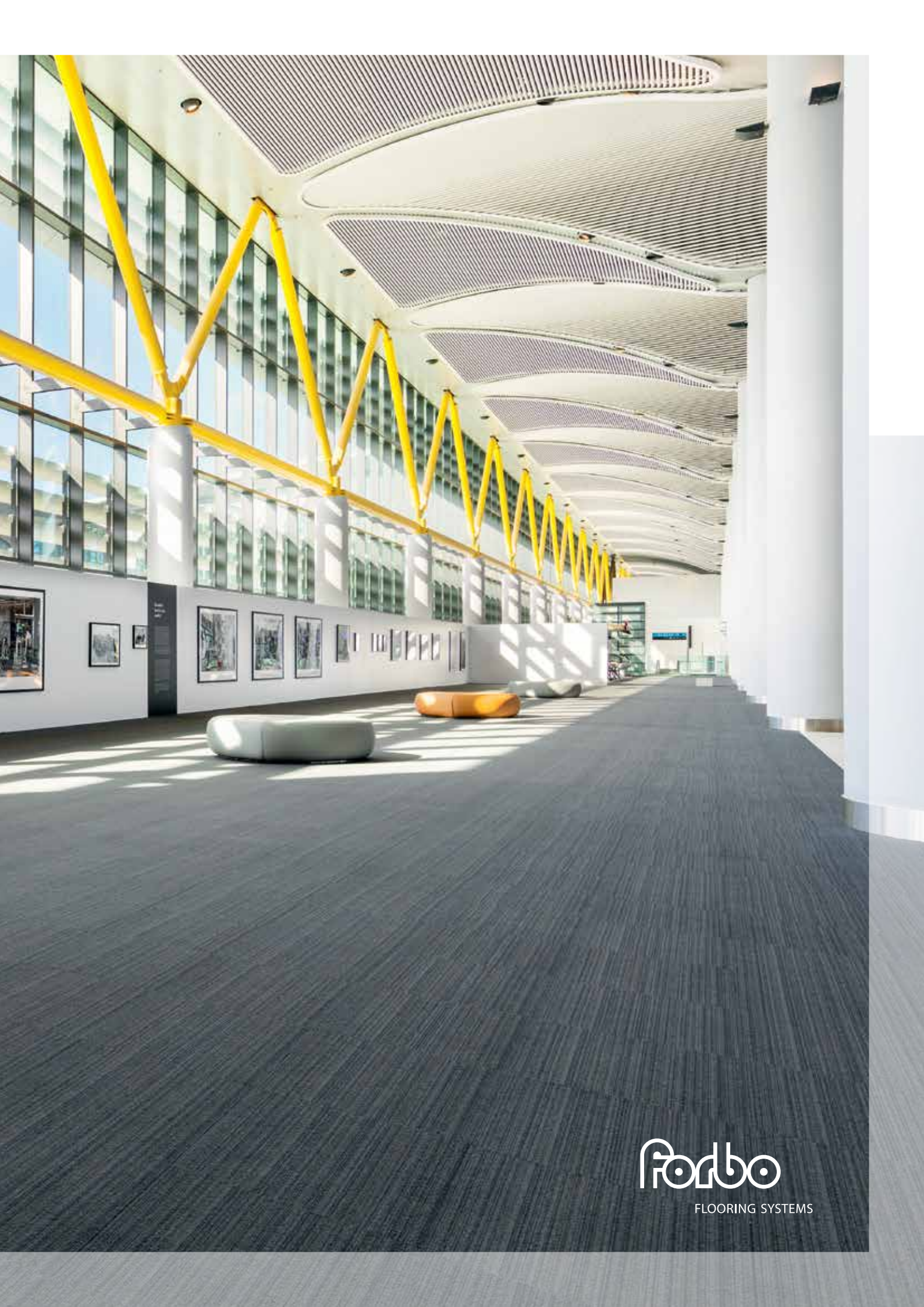


DIVERSITY.

Every floor covering fulfils specific functions and is subject to various types of load. This is why our broad product range offers the right floor coverings to meet the widest possible range of requirements and the strictest demands – even in highly frequented areas. In large-scale projects such as airports, for example, we combine different materials and floor coverings to create the perfect ambience in every area with the right flooring.

creating better environments



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 matting 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.





DIVERSITY.



EXCELLENCE.

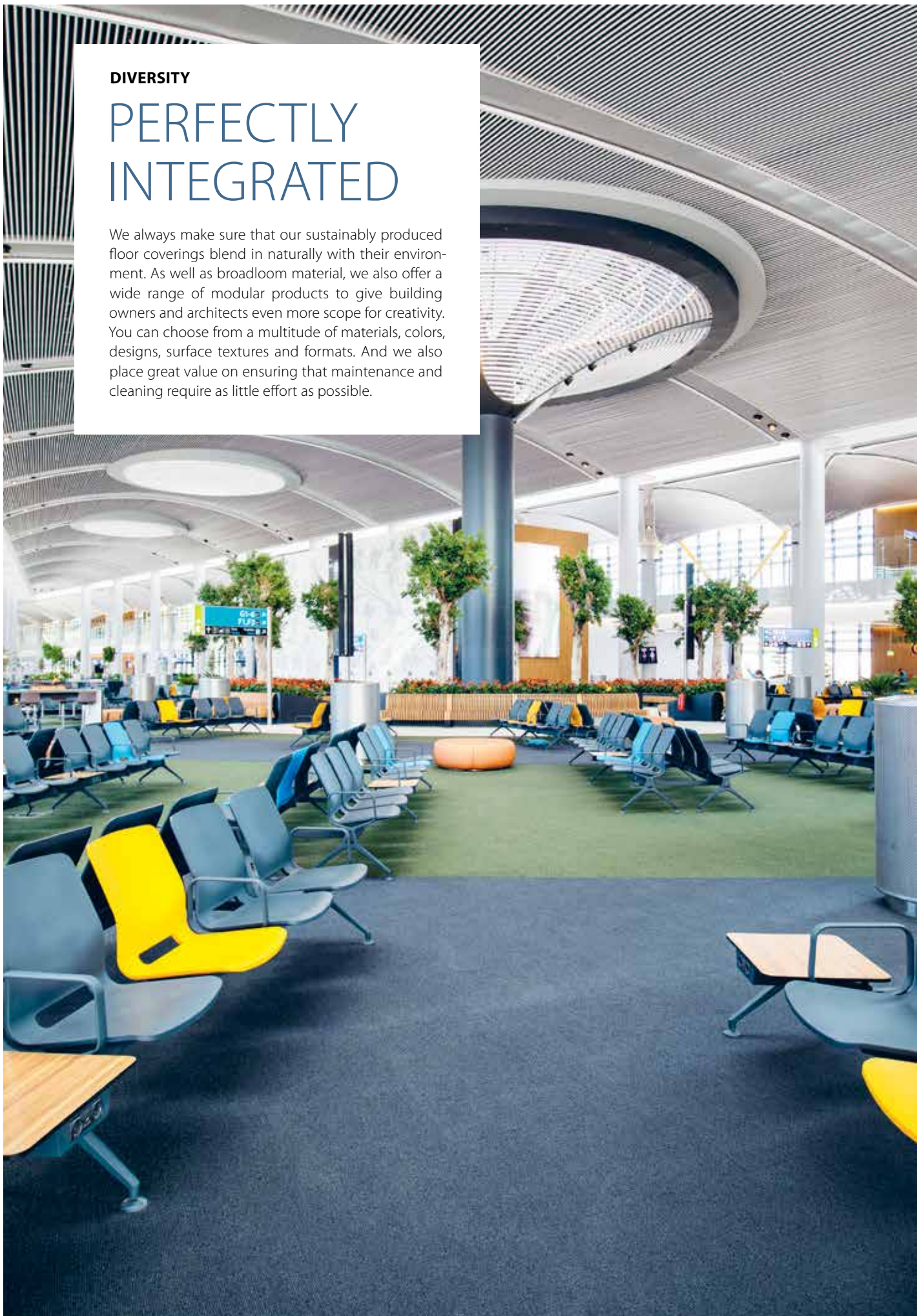


FLOORING SYSTEMS

DIVERSITY

PERFECTLY INTEGRATED

We always make sure that our sustainably produced floor coverings blend in naturally with their environment. As well as broadloom material, we also offer a wide range of modular products to give building owners and architects even more scope for creativity. You can choose from a multitude of materials, colors, designs, surface textures and formats. And we also place great value on ensuring that maintenance and cleaning require as little effort as possible.



FLOORING SYSTEMS: TARGETED ACTIVITIES IN THE PRIVATE SECTOR ARE TAKING EFFECT

'We launched innovative and top-quality collections in all product groups that achieved significant sales success globally – particularly because we focused our global key account activities on the private sector commercial segment, on customer segments such as shop fittings, office facilities, railway companies as well as hotels and restaurants. We expanded our distribution structures for this area specifically as well as for development in growth markets. On the operational side, we invested in a range of technological improvements designed to increase both efficiency and capacity. Coupled with targeted measures in procurement plus some price adjustments, these have counteracted the higher costs for raw-materials. Overall, with our attractive portfolio, we have further strengthened our position as a leading systems supplier in the commercial segment.'

The Flooring Systems division generated net sales of CHF 913.2 million in 2018 (previous year: CHF 856.6 million). This comes to a strong and solid increase of 6.6% in the corporate currency (+5.0% in local currencies). The division accounted for 68.8% of Group sales. All three regions contributed to this growth, though with different growth rates. Operating profit (EBIT) rose by 8.8% to CHF 136.5 million (previous year before one-off costs: CHF 125.5 million) despite the negative impact of higher raw-material prices. The EBIT margin increased by 0.2 percentage points to 14.9% (previous year before one-off costs: 14.7%).

Strong and solid sales development

The European markets showed a very mixed trend. Our important core markets, France and the Netherlands, recorded moderate growth, whereas Germany reported growing demand and registered strong growth also due to the changed market situation. Southern and Eastern Europe posted a gratifying trend, as did Switzer-



Jean-Michel Wins
Executive Vice President
Flooring Systems

land, which successfully adapted its business model to the changed market structure. Apart from Norway, demand in northern Europe declined slightly on the whole. Great Britain reported a downturn in sales owing to the uncertainties surrounding Brexit and the recession in the construction industry.

The Americas region posted a significant increase in sales primarily due to the recovery in the main market, the United States, and in Canada. The upswing was driven by successful projects with increasing modular flooring solutions plus rising demand in the healthcare and nursing care segments. Brazil and other, smaller markets in South America turned in a positive performance after a rather restrained development in previous years.

In the Asia/Pacific region, Japan, South Korea, and Turkey made an above-average contribution to the sales upturn. Various growth initiatives drove this gratifying trend, and it was supported by the completion of some major projects in the healthcare, education, office facilities, and airports segments. China and Australia also contributed to this big jump in growth despite weakening demand.

The building and construction adhesives activity overall reported solid and strong growth in sales, due in particular to Russia – mainly driven by the expansion of the do-it-yourself business – and the Netherlands, where demand for liquid floors increased. Based on a streamlining of the offer, Germany reported a slight downturn in sales amid fierce market competition.

New and innovative collections in all product groups

In the year under review we introduced attractive and top-quality collections in all product groups that achieved significant sales success regionally and globally. Many of these new developments are geared to the private sector commercial segment and combine trendy designs, varied color palettes plus new production technologies and new effects employing sustainable materials.

For our new Flotex collection – our washable high-tech textile flooring – the successful French designer Philippe Starck created a range of design variations that show their full effect in large-scale installations.

We enlarged the carpet tile range with a collection for the office facilities segment; the design is inspired by clouds, and the carpet tiles use an innovative yarn in order to achieve this effect.

For the newest collection of luxury vinyl tiles, we combined the arrangement of several material layers with a special printing technology to generate unique gradients and a wide range of surface designs. The use of refurbished rest material from our homogenous vinyl production has given rise to a very trendy, colorful, and new collection of this product line.

The new global broadloom linoleum collection ‘mar-moleum marbled’ will be offered as of 2019 in five updated design types and varied color shades and thicknesses, and will feature sound-absorbing properties.

Above-average growth in vinyl floor coverings

Our application-specific and versatile vinyl flooring collections all made their presence felt, posting solid growth rates. The homogenous vinyl flooring product line, introduced the previous year, has become firmly established, and the luxury vinyl tiles still report growth rates well into the double-digit range. Acoustic flooring coverings, primarily for social housing, have sold well, as have antistatic high-tech floorings for special applications in industry and hospitals.

Linoleum floor coverings reported solid growth in all the different styles and formats.

The textile floor coverings – carpet tiles, Flotex, and needlefelt floor coverings – made a larger contribution to sales growth due to increased private sector activities. Sales of the entrance matting systems remained at about the previous year’s level.

Efficiency-enhancing and sustainable investments

In addition to the numerous activities to enrich our product portfolio, we invested in a range of improvements at our production sites. Of particular note were the oven presses with reduced energy consumption, the modernization of the heating plants, exhaust air systems and filter installations, plus additional silos and tanks for more efficient processing of incoming raw-materials.

For our luxury vinyl tiles, we installed a new digital printing facility with UV ink technology that creates additional capacity and at the same time offers options for customized design flexibility. We installed a new needle punch machine for the production of carpet tiles that reduces yarn consumption and also enables the manufacture of novel carpet tiles. A large press for the production of Flotex was replaced that recycles scrap material into granulates in order to produce new backings for modular floor coverings.

The ongoing expansion into growth markets took many forms. In China we increased the density of the distributor network in large cities by gaining new distribution partners; in South Korea we expanded our presence in the pharmaceutical segment; in Poland and Russia we began covering new areas outside Warsaw and within Moscow and we now service the Ukraine and Kazakhstan markets directly.

Tried and proven strategy

In 2019 we will consistently continue on our path: we will increase the attractiveness of our product portfolio even more for customers in the private sector commercial segment; we will proactively follow up the initiatives we have taken in the growth markets; and we will enhance these market activities with additional innovative and attractive offerings, in the digital sphere too. It is also key to keep a close watch on raw-material price trends and make any necessary price adjustments on our side.

VERSATILE AND TRENDY COLLECTIONS

Forbo floor coverings combine functionality and excellent product quality with innovative designs; they enhance interior spaces, whose character and appearance are geared to the needs of the people using these spaces. We make every new development of our products and production processes more sustainable and more environmentally friendly; that is how we meet the most demanding requirements. In the past year we again kept our attention on the pulse of technical innovation and design trends.

Many of these new developments are geared to the private sector commercial segment; they combine trendy designs, varied color palettes plus new production technologies and new embossing effects employing sustainable materials across all product groups.

Innovative carpet tiles

Carpet tiles give a room a special character, create an atmosphere of warmth, and are especially suitable for office premises or cozy hotel settings. We have added two innovative collections to our range of high-quality Tessera carpet tiles: 'Cloudscape', whose design is visually influenced by natural cloud formations and is available in 16 muted pastel shades. A novel yarn with a sophisticated tufting technology was used to achieve this visual effect. And 'Nexus' – the Latin word means 'connection' and stands for the design – which combines a metallic web overlay with a striated ground (the striation comes from different pile heights). The combination creates a visual network of connections. This trendy collection is available in nine colors, primarily light to dark gray, with a variety of metallic color effects. Carpet tiles offer flexible layout opportunities in modern open-plan offices and contrast with the current trend to near-natural designs in pastel shades.



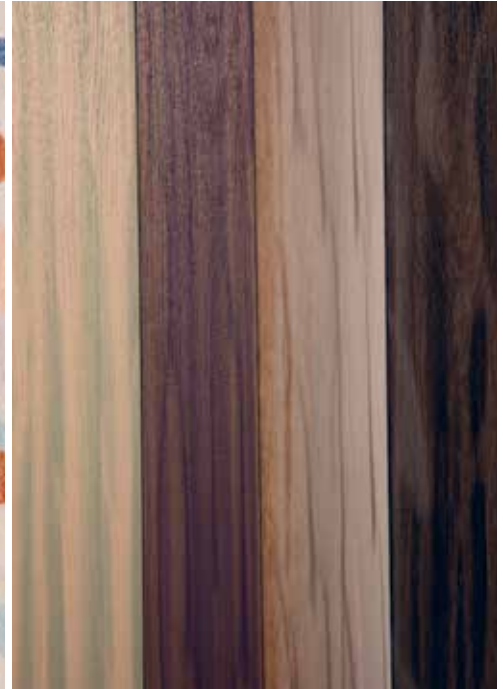
TESSERA CARPET TILE 'NEXUS'



TESSERA CARPET TILE 'CLOUDSCAPE'



HOMOGENOUS VINYL FLOOR COVERINGS 'FABSCRAP'



LUXURY VINYL TILES 'ALLURA FUSION'

Unique and versatile vinyl floor coverings

For the newest collection of luxury vinyl tiles, we combined the arrangement of several material layers with a special printing technology partially mixed with a solid pvc color layer to generate unique color tones and a wide range of surface designs. 'Allura Fusion' received the Red Dot Design Award for 2018 as the best product design of the year. The jury praised the product's innovative manufacturing process, the color depth, and the realistic effects along with the natural, free-flowing design with no repetition of the patterns. The collection is available in three tile and plank formats. The planks are especially suitable for wider and open areas with little furniture where the floor itself can stand out as a design element – the relevant target groups are galleries or boutiques.

The use of refurbished rest material from our homogenous vinyl production has given rise to a very trendy and colorful new collection of homogenous vinyl floor coverings. 'FabScrap' is made completely of recycled virgin materials. Granules in different colors and different quantities are left over from every production run. This material is remixed and then used exclusively for this collection. The colors are mixed in such a way as to produce four base shades: two gray, one blue, and one white. The left-over colored granules are mixed with the base shade of the customer's choice. That means that each roll is colorful and unique in its design and, what's more, exhibits the usual high quality of Forbo's homogenous vinyl floor coverings. And, special in so many ways, adds a unique touch and splashes of color to sales outlets, school buildings, cafeterias and canteens.

'AN ATTRACTIVE
COMBINATION OF DESIGN
AND FUNCTIONALITY'