

CONNECT.

HALF-YEAR REPORT 2024

NET SALES AND VOLUME GROWTH IMPACTED
BY DIFFICULT MARKET ENVIRONMENT

CONTINUED NEGATIVE CURRENCY EFFECTS
ON NET SALES AND EARNINGS

DOUBLE-DIGIT EBIT MARGINS MAINTAINED

EQUITY RATIO FURTHER IMPROVED

The Forbo Group – a leading manufacturer of floor coverings, building and construction adhesives, as well as belts for power transmission and conveyor belt solutions – reported net sales of CHF 570.3 million in the first half of 2024 (prior-year period: CHF 615.2 million), representing a decrease of 3.7% in local currencies (–7.3% in the corporate currency). Operating profit (EBIT) declined by 17.8% to CHF 61.8 million (prior-year period: CHF 75.2 million) with an EBIT margin of 10.8% (prior-year period: 12.2%). Group profit stood at CHF 48.4 million (prior-year period: CHF 57.4 million).

Dear Shareholders,

Forbo looks back on a challenging first half of 2024. Market momentum slowed, resulting in a decline in demand and volume in comparison with a solid first half of 2023. Negative currency effects continued to impact net sales and earnings.

The past few months have seen us launch attractive products in both divisions that meet our high sustainability standards. We put our funds and resources to targeted use in an entrepreneurial way and implemented operational excellence initiatives in a focused manner. Investments in product developments, production technology, and strategic projects were continued in a systematic way.

Slight decline in net sales in local currencies

With net sales of CHF 570.3 million in the first half of 2024 (prior-year period: CHF 615.2 million), Forbo registered a decrease in local currencies of 3.7% (–7.3% in the corporate currency). Compared with the first half of 2023, the net sales development in local currencies for the regions were as follows: the Americas +2.2%, Asia/Pacific –4.8% and Europe –5.4%. Investing activity among Forbo's customers remained cautious, which led to muted demand and correspondingly more intense competition.

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. These came to CHF 22 million in net sales and CHF 3 million in EBIT. Both divisions were affected to a similar degree. Currency effects mainly came from the conversion of the euro, the US dollar and the Japanese yen.

Operating result impacted by a decline in volumes

Operating profit before depreciation and amortization (EBITDA) came to CHF 86.8 million (prior-year period: CHF 102.8 million), corresponding to a decline of 15.6%. The EBITDA margin decreased accordingly to 15.2% (prior-year period: 16.7%). Operating profit (EBIT) declined by 17.8% to CHF 61.8 million (prior-year period: CHF 75.2 million) with an EBIT margin of 10.8% (prior-year period: 12.2%).

The decline in volumes of 3.4% and the associated lower capacity utilization of production plants, negative currency effects and higher personnel cost due to inflation had a significant impact on the operating result compared with the first half of 2023. This was only partially offset by cost savings and optimized processes. Despite intense competition, sales prices more or less remained stable in comparison with the prior-year period (–0.3%).

Group profit

On the basis of the lower operating profit, a higher financial result, and a constant tax rate, Forbo posted a Group profit of CHF 48.4 million (prior-year period: CHF 57.4 million), corresponding to a decline of 15.7%. Earnings per share (undiluted) decreased by 15.2% to CHF 34.36 (prior-year period: CHF 40.54).

Equity ratio remains strong

Equity at the end of June 2024 stood at CHF 599.0 million (year-end 2023: CHF 553.7 million), corresponding to an increase of 8.2%. The equity ratio was 62.3% (year-end 2023: 61.4%).

Solid balance sheet

As at the end of June 2024, Forbo was debt-free and had net cash amounting to CHF 40.0 million (year-end 2023: CHF 69.0 million). This decline was mainly due to the dividend payout and the seasonal increase in net working capital. In addition, Forbo holds treasury shares worth CHF 74.0 million, based on the share price at end-June 2024. Cash flow from operating activities came to CHF 21.6 million (prior-year period: CHF 33.0 million). On the one hand, this development is attributable to the lower Group profit and, on the other hand, we deliberately built up inventories in the first half-year 2024 in order to ensure delivery capability in the summer months.

Performance of the divisions and focus for the second half of 2024

The **Forbo Flooring Systems** division reported net sales of CHF 389.2 million in the first half of 2024 (prior-year period: CHF 415.9 million), which corresponds to a decline of 2.9% in local currencies (–6.4% in the corporate currency). The subdued activity of the construction industry due to persistently high construction cost and interest rates was clearly discernible in both new builds and renovations. The three regions reported the following net sales development in local currencies: Europe –4.3%, the Americas +5.5% and Asia/Pacific –6.0%.

In Europe, the core markets of Germany and the Netherlands recorded the largest declines. The United Kingdom enjoyed slight growth while Switzerland, Italy, Spain, and smaller markets in Eastern Europe were able to maintain or slightly increase their net sales levels. All other markets experienced declines to varying degrees. In the Americas, we recorded a significant increase in net sales in the United States, particularly as a result of growing local demand in the education and healthcare segments. In Asia/Pacific, net sales in China, Australia, and South Korea declined, while growth was recorded in Japan and smaller markets in Southeast Asia.

The building and construction adhesives activity reported a slight decline in net sales.

Newly launched products reported healthy growth, particularly with regard to the climate-positive linoleum collection “marmoleum solid” and projects for conductive vinyl floor coverings (ESD flooring) for workspaces such as data centers and operating rooms.

Operating profit (EBIT) declined by 8.4% to CHF 48.1 million (prior-year period: CHF 52.5 million). The negative volume growth and corresponding decline in the capacity utilization of production plants, the higher personnel cost due to inflation, higher energy and freight cost, and negative currency effects had a significant impact on the operating result. This was partially mitigated by a slight easing of raw material prices, an increased share of sales of high-margin products and a strict cost management. Sales prices were slightly lower than in the prior-year period. Despite these developments, the EBIT margin at 12.4% was almost on par with the prior-year period (12.6%).

In addition to increasing volumes and improving profitability, the focus for the second half of 2024 will be on the introduction of further innovative collections. A high level of product availability, reliable delivery quality and proximity to customers will remain key success factors.

The **Forbo Movement Systems** division reported net sales of CHF 181.1 million in the first half of 2024 (prior-year period: CHF 199.3 million), which corresponds to a decrease of 5.2% in local currencies (– 9.1% in the corporate currency). The challenging market environment was reflected in the decrease in demand in the Europe and Asia/Pacific regions, both for new investments and in the service and replacement business. In local currencies, the three regions recorded the following changes: Europe – 9.1%, the Americas – 1.1% and Asia/Pacific – 3.5%.

With the exception of Eastern Europe, most markets in Europe declined. Core markets such as Germany, Italy, France and Switzerland were hardest hit. In the Americas, we recorded a slight decline in net sales in the United States, while Canada experienced a slightly more pronounced negative impact. Mexico posted double-digit growth due to its strong local food industry. Asia/Pacific showed a mixed trend. Japan, Australia and India as well as growth markets in Southeast Asia made a positive contribution to the net sales development in the region. China and South Korea, on the other hand, recorded declines in net sales.

Operating profit (EBIT) decreased by 33.5% to CHF 18.1 million (prior-year period: CHF 27.2 million), which is largely attributable to lower net sales and the underutilization of plant capacities associated with the decline in volumes. Movement Systems also faced operational challenges in the USA and at the location in Germany. These topics led to higher operating cost and impaired delivery capability. A slight easing of raw material prices and lower energy prices partly counteracted this. Sales prices were maintained at the same level as in the prior-year period. The EBIT margin declined to 10.0% (prior-year period: 13.6%).


The focus for the second half of 2024 will be on introducing new products, strict resource management and resolving operational challenges. The completion of the start-up of the new production line in China and the construction of the new coating production line in Japan remain important key projects.

Well positioned

Our activities focus on clearly defined business areas and market segments in which we are or aspire to be globally leading. This is achieved through our clear customer focus, an excellent service standard, innovation, sustainability, digital transformation, and a strong global brand. We will continue to remain committed to this proven strategy going forward.

Confirmed outlook for 2024

The coming months will continue to prove challenging. Due to the measures initiated in production, logistics and sales, as well as the slightly positive trend in business development compared to the second half of 2023, we confirm the spring outlook for the full year 2024.



This E. Schneider
Chairman



Jens Fankhänel
CEO

Forbo Holding Ltd

Baar, July 26, 2024

Consolidated balance sheet and income statement

Condensed consolidated balance sheet		
Unaudited, CHF m	June 30, 2024	December 31, 2023
Assets		
Cash and cash equivalents	40.0	69.1
Trade and other receivables and accrued income	237.9	189.9
Inventories	291.2	264.2
Current assets	569.1	523.2
Property, plant, and equipment, intangible assets, and goodwill	359.3	345.6
Deferred tax assets	31.0	30.7
Non-current financial assets	2.3	1.9
Non-current assets	392.6	378.2
Total assets	961.7	901.4
Shareholders' equity and liabilities		
Current financial liabilities	15.9	13.2
Trade payables	74.6	86.9
Current provisions, accrued expenses, current tax, and other liabilities	144.9	119.2
Current liabilities	235.4	219.3
Non-current financial liabilities	27.4	26.9
Employee benefit obligations, non-current provisions, and deferred tax liabilities	99.9	101.5
Non-current liabilities	127.3	128.4
Total liabilities	362.7	347.7
Shareholders' equity	599.0	553.7
Total shareholders' equity and liabilities	961.7	901.4
Condensed consolidated income statement		
Unaudited, CHF m	First half 2024	First half 2023
Net sales	570.3	615.2
Cost of goods sold	-371.1	-399.4
Gross profit	199.2	215.8
Operating expenses	-137.4	-140.6
Operating profit	61.8	75.2
Financial result	0.7	-1.2
Group profit before taxes	62.5	74.0
Income taxes	-14.1	-16.6
Group profit	48.4	57.4
Group profit attributable to shareholders of Forbo Holding Ltd	48.4	57.4
<i>Earnings per share</i>		
Basic earnings per share in CHF	34.36	40.54
Diluted earnings per share in CHF	34.36	40.54

The accompanying notes are an integral part of the half-year report.

Consolidated comprehensive income statement and statement of changes in equity

Consolidated comprehensive income statement		
Unaudited, CHF m	First half 2024	First half 2023
Group profit	48.4	57.4
Items that will not be reclassified to the income statement:		
Remeasurements of employee benefit obligations, net of taxes	1.7	-3.5
Items that were or may be subsequently reclassified to the income statement:		
Translation differences	21.7	-12.9
Other comprehensive income, net of tax	23.4	-16.4
Total comprehensive income	71.8	41.0
Total comprehensive income attributable to the shareholders of Forbo Holding Ltd	71.8	41.0

Consolidated statement of changes in equity first half 2024

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2024	0.1	-0.0	998.2	-444.6	553.7
Group profit			48.4		48.4
Other comprehensive income, net of tax			1.7	21.7	23.4
Total comprehensive income			50.1	21.7	71.8
Share-based payments			2.2		2.2
Treasury shares			6.5		6.5
Dividend payment			-35.2		-35.2
June 30, 2024	0.1	-0.0	1,021.8	-422.9	599.0

Consolidated statement of changes in equity first half 2023

Unaudited, CHF m	Share capital	Treasury shares	Reserves	Translation differences	Total
January 1, 2023	0.1	-0.0	947.3	-397.3	550.1
Group profit			57.4		57.4
Other comprehensive income, net of tax			-3.5	-12.9	-16.4
Total comprehensive income			53.9	-12.9	41.0
Share-based payments			2.3		2.3
Treasury shares			-15.5		-15.5
Dividend payment			-32.6		-32.6
June 30, 2023	0.1	-0.0	955.4	-410.2	545.3

The accompanying notes are an integral part of the half-year report.

Consolidated cash flow statement

Condensed consolidated cash flow statement		
Unaudited, CHF m	First half 2024	First half 2023
Group profit	48.4	57.4
Depreciation of property, plant, and equipment, and amortization of intangible assets	25.0	27.6
Increase in net operating working capital	-68.7	-61.0
Other adjustments for non-cash items	16.9	9.0
Net cash flow from operating activities	21.6	33.0
Purchase of property, plant, and equipment, and intangible assets	-15.1	-10.7
Other cash flows from investing activities	0.7	0.6
Net cash flow from investing activities	-14.4	-10.1
Payment of lease liabilities	-9.2	-9.5
Increase in current financial debt	0.0	38.5
Sale/purchase (-) of treasury shares	6.5	-16.6
Dividend payment	-35.2	-32.6
Net cash flow from financing activities	-37.9	-20.2
Decrease (-)/Increase in cash and cash equivalents	-30.7	2.7
Translation differences on cash and cash equivalents	1.6	-3.5
Cash and cash equivalents at beginning of year	69.1	46.7
Total cash and cash equivalents as at June 30	40.0	45.9

The accompanying notes are an integral part of the half-year report.

Notes to the condensed consolidated half-year financial statements (unaudited)

01 General information

This condensed consolidated interim report of Forbo Holding Ltd and its subsidiaries (hereinafter 'the Group') covers the six-month period from January 1, 2024, to June 30, 2024 (hereinafter 'reporting period'), and was drawn up in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. The consolidated half-year financial statements do not include all information reported in the consolidated full-year financial statements and should therefore be read in conjunction with the consolidated financial statements as at December 31, 2023.

The consolidated half-year financial statements have not been audited by the auditors. They were approved for publication by the Board of Directors on July 25, 2024.

02 Group accounting principles

The accounting principles applied in the consolidated half-year report are in line with the accounting policies set out in the 2023 Annual Report with the following exceptions:

Multiple minor amendments to the relevant standards and interpretations of the International Accounting Standards Board (IASB) were applied by the Group in the business year that began on January 1, 2024. The first-time adoption of these revised standards and interpretations had no material impact on the consolidated interim report presented here. Standards, interpretations or amendments that have been published but are not yet mandatory have not been adopted early.

The preparation of the consolidated half-year financial statements requires management to use estimates and assumptions that may affect reported revenues, expenses, assets, liabilities, and contingent liabilities at the date of the financial statements. If the estimates and assumptions used by management to the best of its knowledge at the date of the financial statements happen to differ from subsequent actual facts, the original estimates and assumptions will be adjusted in the reporting period in which the facts have changed. The consolidated half-year financial statements do not contain any significant new discretionary decisions and estimates used by management compared with the consolidated financial statements as at December 31, 2023.

Income tax expenditure is predicted on the basis of average actual tax rates during the current business year.

03 Segment information

The Group is a global producer of Flooring Systems and Movement Systems. The divisions correspond to the internal management structure and are run separately because the products that they manufacture, distribute, and sell differ fundamentally in terms of production, distribution, and marketing.

In the Flooring Systems division, the Group develops, produces, and sells linoleum, vinyl floor coverings, entrance flooring systems, carpet tiles, needle felt floor coverings, Flotex – the washable textile flooring – building and construction adhesives, as well as various accessory products required for installing, processing, cleaning, and care of flooring. In the Movement Systems division, the Group develops, produces, and sells high-quality conveyor and processing belts, as well as plastic modular belts and drive, timing, and flat belts made of synthetic materials. Corporate includes the costs of the Group headquarters and certain items of income and expenses that are not directly attributable to a specific segment.

The Flooring Systems and Movement Systems divisions are reportable segments. The identification of reportable segments is based on internal management reporting to the Chairman of the Board of Directors and to the Chief Executive Officer of the Group, and hence on the financial information used to review the performance of the operational units in order to reach a decision on the allocation of resources.

Internal management reporting is based on the same accounting principles as external reporting.

The Chairman of the Board of Directors and the Chief Executive Officer assess the performance of the segments based on their operating result (EBIT). The financial result is not allocated to the segments since Corporate Treasury exercises central control over it. Sales between the divisions are conducted at arm's length. The divisions observe the same accounting principles as the Group. Sales to third parties, as reported to the Chairman of the Board of Directors and the Chief Executive Officer, are identical to those reported in the income statement.

First half 2024

Unaudited, CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	389.2	181.2	-0.1	570.3
Net sales between segments		-0.1	0.1	
Net sales to third parties	389.2	181.1		570.3
Operating profit (EBIT)	48.1	18.1	-4.4	61.8
EBITDA ¹⁾	62.3	28.7	-4.2	86.8
Operating assets	528.5	338.4	23.9	890.8
Capital expenditure ²⁾	9.0	5.6	0.5	15.1
Number of employees (June 30)	2,833	2,370	41	5,244

1) Operating profit before depreciation and amortization

2) Purchase of property, plant, and equipment, and intangible assets (excluding leasing)

First half 2023

Unaudited, CHF m	Flooring Systems	Movement Systems	Corporate/ Elimination	Total
Total net sales	415.9	199.3	-0.0	615.2
Net sales between segments		-0.0	0.0	
Net sales to third parties	415.9	199.3		615.2
Operating profit (EBIT)	52.5	27.2	-4.5	75.2
EBITDA ¹⁾	68.9	38.1	-4.2	102.8
Operating assets	528.1	340.8	28.9	897.8
Capital expenditure ²⁾	4.1	6.6	0.0	10.7
Number of employees (June 30)	2,881	2,438	38	5,357

1) Operating profit before depreciation and amortization

2) Purchase of property, plant, and equipment, and intangible assets (excluding leasing)

Reconciliation of segment information to the income statement and balance sheet:

Unaudited, CHF m	First half 2024	First half 2023
Total segment result (EBIT)	61.8	75.2
Financial result	0.7	-1.2
Group profit before taxes	62.5	74.0

Unaudited, CHF m	June 30, 2024	December 31, 2023
Total operating assets	890.8	801.5
Non-operating assets	70.9	99.9
Total assets	961.7	901.4

Operating assets include 'Trade and other receivables and accrued income', 'Inventories', 'Property, plant, and equipment, intangible assets, and goodwill', and 'Non-current financial assets'. Non-operating assets include 'Cash and cash equivalents' and 'Deferred tax assets'.

The following table shows net sales broken down by geographic region and by the two divisions that are identical with the reportable segments.

Net sales per segment by region

Unaudited, CHF m	Flooring Systems		Movement Systems	
	First half 2024	First half 2023	First half 2024	First half 2023
<i>Regions</i>				
Europe	289.9	313.5	75.3	85.6
Americas	67.6	66.0	62.6	64.5
Asia/Pacific and Africa	31.7	36.4	43.2	49.2
Total net sales to third parties	389.2	415.9	181.1	199.3

04 Balance sheet

The change in cash and cash equivalents can be found in the consolidated cash flow statement.

Trade and other receivables and accrued income showed an increase compared with year-end 2023. Trade receivables increased as a result of seasonally higher net sales.

Inventories increased for seasonal reasons, but were also consciously built up in order to ensure delivery capability.

Property, plant, and equipment increased from CHF 266.6 million to CHF 275.2 million in the first half of 2024 (of which CHF 45.4 million for leased property, plant, and equipment). Investments in property, plant, and equipment of CHF 23.5 million (of which CHF 8.7 million for leased property, plant, and equipment) and positive currency effects were partly offset by depreciation of CHF 24.4 million (of which CHF 8.5 million for leased property, plant, and equipment). Following the deduction of amortization of CHF 0.6 million (prior-year period: CHF 2.2 million), intangible assets and goodwill increased to CHF 84.1 million (end of previous year: CHF 79.0 million) mainly due to positive currency effects.

Current and non-current financial liabilities almost exclusively comprise lease liabilities.

Trade payables reduced by CHF 12.3 million. This change was primarily timing related. The other items in the remaining current liabilities rose by CHF 28.4 million. This increase is largely attributable to higher accrued expenses and additional tax provisions.

Employee benefit obligations, non-current provisions, and deferred tax liabilities fell by CHF 1.6 million. A large part of the change concerned the revaluation of the net liability from defined benefit pension plans. The revaluation was recognized in other comprehensive income.

Equity increased by CHF 45.3 million to CHF 599.0 million compared with December 31, 2023. Due to this increase, the equity ratio rose from 61.4% on December 31, 2023, to 62.3% on June 30, 2024. The increase in shareholders' equity by the amount of total comprehensive income of CHF 71.8 million and the decrease in treasury shares of CHF 6.5 million were offset mainly by the dividend payout of CHF 35.2 million.

05 Income statement

Net sales decreased by 7.3% to CHF 570.3 million in the corporate currency. In local currencies, the decline came to 3.7%, which was mainly attributable to lower sales volumes. The Europe and Asia/Pacific/Africa regions recorded decreases in net sales, while net sales in Americas increased slightly.

The manufacturing costs of the products sold reduced as a result of the lower sales volume and slightly lower prices for materials. Operating expenses remained stable compared with the prior-year period.

Operating profit (EBIT) in the reporting period came to CHF 61.8 million, which was CHF 13.4 million or 17.8% lower than in the prior-year period.

The increase of the financial result in the current year is attributable to currency gains and interest earnings on current financial assets.

Income tax amounted to CHF 14.1 million, corresponding to a tax rate of 22.5% (prior-year period: 22.4%).

The resulting Group profit came to CHF 48.4 million and was thus CHF 9.0 million lower than in the same period of the previous year.

Undiluted earnings per share on the basis of the average number of shares in circulation amounted to CHF 34.36 in the reporting period (prior-year period: CHF 40.54). Diluted earnings per share also came to CHF 34.36 (prior-year period: CHF 40.54).

06 Cash flow statement

Cash flow from operating activities came to CHF 21.6 million, which was down on the same period of the previous year. The decrease in net cash flow from operating activities is attributable to the lower operating profit and a greater change in net working capital.

As in the same period of the previous year, cash flow from investing activities reflects the cash outflow for investments in property, plant, and equipment and in intangible assets. The increase is attributable to the ongoing strategic investment projects. However, the cash flows are always also dependent on the payment processes of the projects and therefore differ during the course of the year. In the reporting year, in addition to the cash outflow of CHF 35.2 million for the dividend and payments of CHF 9.2 million for lease liabilities, cash flow from financing activities also included inflows from the sale of treasury shares of CHF 6.5 million.

07 Main exchange rates applied

The following exchange rates against the CHF have been applied for the most important currencies concerned:

Exchange rates				Income statement		Balance sheet	
				Average exchange rate, 6 months		On balance-sheet date	
			2024	2023	June 30, 2024	December 31, 2023	
Euro countries	EUR	1	0.9613	0.9856	0.9616	0.9335	
USA	USD	1	0.8889	0.9116	0.8993	0.8433	
United Kingdom	GBP	1	1.1245	1.1246	1.1358	1.0749	
Japan	JPY	100	0.5847	0.6759	0.5586	0.5961	
China	CNY	100	12.4643	13.1583	12.6081	11.9611	
Sweden	SEK	100	8.3974	8.6950	8.3783	8.4011	

08 Events after the balance sheet date

Between the balance sheet date and the date of publication of this half-year report, no events occurred that could have a significant effect on the 2024 half-year financial statements.

Calendar

Media and financial analysts' conference for the 2024 business year:	Tuesday, March 4, 2025
Ordinary General Meeting 2025:	Friday, April 4, 2025
Media and financial analysts' conference for the first half of 2025:	Tuesday, July 29, 2025

Our half-year report is published in German and in English translation. The German version is authoritative.

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