

FORBO IS A LEADING PRODUCER OF FLOOR COVERINGS, BUILDING AND CONSTRUCTION ADHESIVES, AS WELL AS BELTS FOR POWER TRANSMISSION AND LIGHTWEIGHT CONVEYOR TECHNOLOGY.

The company employs about 5,200 people and has an international network of 25 production and distribution companies, 6 fabrication centers, and 47 pure sales organizations in a total of 39 countries. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

FORBO IN FIGURES

Forbo is a global player, and its two divisions supply a wide range of industries. The Group’s global reach means that it is close to attractive markets and customers. The quality, longevity, and performance of our products and systems lead to long standing relations with our business partners.



Flooring Systems

15 production facilities in 7 countries and distribution companies in 27 countries. Sales offices in Europe, North, Central, and South America, as well as Asia/Pacific.

- Floor coverings production facilities
- Building and construction adhesives production facilities
- Other local distribution companies

Movement Systems

10 production sites and 6 fabrication centers in 9 countries and distribution companies in 32 countries. Over 300 sales offices and service points worldwide.

- Production facilities and fabrication centers
- Other local distribution companies

Net sales

CHF 1,175.2 million

EBIT

CHF 129.9 million

EBIT margin

11.1%

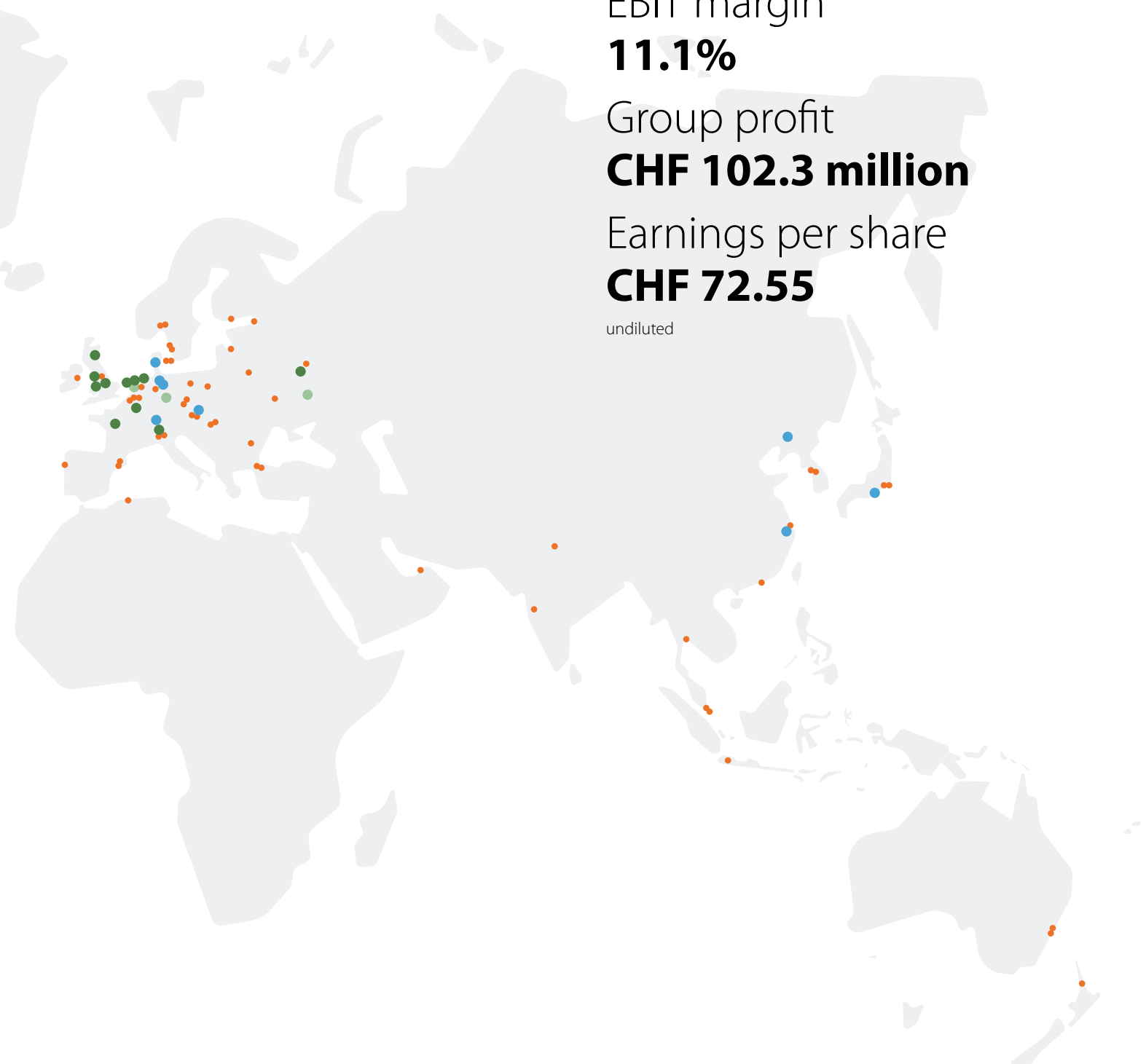
Group profit

CHF 102.3 million

Earnings per share

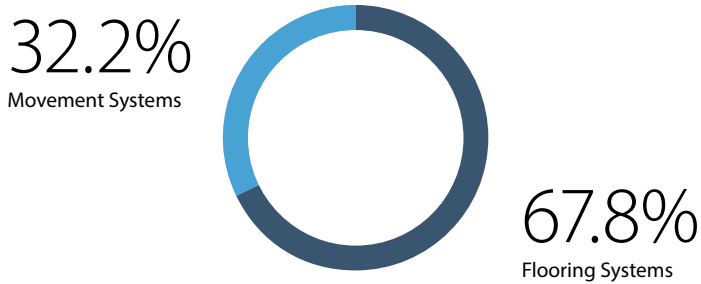
CHF 72.55

undiluted



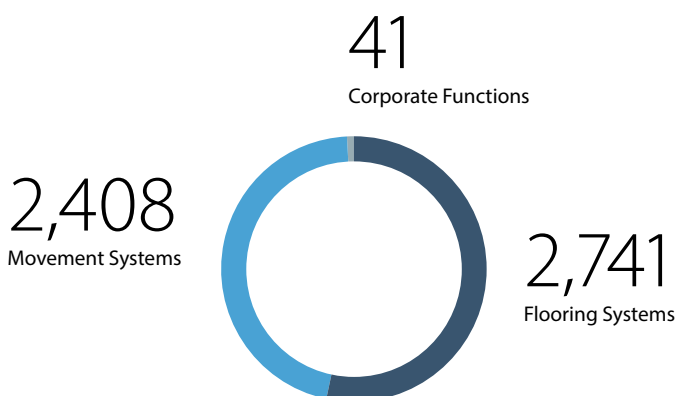
Net sales by division

	2023 CHF m	Change on previous year		In % of total
		in %	in local currencies in %	
Flooring Systems	796.5	-9.3	-3.1	67.8
Movement Systems	378.7	-8.8	-2.6	32.2
Total	1,175.2	-9.1	-2.9	100.0



Employees by division

	2023 number	Change on previous year in %	In % of total
Movement Systems	2,408	-2.1	46.4
Corporate Functions	41	2.5	0.8
Total	5,190	-3.7	100.0



Financial overview Forbo Group

	2023	2022	2023	2022
Income statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Net sales	1,175.2	1,293.2	1,209.7	1,288.0
Flooring Systems	796.5	878.0	819.9	874.5
Movement Systems	378.7	415.2	389.8	413.5
Operating profit before depreciation and amortization (EBITDA)	179.9	193.4	185.2	192.6
Operating profit (EBIT)	129.9	132.6	130.6	132.1
Group profit	102.3	101.4	105.3	101.0
Balance sheet	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Total assets	901.4	960.2	927.8	956.4
Operating assets	801.5	879.2	825.0	875.7
Shareholders' equity	553.7	550.1	569.9	547.9
Net cash ²⁾	69.0	21.4	71.0	21.3
Cash flow statement	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Cash flow from operating activities	160.0	80.6	164.7	80.3
Cash flow from investing activities	-44.1	-30.1	-45.4	-30.0
Free cash flow	115.9	50.5	119.3	50.3
Key ratios	%	%		
ROS (EBITDA/net sales)	15.3	15.0		
Equity ratio (shareholders' equity/total assets)	61.4	57.3		
Gearing (net debt/shareholders' equity)	-12.5	-3.9		
Employees (as at December 31)	Number	Number		
Total employees	5,190	5,390		
Ratios per share	CHF	CHF	EUR ¹⁾	EUR ¹⁾
Earnings per share (undiluted) ³⁾	72.55	71.76	74.68	71.47
Equity (undiluted)	392.76	389.16	404.28	387.61
Dividend	25.00 ⁴⁾	23.00 ⁵⁾	25.73 ⁴⁾	22.91 ⁵⁾
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m ¹⁾	EUR m ¹⁾
Stock market capitalization ⁶⁾	1,565.2	1,615.7	1,611.1	1,609.3

1) Euro values translated at the average annual exchange rate of CHF 0.9715/1 EUR (2023) and CHF 1.0040/1 EUR (2022).

2) Liquidity plus financial assets less financial liabilities, excluding leasing liabilities.

3) See note 11 'Earnings per share' on page 142 of the financial report.

4) The Board of Directors proposes to the Ordinary General Meeting of April 5, 2024, the distribution of a dividend in the amount of CHF 25.00 per registered share.

5) Approval of a dividend of CHF 23.00 per registered share at the Ordinary General Meeting of March 30, 2023.

6) Total number of shares multiplied by year-end share price.

MARKET ENVIRONMENT AFFECTS SALES AND EARNINGS

The reporting year was once again very challenging for both Forbo divisions. The geopolitical and macroeconomic environments worsened from the third quarter with corresponding effects on markets and industries. Overall, there was a marked slump in demand in Europe and the USA, reflected in declining volumes in both divisions. In addition, strongly negative currency effects, and inflationary rises in cost had a significant impact on the result.

The application of sales price increases in a highly competitive market environment, ongoing measures to increase efficiency and a strict resource management made it possible to offset the majority of these effects.

The delivery of important strategic projects continued to be a focus, alongside the development and introduction of attractive and sustainable products supported by targeted sales and marketing activities.

Slowdown in demand leads to slight slump in net sales in local currencies

The Group's net sales declined by 2.9% in local currencies to CHF 1,175.2 million (previous year: CHF 1,293.2 million). This corresponds to a decrease of 9.1% in the

corporate currency, once strongly negative currency effects of CHF 80 million are factored in. Overall, there was a growth in net sales in the Asia/Pacific region, whilst Europe and the Americas recorded a decrease.

Net sales by geographic area

	2023 in %	Change on previous year		2023 CHF m	
		in %	in local currencies in %		
Germany	11.7	-10.6	-7.6	137.9	
France	11.1	-16.1	-13.2	130.1	
Benelux	10.0	-3.6	-0.3	118.1	
Scandinavia	7.1	-13.2	-5.2	83.3	
Great Britain/Ireland	6.4	-5.1	-0.3	75.6	
Switzerland	2.4	-8.0	-8.0	28.6	
Other countries Europe	15.4	-3.1	7.0	179.9	
Europe	64.1	-8.6	-3.3	753.5	
USA	16.2	-16.7	-11.5	190.7	
Other countries Americas	4.7	0.9	6.6	54.7	
Americas	20.9	-13.3	-8.0	245.4	
Asia/Pacific and Africa	15.0	-5.3	6.6	176.3	
Total	100.0	-9.1	-2.9	1,175.2	

The Flooring Systems division generated net sales of CHF 796.5 million (previous year: CHF 878.0 million), representing a decrease of 3.1% in local currencies (–9.3% in the corporate currency). The Asia/Pacific region achieved gratifying sales growth in local currencies, whereas Europe and the Americas reported declines.

The Movement Systems division generated net sales of CHF 378.7 million (previous year: CHF 415.2 million), representing a decrease of 2.6% in local currencies (–8.8% in the corporate currency). In the Asia/Pacific region, sales rose in almost all country organizations, whereas Europe recorded a slight decrease and the Americas a pronounced drop.

Double-digit EBIT margin

Despite the substantial market-driven reduction in sales volumes, clearly negative currency effects, higher personnel cost due to inflation, and ongoing high energy cost, a double-digit EBIT margin has been achieved. This was the result of strict resource management, ongoing measures to increase efficiency as well as sales price rises, among others.

The Group saw operating profit before depreciation and amortization (EBITDA) declining by 7.0% to CHF 179.9 million (previous year: CHF 193.4 million). EBITDA at Flooring Systems declined by 3.2% to CHF 123.2 million (previous year: CHF 127.3 million, including one-time impacts). At Movement Systems, EBITDA reduced by 13.1% to CHF 65.5 million (previous year: CHF 75.4 million).

EBITDA by division

	2023 CHF m	Change on previous year in %							
			–25	0	25	50	75	100	125
Flooring Systems	123.2	–3.2							
Movement Systems	65.5	–13.1							
Corporate	–8.8	5.4							

The Group achieved an EBITDA margin of 15.3% (previous year: 15.0%). The EBITDA margin for Flooring Systems increased by 1.0 percentage points to 15.5% (previous year: 14.5%). The EBITDA margin for Movement Systems declined by 0.9 percentage points to 17.3% (previous year: 18.2%).

Group operating profit (EBIT) was 2.0% lower at CHF 129.9 million (previous year: CHF 132.6 million, including one-time impacts). The Group EBIT margin increased from 10.3% the previous year to 11.1% in the year under review.

Based on the slightly lower operating profit (EBIT), a comparable tax rate and a positive financial result thanks to exchange rate gains made on foreign currencies, and interest income, Group profit increased by 0.9% to CHF 102.3 million (previous year: CHF 101.4 million, including one-time impacts).

Taxes and financial result

The tax rate in the year under review was 22.4% (previous year: 22.6%), slightly below the long-term average.

Financial expense in 2023 came to CHF 3.8 million (previous year: CHF 2.5 million) and was primarily made up of higher interest expenses in the year under review. Offsetting this was financial income of CHF 5.7 million, significantly higher than in the previous year (previous year: CHF 0.9 million), comprising higher interest receipts and gains from currency translations. Overall, this produced a net financial result of CHF +1.9 million (previous year: CHF –1.6 million).

Free cash flow

	2023 CHF m	2022 CHF m	-50	0	50	100	150	200
Cash flow from operating activities	160.0	80.6						
Cash flow from investing activities	-44.1	-30.1						
Free cash flow	115.9	50.5						

Significant increase in free cash flow

In the reporting year, cash flow from operating activities reached CHF 160.0 million (previous year: CHF 80.6 million). This was predominantly the result of a better inventory management. Along with inventories, trade receivables were also reduced. Cash flow from investments increased, due in particular to strategic long-term investments in both divisions and came to net CHF -44.1 million (previous year: CHF -30.1 million). As a result, free cash flow reached CHF 115.9 million (previous year: CHF 50.5 million).

Solid balance sheet

Total assets as at December 31, 2023, reduced by CHF 58.8 million and stood at CHF 901.4 million (previous year: CHF 960.2 million). This was mainly attributable to the reduction of inventories and trade receivables as well as currency translation differences. Net cash increased by CHF 47.6 million to CHF 69.0 million (previous year: CHF 21.4 million), primarily due to the significantly reduced net working capital. Shareholders' equity rose by CHF 3.6 million net and as at the end of December 2023 stood at CHF 553.7 million (previous year: CHF 550.1 million). The equity ratio remains solid, standing at 61.4% (previous year: 57.3%).

Investments 2019–2023

	Flooring Systems CHF m	Movement Systems CHF m	Total CHF m	10	20	30	40	50
2023	27	18	45					
2022	18	13	31					
2021	23	15	38					
2020	21	19	40					
2019	23	13	36					

Significantly more invested

In the reporting year, both divisions invested in important activities and strategic projects relating to product portfolio, technology, infrastructure, and capacity expansion projects. Total Group investments in property, plant, and equipment and intangible assets in 2023 were CHF 45.3 million (previous year: CHF 30.9 million), corresponding to a significant increase of 46.6%. Overall, 52% of the investments were replacement investments and 48% went towards rationalization and expansion programs.

In the reporting period, Flooring Systems invested CHF 26.8 million (previous year: CHF 17.9 million), corresponding to a marked increase of 49.7%. A significant proportion of this amount went into the expansion of the production plant for Flotex floor coverings in the USA. Further funds were deployed for new technology for vinyl floorings, designed to transform used floor coverings into recycle, thereby supporting initiatives to optimize the circular economy. The conversion to new mist filter technology at the Coevorden plant progressed according to plan during the reporting year and will achieve significant reductions in gas use and CO₂ emissions. In addition, a diverse range of modernizations were introduced at a number of production plants to support more efficient production processes and simplify work steps.

Investment in property, plant, and equipment at Movement Systems came to CHF 17.8 million (previous year: CHF 13.0 million), corresponding to a significant increase of 36.9%. The majority of the funds went towards the additional production line for Transilon belts at the manufacturing site in Pinghu/China and the modernization of the production plant in Fukuroi/Japan. New high-frequency welding machines for fabri-

cating extra-wide roller shutters were installed at the fabrication plants in the USA and Slovakia. At the US plants, further camera-based product inspection systems were introduced to increase efficiency in the quality assurance process. Other investments included modernizations of production facilities, the establishment of new service centers and the installation of further photovoltaic systems in Europe.

Employees by geographic area

	2023 in %	Change on previous year in %	2023 number	200	400	600	800	1,000
Benelux	19.1	-6.6	991					
Germany	12.3	-6.6	636					
Great Britain/Ireland	9.2	-3.4	480					
France	7.8	-0.7	404					
Switzerland	3.5	-3.2	180					
Scandinavia	3.4	-2.7	178					
Other countries Europe	14.1	-3.5	735					
Europe	69.4	-4.6	3,604					
USA	11.1	-2.0	576					
Other countries Americas	3.9	2.5	204					
Americas	15.0	-0.9	780					
Asia/Pacific and Africa	15.6	-2.4	806					
Total	100.0	-3.7	5,190					

Prudent personnel management

At year-end 2023, the Forbo Group employed 5,190 people. This is a total of 200 fewer employees than at the end of the previous year. The individual percentage changes in staffing levels mostly reflect the trend in the markets and the business performance in the various countries and regions. They mirror the situation on the balance sheet date at the end of the year.

Following adjustments to operating structures in the previous year, a prudent approach to personnel management was exercised, with recruitment aligned to business development. In consequence of the significant decline in demand from the third quarter changes to the various local working and shift models were implemented.