 million), corresponding to a decline of 4.8%. Earnings per share (undiluted) reduced by 4.8% to CHF 40.54 (prior-year period: CHF 42.60).

Equity ratio remains strong

Equity at the end of June 2023 stood at CHF 545.3 million (year-end 2022: CHF 550.1 million), corresponding to a decrease of 0.9%. The equity ratio was 55.9% (year-end 2022: 57.3%).

Solid balance sheet

At the end of June 2023, Forbo had net cash amounting to CHF –17.6 million (year-end 2022: CHF +21.4 million). The decline was mainly due to the dividend payout and share purchases. In addition, Forbo holds treasury shares worth CHF 106.6 million, based on the share price at end-June 2023. Cash flow from operating activities improved significantly and, due to optimized management of the operating working capital, came to CHF 33.0 million (prior-year period: CHF –10.0 million).

Performance of the divisions

The **Forbo Flooring Systems** division reported net sales of CHF 415.9 million in the first half of 2023 (prior-year period: CHF 456.2 million). In a very challenging market environment for the construction industry, where construction activity is being held back by inflationary cost and higher interest rates, the distribution of sales in local currencies among the three regions was as follows: Asia/Pacific +6.0%, Europe –3.4%, and the Americas –7.9%. In Europe, some core markets such as France, Germany, Switzerland, and Sweden recorded a decline in net sales to some extent. The Netherlands and the United Kingdom remained more or less at the previous year's level. Southern and Eastern Europe contributed positively to net sales. In the Americas, the key US market mainly impacted the decline in net sales, which was due in particular to muted demand in the education segment. In Asia/Pacific, net sales presented a mixed picture. Australia, South Korea, and Southeast Asia were growth drivers; however, Japan and China saw a decline.

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

Operating profit (EBIT) reduced by CHF 9.8% to CHF 52.5 million (prior-year period: CHF 58.2 million). The main reasons for this decrease lay in the market-driven negative volume growth and the corresponding decline in capacity utilization, the significantly higher personnel and energy cost, and negative currency effects. The sales price adjustments were sufficient to cover the inflation-related cost increases but not to the full extent of the decline in volumes. As far as the price of raw materials is concerned, a slight easing of pressure has been discernible in the meantime. The EBIT margin decreased accordingly to 12.6% (prior-year period: 12.8%). Along with continued improvements to profitability, the focus for the second half of 2023 will be on the introduction of innovative collections coupled with marketing activities via the well-established digital channels, as well as on the construction of the Flotex manufacturing plant in the USA.

The **Forbo Movement Systems** division reported net sales of CHF 199.3 million in the first half of

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2023 (prior-year period: CHF 211.1 million). The three regions recorded the following changes in local currencies: Europe +3.5%, Asia/Pacific +1.3%, and the Americas -5.0%. In Europe, Germany, Scandinavia, France, and Southern Europe were the growth drivers, whereas Switzerland, the United Kingdom, and the Netherlands registered declining demand. In the Americas, the USA mainly impacted the decline, especially as a result of reduced orders in the logistics segment, with its above-average importance for the country. Asia/Pacific showed a mixed trend. Growth drivers were Japan, Southeast Asia, and Australia. India and South Korea recorded a slight downturn.

Operating profit (EBIT) decreased slightly by CHF 0.7% to CHF 27.2 million (prior-year period: CHF 27.4 million). The decline in volumes coupled with the negative currency effects were key factors along with the significantly higher personnel and energy cost. These were mitigated by the optimized alignment of sales and production planning as well as sales price adjustments. The EBIT margin improved accordingly to 13.6% (prior-year period: 13.0%). The focus for the second half of the year will be on optimizing operational processes and inventory, commissioning the additional production line in China, launching the modernization of the production plant in Japan, and expanding the new Fullsan product line (homogenous belts).

Systematic implementation of proven strategy

Forbo's activities focus on clearly defined business areas and market segments in which Forbo is or aspires to be globally leading. This is achieved through its clear customer focus, an excellent standard of service, innovation, sustainability, digital transformation, and a strong global brand. Forbo will continue to remain committed to this proven strategy and gauges its medium- and long-term prospects to be positive.

On this basis, Forbo contributes to the reduction of the global carbon footprint with sustainable, high-quality products and innovative

solutions in both divisions, and, thanks to its technical expertise and global presence, is well placed to forge ahead with the strategic focus areas.

Confirmed outlook for 2023

In view of Forbo's solid and healthy financial foundation, proven strategy, and leading market positions, Forbo is well equipped with the successfully implemented measures to reaffirm the outlook presented in the spring of 2023. This is despite the very negative currency effects and ongoing muted demand. By contrast with the striking downturn in volumes experienced in the fourth quarter of 2022, a slight recovery has been noted since the beginning of 2023, which should lead to a moderate increase in net sales in local currencies for 2023 as a whole.

Assuming there is no significant change in the geopolitical and economic environments, Forbo anticipates slightly higher net sales in local currencies for the full year 2023 compared with the previous year, and a Group profit in the magnitude of CHF 130 million, if foreign exchange rates remain at the levels seen in the first half of 2023.

You can find further information in the 2023 Half-Year 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 and carbon-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 CO₂ emissions of up to 50%.

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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. The company generated net sales of CHF 1,293.2 million in the 2022 business year. 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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