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Forbo 2025 Financial Year

Financial media and analyst conference – Forbo Group financial year 2025

March 3, 2026, 10:30 a.m. (CET)

Speakers:

- Bernhard Merki, Chairman of the Board of Directors
- Johannes Huber, CEO
- Peter Germann, CFO ad interim

Event language: German

Summary – Transcript (machine translated)

Good morning. Ladies and gentlemen, I would like to welcome you to today's financial results media and analyst conference for the Forbo Group's financial year 2025. I am delighted to welcome you here, whether you are attending in person or joining us virtually.

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We have the following items on the agenda for today's conference:

First, I would like to introduce myself and welcome you. After my introductory remarks, I will hand over to Peter Germann. He will present the financial results for the 2025 financial year. I will then provide you with some information about the upcoming Ordinary General Meeting on April 2, 2026.

Mr. Huber, our new CEO, will then explain the focus of his activities and give an initial outlook for the year 2026. We will be happy to answer any questions you may have at the end.

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Ladies and gentlemen, in the financial year 2025, Forbo focused on the sustainable stabilization of its business on the one hand and on the appointment of new Group Management on the other, as a prerequisite for restoring the Forbo Group's ability to pursue its strategic and structural development.

Following personnel changes in the Board of Directors and Group Executive Board last year, important measures were taken in the second half of the year to stabilize the Group and further develop its strategy for the long term.

In April of last year, a change was made in the chairmanship of the Board of Directors. Since October 2025, the Forbo Group's management team has been supported by the experienced Peter Germann. Johannes Huber took up his position as CEO on January 1, 2026. The Forbo Group's management team is thus complete again since the start of the year 2026. The position of CFO will also be permanently filled on July 1, 2026, when Heinz Hössli joins the company.

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Building on this foundation, the focus is on the consistent further development of the divisions, the accelerated implementation of innovations, and the enhancement of operational excellence. The goal is a sustainable return to profitable growth and long-term value creation.

I am now pleased to hand over to Peter Germann. As discussed, he will inform you about the financial results for the last financial year.

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Thank you very much, Bernhard. Here you can see a picture that is typical of Forbo in the current situation. We see a water channel and a kayaker. As you are surely aware, there is always a current in waters for kayakers, which the kayaker counteracts with his paddle. The good news is that we are in a situation where we are above water, not underwater. And we are slowly but steadily moving forward against the current.

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We are seeing low growth in Europe. In the Western European countries relevant to us, GDP was very low, ranging between 0.2% and 0.7%. In Germany, our main market, we felt the impact of the 0.2% GDP growth particularly keenly. A closer look at the construction industry in Western Europe reveals weaknesses, particularly in our important market of France, which had a national debt of 116% at the end of 2025 and is facing financial challenges. There, investment in hospitals and schools, where our products are particularly widely used, is being made very cautiously.

Inflation is high in America. Officially, it stands at 2.4%. But for everyday goods such as electricity, it is just under 7%, for coffee and tea 12%, and for meat and fish around 4%. These are clear signs that pressure is high in America. The construction industry in the US is weak overall, but there are a few exceptions. Data centers, for example, are booming. Our products fit in very well here. But it is not yet a very large volume that makes up the difference.

We are also seeing a weakening of the dollar. In the first half of the year, it averaged -3.1%, and in the second half, the US dollar weakened by 8.5% against the Swiss franc. And now, at the end of 2025 compared to the end of 2024, the weakening was -12.3%. This is massive.

Then there are the tariffs. These are also a concern for us. Estimates put the figure at \$200 billion. But there are also those who say it is more like \$1 trillion in additional tariffs. This effect first hits importers and then, in a second phase, consumers in the US. This has a significant impact on the economy.

Asia, on the other hand, is experiencing solid growth. Around 4% overall, with China at 4.8%. But in China, which is an important market for us, we are also seeing overcapacity in the construction industry. Construction developers in particular are struggling. And in many places in China, you can see lots of new buildings that have not yet been completed. This is unlikely to be resolved any time soon. On the other hand, Chinese exports to the US have declined sharply. This can also be seen in freight rates and freight volumes. We are also feeling the effects of this, especially in the Movement Systems division. Here, there is a shift to Europe, which is leading to higher price pressure there.

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How did the Forbo Group perform in this environment in 2025? Sales growth was negative, down 3.3% for the year as a whole. In local currencies, it was down 0.3%. Volume growth was negative at -0.5% and prices rose slightly, with the positive price development occurring exclusively in Movement Systems. In Flooring Systems, it was negative.

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The financial result was also negative at CHF 0.9 million. The main effect compared to the previous year was that we recorded currency losses on the dollar, Intercompany loans, and ICA debtor accounts. Profit amounted to CHF 87.8 million before taxes. The tax rate was 20.7% compared to 21.8% in the previous year. We were able to achieve an improvement here because we were able to utilize loss carryforwards in particular and also positioned ourselves accordingly with regard to taxes. Overall, this resulted in a profit of CHF 68.9 million, which corresponds to a decline of 27.5%.

Earnings per share decrease was slightly higher at CHF 27.7%. This is due to the fact that we sold treasury shares. As a result, there are now more shares on the market than last year.

At the end of 2025, the workforce stood at 5,100 FTEs, which was 0.8% higher than in the previous year.

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Now let's move on to the operating result. Here you can see an EBIT bridge. What happened at Forbo in 2025? On the one hand, we have volume. This had a slightly negative effect on both Flooring Systems and Movement Systems, but the impact was only marginal in both divisions. We were able to achieve some improvements in pricing and implement price increases. The development of raw materials costs was also slightly positive. But of course, the development was not what we had planned for 2025. Forbo was geared up for growth, and we positioned ourselves accordingly in terms of costs. However, cost management was not sufficiently effective in this regard. This is particularly evident in the increased operating and personnel costs. We were unable to pass on the higher costs sufficiently through our prices or compensate them with efficiency gains. In addition, we had significant inefficiencies in the supply chain. Finally, there were also start-up costs for the new plants in the US and Japan.

The additional customs costs in the second half of 2025 amounted to CHF 4 million for Forbo. In addition, the currency effect was also significant, totaling CHF 8 million. Of this, six million were transaction losses and two million were translations effects. This was mainly due to the dollar, the Chinese renminbi, and the Japanese yen.

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Now turning to Flooring Systems. Here you can see a 3.6% decline in sales, which amounted to -1.2% in local currencies. Volume and prices were each down 0.6%. It is striking that Asia Pacific was down 13.8%, and in the second half of the year it was even down 22%. This is entirely due to periodic sales to Taiwan in the semiconductor industry. This will also be the case in 2026. Investments amounted to CHF 36 million. This is mainly due to the new Flotex plant in the USA, which accounts for around half of these investments.

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Now to Movement Systems. Sales development at Movement Systems was less negative than at Flooring Systems. The division performed relatively well in terms of volume, particularly in the second half of the year, but you can also see a noticeable slump of more than 49% in operating profit here.

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In terms of cash flow, i.e., EBITDA, the decline was slightly less, at 17.7%, but still significant. Here, too, cost management was inadequate and inefficiencies in the supply chain became apparent.

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Looking at the balance sheet, not much has changed in Swiss francs. What is not so clear here, of course, is that many balance sheet items are in foreign currencies and have depreciated. For example, within current assets, the values are higher in local currencies. We will see this again later in the cash flow statement. However, what remains essentially unchanged is that Forbo has no financial debt, no bank debt, only lease liabilities. These amount to CHF 48 million compared to CHF 47 million in the previous year, i.e., virtually unchanged. And then at the end, you can see the treasury shares. We still have 44,600. The free cash flow position has been reduced by quite a bit, about CHF 60 million. The main drivers or main causes of this significant reduction are, of course, the profit decline and tax payments from the previous year. The cash effect this year was CHF 8 million, and the rest was mainly due to working capital, amounting to CHF 26 million.

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Now I'll hand back to you, Bernhard. As you know, our next Ordinary General Meeting of Forbo will take place in Zug on April 2. I would like to briefly address three points, as they directly or indirectly concern the Ordinary General Meeting.

I will start with the dividend. The Board of Directors has recommended an unchanged dividend of 25 Swiss francs per share. We justify this with the very solid balance sheet and our good equity ratio. We communicated earlier this morning.

I would now like to talk about the changes to the Board of Directors. I can inform you that all current members of the Board of Directors will be standing for re-election for another year. Secondly, I am pleased to announce that the Board of Directors will propose Mr. Ilias Läber for election to our Board of Directors at the Ordinary General Meeting. Ilias Läber is the co-founder and managing partner of SEO Management AG and a member of the boards of several national and international companies. In Mr. Läber, we have gained a personality with broad industrial and entrepreneurial expertise relevant to both of our divisions.

The third point I would like to mention is the share buyback program, which was open from 2023 until April 2, 2026. As a reminder, on March 30, 2023, Forbo's Ordinary General Meeting authorized the Board of Directors to repurchase treasury shares representing a maximum of 10% of the share capital over a period of three years, either via a second trading line or by other means. I would like to inform you transparently that this approved share buyback program will expire without being implemented. Specifically, Forbo has not repurchased any shares under this option. I would also like to inform you that the Board of Directors has decided not to launch a new share buyback program before the 2026 Ordinary General Meeting or thereafter for the time being.

Thank you. I will now hand over to Johannes Huber. I am very pleased that you can now take over this part, Johannes.

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Thank you, Bernhard. Yes, I am delighted that you are all here and that you are showing such great interest in our company. I am looking forward to discussing three points with you. First, I would like to introduce myself, then I would like to talk about my first impressions at Forbo, and thirdly, I would like to outline my priorities for the coming months and then give an outlook for 2026.

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I'll start with a brief introduction. I am 54 years old and have been happily married for 29 years. We have two children. I grew up in relatively modest circumstances, and I am the second of four children. I started working as a waiter in my parents' restaurant when I was 12. Nowadays, this would probably be a bit more difficult with the new rules that are now in place. But my parents did it in a good way. I enjoyed the work from the start, and that made many things in life easier for me. I am very grateful to my parents for that and for much more.

After 21 years, I joined Forbo from Hilti. I think many people here are familiar with Hilti. It is a company that stands for a very distinctive corporate culture, a strong focus on employees, direct sales, and innovation. This combination has shaped Hilti's strong brand and success over many decades. After initially working in marketing and sales, I was responsible for one of seven hardware business units worldwide for the last 17 years and with that also member of Hilti's Executive Management Team.

I focused on three topics there. The first topic was profitable growth. Here, we managed to grow organically at a rate nine times faster than our biggest competitor over the last ten years, and with very good profitability. The second topic was innovation. We succeeded in bringing a large number of "industry-first" innovations to market, which made our customers more productive and therefore more profitable. These included, for example, the first automatic drilling and sewing systems, leading solutions for dust-free working, and, most recently, exoskeletons. These innovations, and many more, were certainly key drivers of our stronger growth compared to competition. The third topic was culture and employee development, topics that are also very important to me personally. I am particularly proud that many employees from my former business unit now hold management positions within the Hilti Group, and that I was able to recruit two employees who are now both members of Hilti's Executive Management Team. These three topics—profitable growth, innovation, and culture and employee development—will also be the focus at Forbo in the future.

Before Hilti, I worked for three years at the Boston Consulting Group, where I gained experience in strategy consulting. Before that, I started my professional career in project management at Drees & Sommer. I worked as a civil engineer on construction sites for three and a half years, which gave me valuable insights into the construction industry and provided a strong professional foundation.

This brings me to my first impressions of Forbo. I would like to start by describing what I did during those first eight weeks. I can also say what I did not do. I was practically never in the office in Baar. I was there mainly for meetings with the Board of Directors and business updates with our divisions. I spent the rest of my time in the markets. I started on January 5 in Hanover, at our headquarters for Movement Systems. On the first day, I also met my first customer already to send a signal about what is important to me. Over the past eight weeks, I have gotten to know many parts of the organization. I attended a wide variety of sales kick-off meetings and met many sales teams. I visited the large plants in Europe and the US and spent numerous days with customers. Overall, I have already gained a very good first impression of our company, which I would now like to share with you.

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I'll start with the strengths. First, Forbo is a great brand with great products. And that applies to both business areas. I'll start with Flooring Systems. What customers tell us is that we are clearly perceived as the market leader in linoleum. They also say that the innovations we have recently introduced are also well received. One example is the Cocoa line. This offers a new design and a new feel for linoleum. It also makes the topic of sustainability more tangible, as we incorporate real cocoa shells into the flooring, which is an innovation in this field. All in all, this makes linoleum more modern and more appealing, and our customers perceive this very positively.

But there are also other floor coverings that receive very good feedback. I would like to mention two here. One is our high-tech textile flooring, Flotex, which offers a very economical and effective solution, especially for areas subject to heavy wear. Attractive also because it can be installed in customized designs. Another are electrostatic-dissipative floor coverings such as Colorex and Colorex Plus, which are used in data centers, for example. These products are also perceived very positively by customers.

In addition to the topic of products, we also receive feedback that we are very well positioned in terms of design because we have a color palette that we consistently use across our different types of flooring. This allows our customers to design their properties in a very harmonious and visually appealing way across different types of flooring.

We also receive very positive feedback on the conveyor side. Customers tell us that when they are looking for highly sophisticated solutions to challenging problems, we are a top choice. We have solutions that are guaranteed to work. We are a top choice for our customers, especially in the area of fabric-based conveyor belts, our Transilon series. I have received particularly good feedback on our energy-saving belts, the Amp Miser series, which can save customers between 30% to 50% in energy costs, often covering a large share of the belt cost. But I have also received very good feedback on our homogeneous belts from the Fullsan series, which are mainly used in the food industry. The belts are very flat and therefore very hygienic, and customers can often reduce cleaning cycles, which makes the production process significantly more productive.

In addition to the positive feedback on our brand and our products, I have met a very committed team. I have now met several hundred employees across the organization, in various departments, in sales, in the factories, in product development, and also in the support areas. And across the board, I have met employees who identify strongly with the company. These people show interest in the company, where we are today and where we want to go in the future. This has been a very positive surprise for me, especially after the many changes in management we have experienced over the past few years.

However, we also face a number of challenges. I will begin with the topic of culture, which I have perceived as somewhat hierarchical and inward-looking. Our headquarters are located in Baar, which is quite distant from our operating businesses. However, many decisions are made here that sometimes have a profound impact on divisions. This does not exactly promote personal responsibility and entrepreneurial thinking in the operating businesses. This is certainly an issue that we will address. I have also noticed that many of the discussions we have are very internally focused. We talk a lot about ourselves and our issues. And that is important, of course. But I feel that we do not focus enough on our customers, the market, and the competition. This is another issue that we will tackle together.

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In addition to cultural issues, there are issues that affect our efficiency. For example, we have inefficiencies in production. There are too many breakdowns. Employees who should be there are sometimes absent, the right employees are not always available, and we have high levels of sick leave in parts of the company. There are unexpected machine breakdowns. In addition, there are still some shortcomings in the coordination between sales and production. Our employees then try to compensate for this because we want to minimize the impact on customers. Fortunately, we succeed in doing so in most cases. However, this is very time-consuming and inefficient, and we will have to address it.

Another issue is rising costs, whether in the form of increased personnel costs due to higher wage agreements or increased raw material costs. We need a system that allows us to compensate through operational productivity improvements or to pass these costs on to our customers.

The third point, which certainly represents a major challenge, is the issue of growth. In 2025, we will probably have performed reasonably well in a challenging environment. But if we are honest and look back five, ten, or 15 years, we are not showing growth in Swiss francs. We need to address this issue much more seriously, because a healthy and successful company must grow, and grow profitably. We can do this, and we will achieve this going forward.

This brings me to my key topics for the coming months. In addition to continuing to familiarize myself with our business, two main priorities are clear. The first is achieving our 2026 targets. We did not deliver reliably and failed to achieve our targets in 2025. Hence, it is important that we become a reliable partner again, that we build trust and confidence amongst ourselves, but also among our owners and stakeholders. And that is why it is clear to us that we must deliver on our 2026 targets.

The second priority concerns what we want to do differently in the medium term if we want to find a path to sustainable profitable growth. That's why we launched a project two weeks ago to define our medium-term planning through 2029. We are doing this through a process that involves a broader management team, namely the top 50 executives. This will allow us to leverage the company's expertise and, when it comes to implementing this strategy, naturally create strong buy-in, because the broader management team has developed it together.

The priorities we want to set will come as no surprise to you. They are profitable growth, innovation, culture, and employee development. The plan is to present our ambitions, our financial targets, and the priorities for achieving them to the Board of Directors at the end of September. We will then present these results to you, our owners, and the capital market.

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This brings me to 2026. Unsurprisingly, the environment remains very dynamic and volatile. The world is volatile, and we have to deal with that. For us as a company, this means we have to be flexible so that we can react appropriately to changing circumstances.

In Europe, we are currently seeing the first signs of improvement in industry, including the construction sector. However, we do not believe that this will have a substantial positive impact on us in 2026. Why? We mainly produce interior solutions, whether floor coverings for the construction industry or conveyor belts used in industrial applications after the equipment stage. This means that when there is an upturn, there will always be a certain time lag before it becomes relevant to our business. Therefore, we are only optimistic about market developments in Europe from 2027 onward.

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In the US, we still assume that the market appears stronger from the outside than it actually is. Neither the construction industry nor manufacturing is currently showing clear signs of growth, with the exception of certain niches, such as data centers and energy infrastructure.

In Asia, I am referring primarily to mature markets such as Japan, Taiwan, Korea, Australia, and Singapore. These are, of course, very closely linked to Europe and the US. We do not see any particularly strong growth momentum there either, or India, the growth engine in Asia, is less relevant for us due to our relatively small footprint there.

We currently assume that we will continue to see no particular tailwinds from the market, even in 2026. We are therefore focusing on levers that we ourselves can control.

There are three levers, and the first one is the most important to me. This is the fact that we have a stable executive leadership team again, and there we have three focus topics. First, to achieve significantly better performance and cost management in order to avoid surprises, such as those we experienced last year, and to address operational inefficiencies clearly and quickly.

Secondly, improving our sales performance. There are many areas that we can influence directly, such as training our team, targeted marketing support, performance management, and reallocating resources to growth areas.

Thirdly, to activate the whole Forbo team. I mentioned earlier that we are now involving a broader management team in the strategy process. Additionally, I will be spending a lot of time in the organization, trying to bring additional energy into it, because in a difficult year like this, you need energy to achieve your goals in the end.

In addition, we also discussed the completion of two important investment projects. The first is a production facility for floor coverings in the USA, where we will be able to print Flotex floors. This will bring us much closer to the market and enable us to deliver designs tailored to the U.S. market much more effectively. In Japan, there is a replacement investment for the Movement Systems plant, equipped with new technology. There, too, we will be much more efficient, productive, and closer to the market. This will also lead to shorter delivery times and faster response times. There will also be exciting new product launches in both business areas again in 2026.

This brings me to the guidance for 2026. In addition to the challenging environment, we continue to face, we must also admit that the operational inefficiencies of 2025 will continue to leave their mark on 2026. This will have a lasting effect, as there will be rollover effects, even though we are already working intensively to address them. In addition, we will also have the start-up costs for the two plants in the US and Japan. We are therefore issuing cautious guidance for 2026. This means that we expect a slight decline in sales in Swiss francs, even though we are aiming for slight growth in local currency terms. We also plan to slightly improve our profit compared to the previous year.

Thank you very much.

More information:

forbo.com/en/investors

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About Forbo

Forbo is a leading producer of floor coverings, building and construction adhesives, as well as belts for power transmission and lightweight conveyor technology. For its clients, the company offers tailored solutions that stand out for their functionality, quality, design, and sustainability. The company employs about 5,050 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 1,085.4 million in the 2025 business year. The company is headquartered in Baar in the canton of Zug, Switzerland.

The Group company Forbo Holding Ltd is listed on SIX Swiss Exchange (security number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

Contact person:

Andrea Leiser

Head Corporate Marketing and Communications

Phone +41 58 787 25 73

www.forbo.com