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

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Slight decline in net sales in local currencies – operating profit impacted by lower demand and adverse currency effects – double-digit EBIT margin – Group profit slightly higher than previous year – significantly increased free cash flow – dividend CHF 25 per share

The Forbo Group, a leading producer of floor coverings, building and construction adhesives, as well as belts for power transmission and lightweight conveyor technology, generated net sales of CHF 1,175.2 million in the 2023 business year. In local currencies, this represents a decline of 2.9% and corresponds to a decrease of 9.1% in the corporate currency, due to strongly adverse currency effects. Operating profit (EBIT) decreased by 2.0% to CHF 129.9 million (previous year: CHF 132.6 million). Group profit was at CHF 102.3 million, 0.9% higher than the previous year (CHF 101.4 million). Free cash flow more than doubled to CHF 115.9 million (previous year: CHF 50.5 million).

Baar, March 5, 2024

After the first glimmers of hope in a challenging market environment and a slight recovery in the first half of the year, the geopolitical and macro-economic situation deteriorated increasingly from the third quarter onwards. As a result, Forbo also experienced a slowdown in market momentum and a resulting decline in demand, which intensified in the fourth quarter and was reflected in lower volumes. In addition, the year was characterized by significant adverse currency effects on net sales and earnings.

Forbo implemented targeted measures to improve profitability and efficiency and further operational improvements. Our operating structures were adapted to the lower volumes, inventories were reduced, and the necessary sales price increases were implemented. These measures compensated for the increased personnel cost due to inflation and the continuing high energy cost. Overall, Forbo achieved a significantly higher cash generation.

Translating local results into the corporate currency resulted in significant currency losses on net sales (CHF 80 million) and EBIT (CHF 10 million).

Significant decline in demand from third quarter 2023 onwards

In the year under review, Forbo generated net sales of CHF 1,175.2 million (previous year: CHF 1,293.2 million). In local currencies, this represents a decline of 2.9% and corresponds to a decrease in net sales of 9.1% in the corporate currency due to strongly adverse currency effects. In local currencies, the three regions contributed as follows: Asia/Pacific +6.6%, Europe -3.3%, and the Americas -8.0%.

Forbo's customers' investment activity slowed noticeably due to increasing global uncertainties. This development was evident in both divisions and across all regions.

Operating profit impacted by lower demand and adverse currency effects

Operating profit before depreciation and amortization (EBITDA) decreased by CHF 13.5 million (-7.0%) to CHF 179.9 million (previous year: CHF 193.4 million). Group operating profit (EBIT) decreased by CHF 2.7 million (-2.0%) to CHF 129.9 million (previous year: CHF 132.6 million, including one-time impacts). This resulted in an EBITDA margin of 15.3% (previous year: 15.0%) and an EBIT margin of 11.1% (previous year: 10.3%).

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A double-digit EBIT margin was achieved despite a difficult market environment with declining demand and a corresponding significant decline in sales volumes (–9%), significantly adverse currency effects, higher personnel cost due to inflation, and continuing high energy cost. This was achieved thanks to adjusted operating structures, efficiency measures, and sales price increases (+6%).

The partial decline in raw material prices in the second half of the year had only a minor impact on profitability for the entire year.

Group profit slightly higher than previous year

Based on the slightly lower operating result, a comparable tax rate of 22.4% (previous year: 22.6%) and a positive financial result of CHF +1.9 million (previous year: CHF –1.6 million) due to foreign exchange gains and interest income, the Group profit increased by 0.9% or CHF 0.9 million to CHF 102.3 million (previous year: CHF 101.4 million).

Performance of the divisions

The **Forbo Flooring Systems** division generated net sales of CHF 796.5 million in the 2023 business year (previous year: CHF 878.0 million), corresponding to a decrease of 3.1% in local currencies and 9.3% in the corporate currency due to marked negative currency effects. In local currencies, the sales development was as follows: Europe –3.4%, Americas –7.0%, and Asia/Pacific +6.6%.

Demand was strongly affected by the reduced levels of activity in the construction industry caused by inflationary cost increases and higher interest rates. In addition, customers shifted their capital expenditure from renovation projects to energy saving investment objects. The division accounted for 67.8% of Group net sales in 2023. Operating profit (EBIT) increased by 7.4% to CHF 94.9 million (previous year: CHF 88.4 million, including one-time impacts). The market-driven negative volume development and the corresponding decline in capacity utilization, the higher personnel cost due to inflation and very negative currency effects had a significant effect on operating profits. These were offset to some extent by sales price adjustments and a slight easing of the raw ma-

terial prices in the second half of the year. The EBIT margin increased by 1.8 percentage points to 11.9% (previous year: 10.1%).

The **Forbo Movement Systems** division generated net sales of CHF 378.7 million in the year under review (previous year: CHF 415.2 million), which was equivalent to a decrease of 2.6% year-on-year in local currencies. The very negative currency effects led to a decline of 8.8% in the corporate currency. In local currencies, the sales development was as follows: Europe –2.9%, Americas –9.0%, and Asia/Pacific +6.6%.

After years of growth, demand in the globally important logistics customer segment was very subdued. In addition, there was no economic recovery in China, a key market for Movement Systems. The division accounted for 32.2% of Group net sales in 2023. Operating profit (EBIT) decreased by 18.0% to CHF 44.3 million (previous year: CHF 54.0 million), which is attributable to the decline in net sales, the decrease in volumes and resulting underutilization of capacity at plants, strong negative currency effects, higher personnel cost due to inflation, and sustained high energy prices. These effects were offset to some extent by sales price adjustments. The EBIT margin declined by 1.3 percentage points to 11.7% (previous year: 13.0%).

Solid balance sheet

Due to strict inventory management and optimized sales and production planning, inventories were reduced by 16.4%, or CHF 52.0 million, to CHF 264.2 million (previous year: CHF 316.2 million). Net cash and cash equivalents amounted to CHF 69.0 million at the end of 2023 (previous year: CHF 21.4 million). This increase is mainly due to the significant reduction in operating working capital. In addition, Forbo held treasury shares of CHF 81.8 million as at December 31, 2023, valued at the 2023 year-end price. Free cash flow of CHF 115.9 million more than doubled (previous year: CHF 50.5 million) due to the targeted optimization of inventories.

The equity ratio is very solid and has increased to 61.4% (previous year: 57.3%). Undiluted earnings per share reflect the slight improve-

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ment in earnings and increased by 1.1% to CHF 72.55 (previous year: CHF 71.76).

Ongoing reduction of CO₂ footprint

Forbo aims to reduce CO₂ emissions further in both divisions by continuously increasing the proportion of renewable or recycled raw materials used in the manufacturing of our product portfolio. Further measures include expanding local take-back programs for products at the end of their life cycle and increasing the use of renewable energy. In the year under review, Forbo laid the foundations for measuring Scope 1, 2, and 3 emissions following current requirements, which are being reported for the first time for the entire Forbo Group in 2023.

Information and proposals to the Ordinary General Meeting

Dr. Peter Altorfer will not be standing for re-election after almost 20 years with the company. He has made a significant and pivotal contribution to the further development of the Forbo Group with his legal expertise, profound financial knowledge, and many years of professional experience. The Board of Directors owes him an outstanding debt of gratitude for his exceptional commitment and the trust and cooperation he has shown and wishes him all the best for the future.

The Board of Directors will propose Jörg Kampmeyer and Bernhard Merki for election to the Board of Directors at the Ordinary General Meeting. Bernhard Merki has worked as an entrepreneur since 2019 and is a professional and independent board member with seats in various national and international companies. Jörg Kampmeyer is a managing partner of Gebr. Knauf KG, one of the world's largest producers of building materials.

In Bernhard Merki, Forbo has gained a Board member with extensive industrial experience in both of Forbo's divisions. With Jörg Kampmeyer, the company has gained an excellent executive leader with expertise in the

global supply of construction materials and in marketing and digitalization.

Based on the substantial increase in free cash flow and the solid equity base, the Board of Directors will propose to the Ordinary General Meeting a dividend of CHF 25 per share (previous year: CHF 23 per share), representing an increase of 9% and a payout ratio of 34%.

Priorities for 2024

Attractive product and service offerings, high product availability, reliable delivery quality, and customer intimacy will be critical success factors, especially in the current market environment. Therefore, both divisions actively implement their defined sales and marketing activities and important operational excellence initiatives. In a geopolitically volatile and still tense climate, it is also crucial to deploy the funds and resources in an entrepreneurial and focused manner.

Forbo will continue to pursue the successful strategy of the past years. The company has an attractive product portfolio in both divisions and will continue to invest in its sustainable product and service offering and growth markets. Both divisions will focus on further efficiency improvements and progress in all sustainability areas through digitalization, new production technologies, and technology enhancements. Forbo will exploit external growth opportunities if and when they create long-term value.

Outlook for 2024

There is currently no sign of recovery in the market environment in the short term and, therefore, 2024 will continue to challenge Forbo in all areas of the organization. However, the company is well prepared to face the currently very challenging market environment with a solid financial foundation that is both sound and without debts, a proven strategy, and leading market positions. Thanks to its targeted investments and strategic initiatives, Forbo will strengthen its competitiveness and create the base to take full advantage of increasing demand.

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Provided the geopolitical and economic environment does not change significantly, Forbo expects net sales and Group profit to grow in local currencies. With foreign exchange rates at current levels, Forbo expects net sales of around CHF 1.2 billion and Group profit of up to CHF 110 million.

Please find further information in the 2023 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 belts for power transmission and lightweight conveyor technology.

The sustainable manufacture of environmentally friendly products has long been an integral part of the strategy. Forbo's linoleum floor coverings are made from natural raw materials. It is biodegradable and carbon negative (cradle to gate), without offsetting. For its manufacture of heterogenous vinyl floor coverings, Forbo uses the latest generation of phthalate-free plasticizers. As a proportion of total product weight, textile floor coverings also contain up to 45% recycled materials. The BioBelt is a conveyor belt consisting of at least 20% renewable raw materials. The AmpMiser conveyor belt allows savings in energy of up to 50%.

The company employs about 5,200 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 is headquartered in Baar in the canton of Zug, Switzerland.

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

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FINANCIAL OVERVIEW FORBO GROUP

	2023 CHF million	2022 CHF million	Change	
			Corporate currency	Local currencies
Net sales	1,175.2	1,293.2	-9.1%	-2.9%
Flooring Systems	796.5	878.0	-9.3%	-3.1%
Movement Systems	378.7	415.2	-8.8%	-2.6%
Operating profit before depreciation and amortization (EBITDA)	179.9	193.4	-7.0%	
EBITDA margin	15.3%	15.0%		
Operating profit (EBIT)	129.9	132.6	-2.0%	
EBIT margin	11.1%	10.3%		
Group profit	102.3	101.4	+0.9%	
	2023	2022		
Earnings per share (undiluted)	CHF 72.55	CHF 71.76	+1.1%	
Equity ratio	61.4%	57.3%		