

A dining table set for a meal with a view of snow-capped mountains. The table is set with white napkins, silverware, and glassware. The chairs are green. The background shows a large window with a view of a snowy mountain range under a blue sky. A yellow vertical bar is visible on the right side of the window.

AMBIENCE.

Our floor coverings lend every room its own particular appeal. The design solutions can be individually tailored, ensuring the unique aesthetics of each space – creativity at every step! But our floor coverings also help shape a room's acoustic features. Functionality is at the heart of it all: our floor coverings are comfortable and easy to maintain, durable and robust.



forbo

FLOORING SYSTEMS

TWO DIVISIONS WITH LEADING MARKET POSITIONS

Forbo aims to operate primarily in business areas in which it has or can achieve a leading global market position – something it has achieved for both Flooring Systems and Movement Systems.

Strategic directions

To be successful in the market place as a Group with differently aligned operations, the individual divisions act independently and flexibly, but always along the strategic directions defined for the Group as a whole:

- Based on a pronounced customer focus, a high level of service, innovation, digital transformation, and a strong global brand, we are creating global leadership positions in clearly defined market segments.
- Due to a strong market orientation, we shape markets and drive profitable growth.
- We are developing significant positions in growth markets.
- We are acquiring companies to extend our product range, to consolidate and/or reinforce market access.
- We are developing a high-performance culture and providing the relevant skills and competences at all levels.

Flooring Systems

The Flooring Systems division offers a broad and attractive range of environmentally friendly natural linoleum, high-quality vinyl floors, entrance flooring systems for cleaning and drying shoes, carpet tiles, needle felt, and Flotex, the washable high-tech textile flooring. Thanks to their excellent technical properties and attractive designs, these flooring products are invariably the first choice for public buildings, department stores, hospitals, and other healthcare facilities, schools, libraries, commercial and office spaces, leisure centers, shops, hotels, restaurants, and cafeterias as well as for applications in the residential market. With a market share of about 70 percent, Forbo is the world leader in linoleum.

Flooring Systems also provides ready-made adhesives for floor covering installations, parquet flooring, and ceramic tiles, leveling compounds for the construction industry as well as liquid floors under the trade name Eurocol.

Movement Systems

Movement Systems is a global industry leader for sophisticated conveyor and processing belts, plastic modular belts, top-quality power transmission belts, as well as timing and flat belts made of synthetic materials. These products are known under the brand name Siegling. They are used in a wide range of applications in industry, trade, and the service sector, including conveyor and processing belts in the food industry, treadmill belts in fitness studios, and flat belts in mail distribution centers.

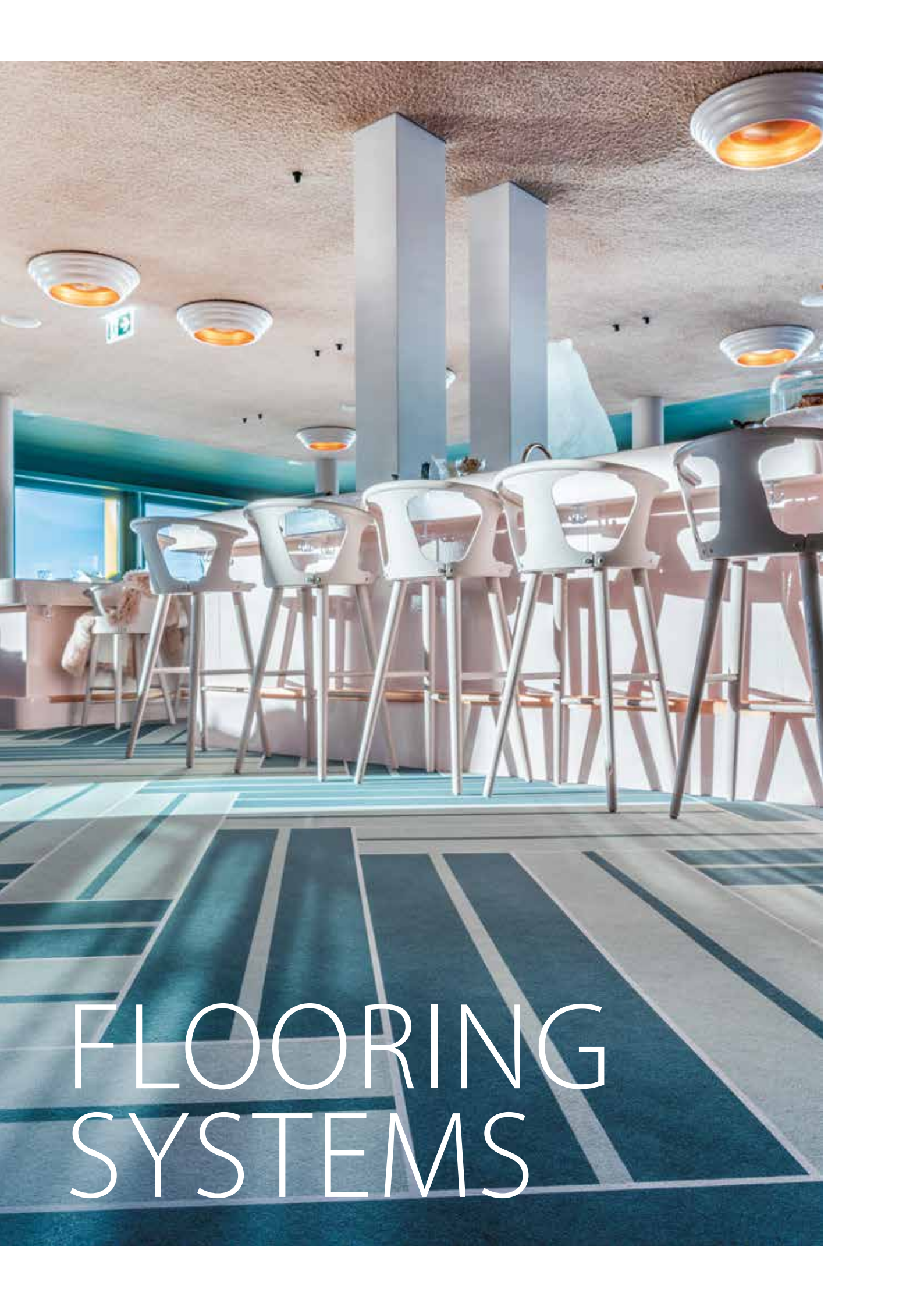




AMBIENCE.



COOPERATION.



FLOORING SYSTEMS



AMBIENCE

IN GOOD HANDS

Every space has its own particular requirements and calls for individual flooring. In ski regions, it is essential that floor surfaces prevent slipping and that they dry as quickly as possible. Our Flotex floor coverings are the perfect answer for such needs. Optimum sound absorption is also indispensable for creating a pleasant atmosphere. Needless to say, our floor coverings provide outstanding resilience and durability, while preventing dust and allergens from collecting. They make everyone feel good all around.

FLOORING SYSTEMS: BROAD-BASED INVESTMENTS

'After getting off to a gratifying start in the reporting year, we were impacted in the spring – especially at production sites in Europe – by the rapid spread of the COVID-19 pandemic. Flexibility was essential – we needed to decide and act fast by adjusting operating processes, especially for the protection of our employees, and by devising new and creative communication channels with our customers. We also had to take action on the cost side owing to the sudden slump in demand, which was significant at times, in order to bring operating and cost structures into line with the situation. The benefit was felt increasingly in the second half. Nevertheless, we held on to our planned investments, continued with strategic projects, and launched attractive collections.'

The Flooring Systems division generated net sales of CHF 757.0 million in the 2020 business year (previous year: CHF 870.5 million), which reflects a decrease of 8.4% in local currencies (– 13.0% in the corporate currency). The division's share of Group sales was 67.7%. Seen over the whole year, COVID-19-related building freezes and postponements of major projects along with the slump in demand that they caused affected our country organizations to varying degrees. Operating profit (EBIT) decreased by 19.1% to CHF 109.9 million (previous year: CHF 135.8 million), mainly because of the decline in sales, reduced capacity utilization of production plants, decreased production efficiency, and negative currency effects. The EBIT margin reduced by 1.1 percentage points to 14.5% (previous year: 15.6%).

Mixed sales trends

While some markets closed out the year at or even above the previous year's sales level, all three regions together posted a decline in sales revenue. The Americas was hardest hit, Europe and Asia/Pacific less so.



Jean-Michel Wins
Executive Vice President
Flooring Systems

The European markets showed a very mixed trend. Our core markets France and the United Kingdom bore the brunt of the slump in demand, which was steep at times. Spain, Italy, and Portugal were also seriously affected. Sales in Switzerland, Poland, and in some Scandinavian countries also declined, but not to the same extent. By contrast, some of our key markets such as Germany and the Netherlands remained practically at the year-back level. Russia posted above-average growth.

In the Americas region, the main market, the USA, reported a decline in sales in line with the division as a whole. Canada, where we grew strongly the previous year, was hit very hard by lengthy building freezes especially in the key regions Quebec and Toronto. Brazil and other, smaller, markets in South America also reported sales decreases.

The picture in Asia/Pacific was just as mixed. In China, demand dropped significantly at times, which was due mainly to project postponements. Most markets in Southeast Asia and Turkey were also weaker. Japan maintained its good performance from the previous year. Australia reported solid growth, as did the growth market South Korea.

The building and construction adhesives activity recorded a gratifying sales growth on the whole. This is mainly based on the fact that building and construction adhesives are also sold in the do-it-yourself sector, and this sector hardly felt any impact from the pandemic in our three main markets, the Netherlands, Germany, and Russia.

Attractive new collections

In the year under review, despite the exceptional circumstances, we developed and launched attractive, high-quality collections.

In the linoleum unit, we supported the collection launched the previous year with a global online campaign that underlined sustainability and CO₂ neutrality in particular. At the same time, we worked on various attractive innovations that will be incorporated into future collections.

Our greatly expanded 'allura' collection of luxury vinyl tiles offers new color ranges, trendy designs, sound-absorbing versions, and additional formats that enable us to meet the growing demand for simple floor-laying options. There are three different installation methods: fully adhered, click systems, or loose lay. This maximizes flexibility for attractive design and rapid installation especially in retail, hospitality and office buildings. In our new collection 'under control', for the first time we are offering an all-round solution of homogeneous vinyl floor coverings that dissipate or remove electrostatic charges.

In textiles, Flotex 'naturals' – our washable, high-tech floor covering – convinces with new, high-quality wood designs in digital printing quality. Two new carpet tile collections – Tessera 'earthscape' with a comfortable pile and 'structure 1', based on an innovative microtufting technology – are designed primarily for the office segment.

Varying development among product groups

In line with the sales trend, the different product groups also reported lower sales, though to differing degrees. Linoleum floor coverings and the versatile and application-specific vinyl floor covering collections posted smaller sales decreases than textile floor coverings did. Homogeneous vinyl floor coverings developed positive; having recorded steady growth since their introduction over the last three years, their sales in 2020 were on a par with the previous year.

Targeted investments in diverse areas

In addition to numerous initiatives to enhance the product portfolio, we invested in renewals at various production plants with the aim of developing new products and promoting innovations but also of modernizing and streamlining production processes. This invariably also involved ecological improvements.

The linoleum drying kilns at the production plant in the Netherlands were renewed by means of a sustainable ventilation system that further reduces both energy consumption and CO₂ emissions. Each kiln is 50 m long, 5 m wide and 20 m high and lends the freshly produced floor coverings the right hardness and flexibility in accordance with the product specifications. At the same time, various process control systems were modernized with the latest technologies, and the coating plants at the facilities in the Netherlands and in Scotland underwent technological renewals.

A new building was erected at the manufacturing site for vinyl floor coverings in France; it brings together under one roof all quality control and research & development operations with labs, test rooms and offices and it serves at the same time as a global center of excellence for vinyl floor coverings. New equipment for special embossing effects for vinyl floor coverings at the Netherlands site will increase efficiency since in future it will save one entire process step.

At the building and construction adhesives production site in Russia, a new plant for the manufacture of reactive adhesives was built; these adhesives are used for installing wood and sports flooring as well as artificial turf.

Furthermore, we continued to pursue targeted growth opportunities by founding a sales company in Ukraine and opening a new warehouse in Poland.

Good foundation for renewed growth

In addition to the known challenges and volatile market conditions brought about by COVID-19, we will also have to deal in particular with the consequences of Brexit. As we are directly affected by reason of our production setup in the United Kingdom, we have made extensive preparations in order to minimize negative consequences from Brexit.

Our focus is on ensuring global availability of a varied product portfolio with attractive and some new collections for 2021, combined with a reliable customer and delivery service as the basis for sustainable growth. At the same time, we must remain flexible through prudent cost management that is adapted to the current circumstances.

DESIGN AND FUNCTIONALITY

Floor coverings from Forbo combine functionality and high product quality with innovative designs, and thus ensure a sustainable enhancement of interiors that are created to meet the needs of the users. With every new development we make our products and production processes more environmentally-friendly, while fulfilling the maximum in functional requirements. Thanks to the active exchange with designers, architects, building owners and suppliers, we have our finger on the pulse of technical innovation and design trends.

Many of our new developments are aimed at the private sector commercial segment, based on tried-and-tested and new production and digital print technologies. They combine trendy designs, diverse color ranges and embossed textures in sustainable materials. Inspired by trends and nature, in the reporting year we also developed some attractive innovations for diverse applications.

Textile diversities

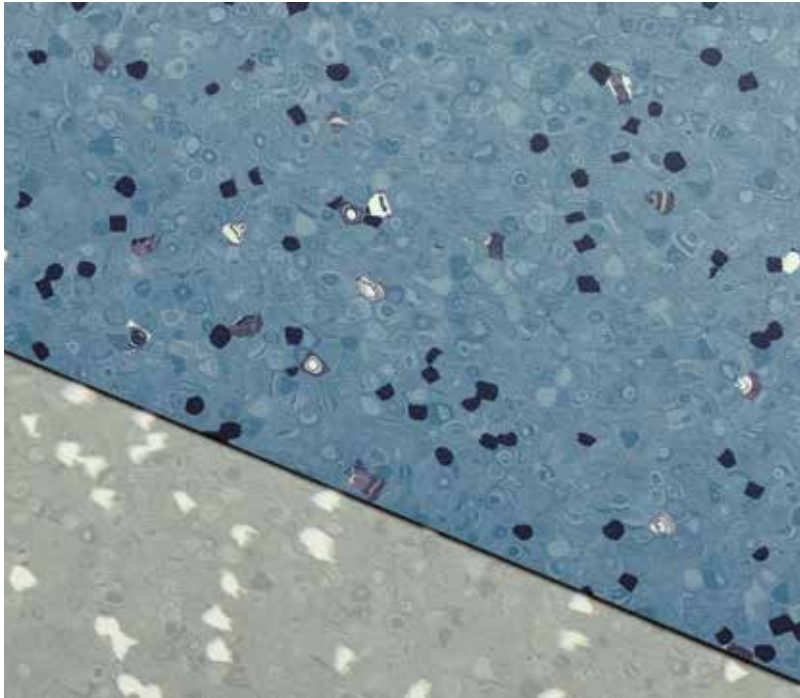
Through the combination of a flocked surface with a robust, water-proof vinyl back, Flotex combines the advantages of textile and elastic floor coverings to give it very diverse and functional properties such as hardwearing, dirt-repellant, noise-absorbent, allergy-friendly, anti-slip and easy cleaning. The new collection Flotex 'planks' consists of planks in the format 100 x 25 cm in natural colors and tone-in-tone designs that can be harmoniously coordinated or laid as a deliberate contrast. Flotex 'naturals' is a sheet product with trendy designs in natural colors and high-quality wood designs as tiles or in plank look, created with the aid of high-resolution digital print technology. Preferred application areas include



FLOTEX 'NATURALS'



FLOTEX 'PLANKS'



HOMOGENEOUS VINYL FLOOR COVERINGS 'SPHERA'



TESSERA CARPET TILES 'EARTHSCAPE'

offices, care facilities, gastronomy and the retail industry.

The two new carpet tile collections are also conceived for heavily frequented commercial areas and meet the highest demands in terms of design and functionality. Tessera 'earthscape' offers a comfortable and high-grade pile in different heights and twelve natural, warm color shades, and contains 57 percent recycled material. It can also be perfectly combined with luxury vinyl tiles. Tessera 'struktur 1' is based on a microtufting technology which is flat, very compact and robust, and perfect for timeless and minimalistic designs. It is available in 18 various colors and contains 65 percent recycled material. Both collections are perfect for office areas, and 'struktur 1' in particular for gastronomy environments too.

Special vinyl floor coverings for particular applications

The new collection 'under control' is a complete solution of homogeneous vinyl tiles that can lead off electrostatic charges horizontally or dissipate them, fulfills the maximum requirements in terms of hygiene, and is extremely resistant and hardwearing. The collection combines established and new Colorex and Sphera floor coverings used for specific applications in the healthcare sector or in the producing industry with electronic components. The brownish color Assuan is used mainly in operating theaters so that stains of a frequently used disinfecting agent remain invisible. Colorex 'glow' continues to give off phosphorescent light for up to four hours after the light is switched off.

'NATURE –
A CONTINUING TREND'