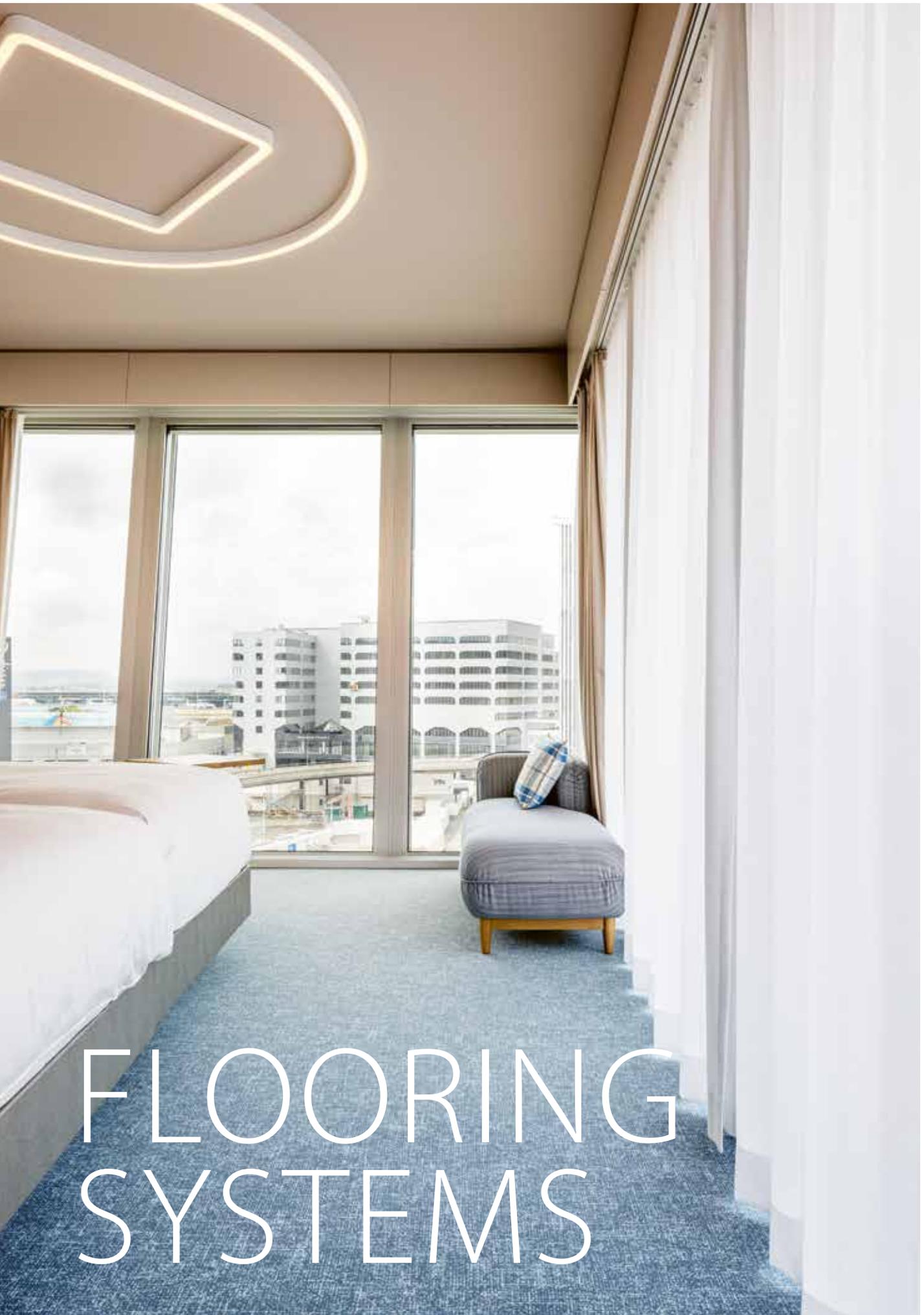




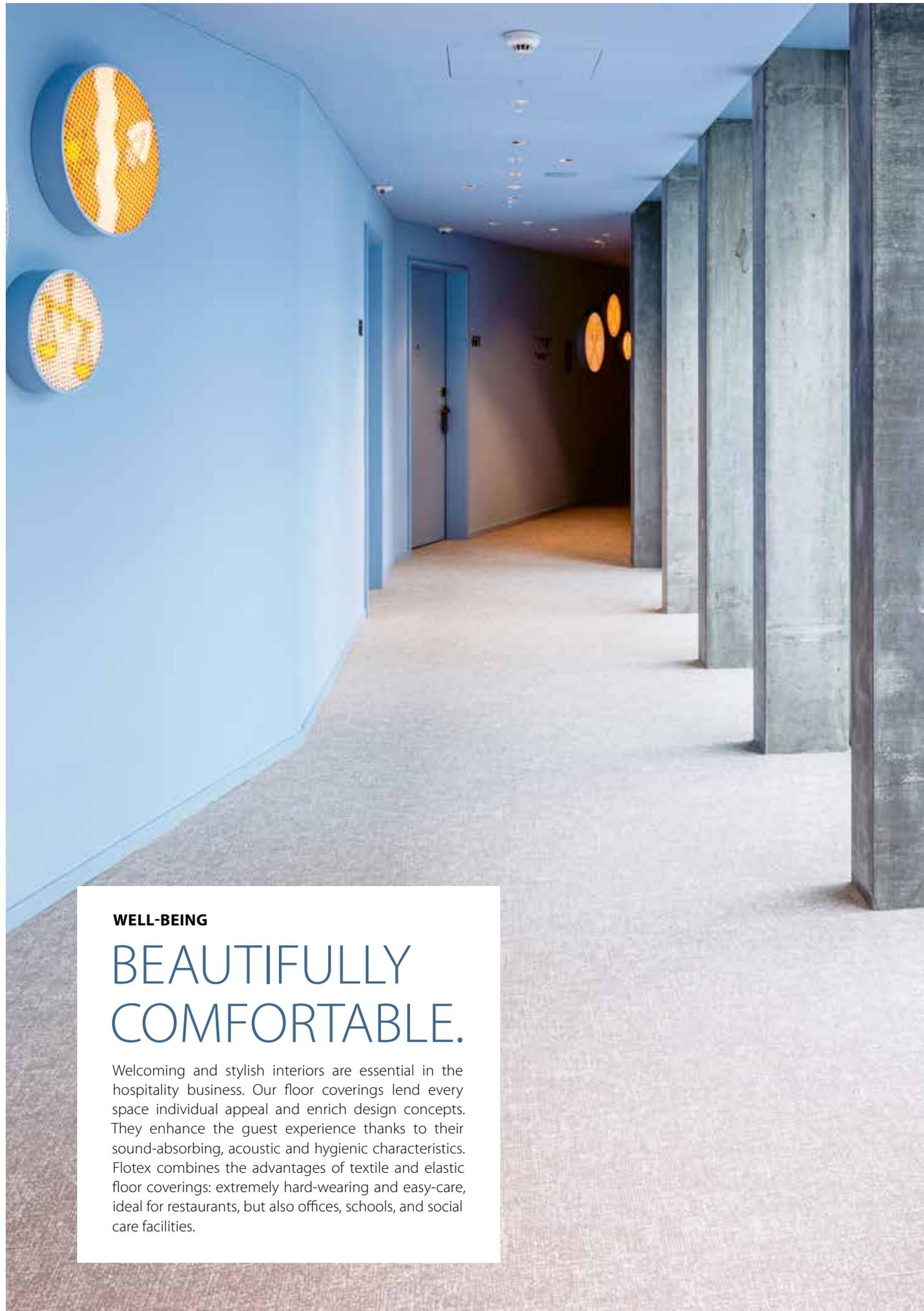
WELL-BEING.

Our floor coverings meet the most exacting demands. They are hard-wearing and cost-effective, and come in attractive designs. The wide-ranging product portfolio matches the requirements of diverse customer segments. Our textile, linoleum, and vinyl floor coverings will be the right choice for different applications, thanks to their specific properties. We select raw materials with sustainability in mind and use recycled components where possible. The individual and innovative design of our products is an ideal basis for a whole variety of flooring and creative interior design concepts.





FLOORING SYSTEMS



WELL-BEING

BEAUTIFULLY COMFORTABLE.

Welcoming and stylish interiors are essential in the hospitality business. Our floor coverings lend every space individual appeal and enrich design concepts. They enhance the guest experience thanks to their sound-absorbing, acoustic and hygienic characteristics. Flotex combines the advantages of textile and elastic floor coverings: extremely hard-wearing and easy-care, ideal for restaurants, but also offices, schools, and social care facilities.

FLOORING SYSTEMS: NOTICEABLE SLUMP IN DEMAND

'The challenges we faced in the reporting year were manifold and affected the Group in different ways. In North America, product availability was affected and depended on the complexity and reliability of international and local supply chains. In the Asia/Pacific region, the ongoing Covid lockdowns in China hindered personal contact with customers and caused more projects to be postponed. In Europe, the availability of raw materials was crucial to the ability of the various production plants to ensure product availability and service levels. Added to this, there was a slump in demand in the second half of the year that was more severe than expected and required special measures to be taken. A notable success was the branding campaign launched in the fall, which increases the visibility of our circular flooring solutions.'

The Flooring Systems division generated net sales of CHF 878.0 million in the 2022 business year (previous year: CHF 851.8 million), corresponding to an increase of 9.0% in local currencies and equating to a growth of 3.1% in the corporate currency, taking negative currency effects into account. This increase is entirely due to sales price increases. After a positive first half-year, demand declined from late summer 2022, significantly so from the fourth quarter. The division accounted for 67.9% of Group sales in 2022. Operating profit (EBIT) reduced by 32.6% to CHF 88.4 million (previous year: CHF 131.2 million). This substantial downturn can be attributed in particular to the fall in volumes and to one-time impacts. The significantly higher cost of raw materials, transport, energy, and personnel, and negative currency effects were also factors. The EBIT margin declined by 5.3 percentage points to 10.1% (previous year: 15.4%).

Sales growth thanks to sales price increases in all regions

The sharp fall in demand in the second half of 2022 was mainly caused by a shift away from renovation projects to energy-saving projects due to the energy crisis, which led to a significant slump in demand.



Jean-Michel Wins
Executive Vice President
Flooring Systems

There was also a generally cautious approach to new major projects due to shortages of materials and the significant rise in construction costs.

We were able to pass on our much higher costs for the manufacture of floor coverings via sales price increases, though after a delay in many cases. All three regions recorded good overall sales growth in local currencies; Asia/Pacific saw the highest effect, while growth was almost in double-digit figures in the Americas as well, and Europe recording a similar outcome.

The sales picture in Europe was mixed, with catch-up effects discernible in some places after the effects of the pandemic in previous years. Great Britain, France, and Southern and Eastern Europe posted double-digit growth; other markets including Germany, the Netherlands, Scandinavia and Switzerland recorded a moderate increase in sales.

The building and construction adhesives activity reported pleasing sales growth.

In the Americas, projects in the healthcare and retail sectors in the key US market contributed most to sales, while demand in the education sector reduced. In Canada, a significant Covid catch-up effect was seen with an above-average increase in both privately and publicly funded projects in aged care. Brazil recorded sales growth in double-digit figures.

The above-average sales increase in Asia/Pacific was attributable to projects in the healthcare sector and the electronics industry. Double-digit growth was reported in Japan, South Korea, and Southeast Asia. Australia also recorded healthy growth. In China, sales

declined due to the ongoing lockdowns and associated stringent restrictions and corresponding challenges.

Innovative collections in all product groups

We have attractive, high-quality collections with unique selling propositions and a wide selection of installing options in all our product lines.

In the linoleum business, we launched the newly developed "TopshieldPro" surface coating for all collections in April. It provides improved protection against scratches and wear. The new 'marmoluem sport' collection, on offer since September, meets the latest standards for indoor sports floors and is available in two thicknesses.

The vinyl business launched 'sphaera element and elite' and 'eternal original and deluxe', high-performance homogeneous vinyl floorings, which are particularly suitable for areas with heavy traffic. A loose-lay, slip-resistant collection, 'surestep fast fit', was developed specially for the British market. In France, the new 'saron habitat' loose-lay vinyl flooring is winning over the important multi-family housing segment thanks to its enhanced acoustic properties. All 'allura' collections were completely revamped, with the luxury vinyl tiles due for launch in March 2023.

In the textile business, the new 'tessera' carpet tile collections based on the latest microtufting technology proved popular, with improved acoustic properties from reclaimed yarns. An attractive Flotex range was developed specially for the hospitality and leisure customer segment, featuring innovative designs, including some created specifically for use in corridors. Investment over recent years in state-of-the-art digital print technology for vinyl and Flotex floorings led to the development of 'created by' collections in collaboration with local famous artists, who were able to display their creativity and signature styles through digital printing. The Spanish artist José Median Galeote and the award-winning architect and designer Mac Stopa from Poland created a number of new and distinctive designs.

Sales growth in all product groups

The product lines also reported various degrees of sales growth in line with the overall trend. Most of the versatile and application-specific vinyl flooring collections, and conductive floorings in particular, reported above-average results. Among the textile floor coverings, Flotex and carpet tiles recorded a pleasing upswing, with a discernible catch-up effect seen in

Great Britain. Needle felt floor coverings and entrance matting systems both saw moderate increases in sales. Linoleum floorings generated modest sales growth.

Investments supporting an improved circular economy

In addition to numerous initiatives to enhance the product portfolio, we also invested in upgrades at various production sites. These invariably also involved environmental improvements to optimize the circular economy.

At the Flotex production location in Ripley/Great Britain, a section of the plant was refurbished to enable off-cuts from the vinyl production plant in Coevorden/Netherlands to be used in the manufacture of tough waterproof vinyl backing for Flotex floorings. At the site in Reims/France, newly installed technology makes it possible to feed recycled vinyl floor coverings into the production process for acoustic vinyl floorings, increasing the recycling rate. The adoption of new mist-filter technology at the vinyl floorings plant in Coevorden achieves significant reductions in gas and CO₂ emissions. In addition, a new line for the end-stage of the lamination process for luxury vinyl tiles was installed. At the linoleum plants, a number of elements of the production process were modernized, including cutting lines and mixers, and production lines for new collections and installing options were redesigned. The broad expanded production plant for Flotex flooring in the USA is in the planning stages at the moment and will become an important local growth driver from end-2024.

2023 will also challenge us

The significant slump in demand in the second half of 2022 will continue to present us with challenges in the first six months of 2023. We expect to see further inflation-related increases in costs, including personnel costs. However, we have initiated measures to adapt structures and improve profitability. These will have a positive effect.

The proximity to local markets and the challenges they face is an important factor in our ability to respond swiftly and agilely to changes. We have an attractive product portfolio and can now support and promote our sales activities with well-established digital channels.

CREATIVITY AND TECHNOLOGY COMBINED

Forbo floor coverings fuse functionality and high product quality with innovative designs. They enhance interiors in accordance with the needs of the users. With every new development, we strive to make our products and production processes more sustainable and to meet the highest functional demands. We keep our finger on the pulse of technical innovation and design trends by maintaining an open dialogue with designers, architects, builders, and suppliers.

Our floor coverings are mostly designed for applications in the project business, which means that they have to be very hard-wearing. They are based on proven, state-of-the-art production and digital printing technologies and combine trendy designs, diverse color palettes, innovative embossed structures, and a range of installation options using environmentally friendly materials. Diversely inspired, we developed attractive new products for a wide range of applications in the past year.

Leading in developing sustainable floor coverings

We worked diligently to create a branding campaign that highlights our commitment to sustainability and the circularity of our entire product portfolio. The circular economy and users are central to product development and design, in harmony with a high proportion of sustainable and renewable raw materials.

Since April 2022, the completely carbon-neutral linoleum floor coverings have been finished with the developed surface coating "TopshieldPro". It increases resistance and protection against scratches and disinfectants based on extensive tests with a new formula.



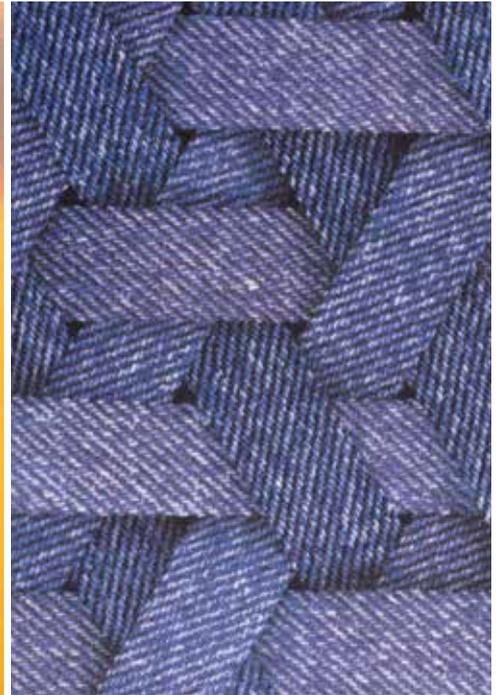
LINOLEUM WITH NEW "TOPSHIELD PRO" SURFACE COATING



LINOLEUM "MARMOLEUM SPORT"



LUXURY VINYL TILES "ALLURA"



FLOTEX COLLECTION WITH DESIGNS FROM MAC STOPA

Launched in September 2022, the "marmoleum sport" linoleum collection meets the latest standards for indoor sports flooring. It comes in two thicknesses and eleven fresh colors. Installed on a proper sports underlay, it minimizes the risk of injury.

'ATTRACTIVE CIRCULAR FLOORING SOLUTIONS'

Digital printing enables creative designs

The new digital printers for vinyl and Flotex floor coverings, installed in previous years, serve as the basis for creative work. Under the designer label "created by", Flooring Systems is introducing new touches in collaboration with well-known artists who bring their signature style to these types of flooring with their unmistakable designs. Now, individual building areas can be stylishly and creatively designed to match their functionality. Spanish artist José Medina Galeote is known for his abstract drawings evoking calligraphy. The designs of Mac Stopa, an award-winning architect and designer with Polish roots, are inspired by flowers, wickerwork and trapezoidal shapes.

All-round revamped luxury vinyl tiles

The outcome of the intensive work on the completely renewed "allura" collections, the luxury vinyl tiles, will be available globally from March 2023. They bring inspiring new designs, embossed structures, formats, sizes, and various covering heights and thicknesses with different acoustic properties. They are available in a diverse range of installation options, such as "click" and "puzzle," alongside traditional glue-down.