

## MEDIA RELEASE

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

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### **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).

Baar, July 26, 2024

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%).

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### 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.

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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.

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You can find further information in the 2024 Half-Year Report published online this morning:  
[www.forbo.com](http://www.forbo.com) -> Investors

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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 heterogeneous 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 generated net sales of CHF 1,175.2 million in the 2023 business year. 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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