



COMFORT.

Our floor coverings provide comfort in everyday life. They not only stand out for their superior quality and tough resilience, but they also go a long way to creating the desired atmosphere in spaces. We offer a broad range of designs and sustainable materials that lend every room a comfortable ambience and pleasant acoustics. And laying our floor coverings is also comfortable: they make it easy to create modern spaces in no time.

creating better environments





FLOORING SYSTEMS



COMFORT

SUSTAINABLY BEAUTIFUL

Offices frequently have different areas that call for various requirements. Our entrance flooring systems also act as a dirt barrier, while carpet tiles in working spaces combine excellent walking comfort with noise-reducing properties, ensuring that the floor in every office is just as comfortable as it is visually attractive. Our floor coverings are capable of withstanding significant strains and heavy use and they are durably resilient.

FLOORING SYSTEMS: THE ECONOMIC SLOWDOWN IS A CHALLENGE

‘Weaker demand in many markets coupled with operational strains challenged us in a number of areas in the year under review. The adjustments made and the measures taken to date both in organization and in production, logistics, and distribution have not yet shown the expected results. We cushioned the impact of the lower sales on earnings to some extent by enhancing efficiency through technological improvements, by exercising prudent personnel management in new hiring, and by obtaining lower raw material prices. With attractive new collections in all product groups we have prepared a good basis for the coming year.’

The Flooring Systems division generated net sales of CHF 870.5 million in the 2019 business year (previous year: CHF 913.2 million), which reflects a decrease of 1.5% in local currencies (–4.7% in the corporate currency). The division’s share of Group sales was 67.9%. Economic conditions have become increasingly volatile. This impacted sales growth in most of the markets and customer segments in our three regions, with the Americas and Asia/Pacific being impacted the most. Operating profit (EBIT) declined only slightly by 0.5% to CHF 135.8 million (previous year: CHF 136.5 million) on the back of improved raw material prices and despite negative currency effects. The EBIT margin rose by 0.7 percentage points to 15.6% (previous year: 14.9%).

Sales impacted by growing reluctance to invest

The European markets showed a mixed trend but on the whole were somewhat weaker. Our core markets – France, the Netherlands, Germany, and Great Britain – remained practically flat year-on-year or trended slightly downwards. Against a backdrop of increasing reluctance to invest, substantial projects were postponed, reduced in scale, or else awarded on the criterion of price in a fiercely competitive market. Demand in northern and southern Europe weakened on the whole, despite firm growth in Denmark and Italy. Switzerland, too, saw sales decline. The trend in Eastern Europe was positive, especially in Poland, which was a strong growth driver. Russia also reported higher sales,



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Executive Vice President
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an uptrend that was driven by a new, locally produced luxury vinyl tiles collection and an expanded distribution network in the CIS countries.

The mood was rather subdued in the Americas region, especially in the USA. Demand for projects in the retail sector weakened noticeably, while at the same time major projects and school renovations were either reduced in scale or postponed altogether. Canada reported positive growth owing to new distribution channels for vinyl floor coverings and textile installations in office premises. Brazil and other smaller markets in South America were restrained.

Most markets in the Asia/Pacific region, with the exception of the main market, China, reported gratifying growth. The sales decline in China was due to a number of factors such as the trade dispute with the USA, a slowdown in the construction industry, and a significant downturn in investment spending in both the private and the public sectors. Japan enjoyed double-digit growth in the wake of Olympic fever. Australia reported solid growth, while South Korea is making steady progress thanks to the expansion of its distribution network and the acquisition of new key accounts.

The building and construction adhesives activity reported good sales growth on the whole. This was due in particular to the expansion of the do-it-yourself business in Russia, penetration into the market in Uzbekistan, and various new building and construction adhesives and leveling compounds for renovations developed in the Netherlands. Germany reported a decline in sales owing to range rationalization and organizational changes.

Versatile innovations in all product groups

In the year under review, we launched attractive and high-end collections in all product groups, combining trendy designs, varied color palettes and floor-laying options along with new production technologies and special effects that employ sustainable materials.

A new global linoleum collection for broadloom material is being offered in five modernized design types and varied, natural color shades featuring different thicknesses and sound-absorbing properties. The division is offering another linoleum collection specially designed for trains that meets the latest fire and smoke regulations.

In the vinyl range, we launched a new global broadloom collection, whose varied colors, designs, and novel wood and stone effects are produced on a recently installed, high-quality digital printing unit.

In the textile range, the new Flotex collection 'color', a high-tech washable flooring, convinced customers. Many of the 90 colors, featuring various designs and new effects, are also available in tile formats or with stronger sound-absorbing qualities. The new carpet tile 'Tessera chroma' is manufactured with a novel, more thickly twined yarn; this makes the colors appear softer, while the much higher fiber weight enhances walking comfort. A new needlefelt collection, designed especially for the walls and ceilings of rail coaches, lends itself to very easy installation owing to its self-adhesive back. Flexible printable entrance flooring systems allow railway companies more options in terms of colors and designs.

We have been working on the development of attractive new vinyl and textile collections that have been launched in early 2020 at various trade fairs.

Some product lines are holding their own amid fiercer competition

The individual product lines performed in line with the overall sales trend. Linoleum floorings were more or less flat year-on-year. Most product lines of the versatile and application-specific vinyl flooring collections performed slightly below average. Especially positive to mention are the antistatic high-tech floorings for special industrial or hospital applications and the homogenous vinyl floorings, which have enjoyed steady growth since being launched in 2017. Textile floorings for the most part also remained flat year-on-year; in some cases they registered a decline. Flotex reported marginal growth.

Investments to support growth

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

Noteworthy developments included the update of the process control center for linoleum production, new edge-cutting machines for vinyl flooring, additional tanks and silos for more efficient processing of incoming raw materials, new laboratory test stations and expanded laboratory facilities, as well as renewed and expanded digital printing technologies. In addition, we installed various cutting machine facilities for the manufacture of modular flooring in the vinyl and textile floor coverings. In the Netherlands we made a significant expansion to the cross-dock warehouse for modular flooring, while in Russia we created additional capacity for building and construction adhesives.

We also invested in digital platforms. The new global online web shop enables existing customers to make real-time searches regarding stock levels, availability, and delivery times and provides a full service combining everything from quote to invoicing, coupled with additional marketing and customer service features. A new customer relationship management system is about to be rolled out globally.

2020 – in the light of stabilization and return to growth

We have an attractive, high-quality and very diverse product range with a wide assortment of floor-installing options and specifications for individual customer segments. We will be able to successfully meet the challenges of a market slowdown thanks to targeted market activities, increased delivery capability, and a more reliable service level. Our goal is to deliver convincing and professional performance over the entire product range, in all organizational units, and in all markets.

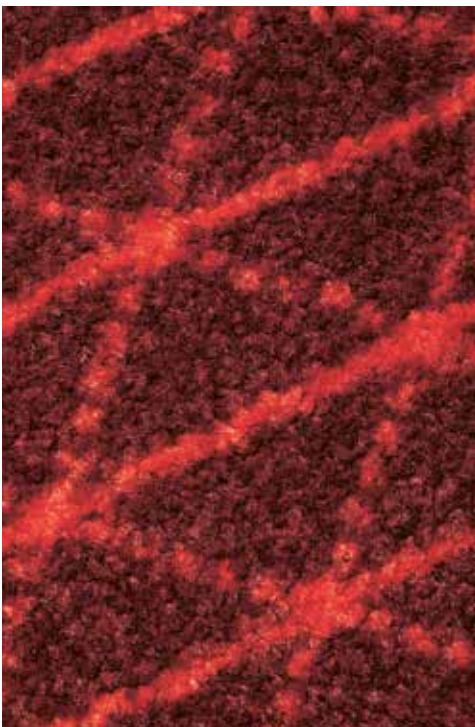
DIVERSITY IN DESIGN AND TYPE OF INSTALLATION

Floor coverings from Forbo combine functionality and high product quality with innovative designs, thus ensuring the sustainable enhancement of interior rooms designed to accommodate the needs of the users. With every new development we are constantly making our products and production processes more environmentally friendly while fulfilling the highest functional requirements. Due to the lively exchange with designers, architects, builders 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, and combine in all product lines trendy designs, diverse ranges of colors as well as new production technologies and embossed structures from sustainable materials, and are available in different installation options.

Infinite design diversity with digital print

State-of-the-art digital printing processes we invested in over recent years are contributing towards attractive new collections. The new 'Coral move vision' textile flooring from the product group of the entrance flooring systems offer railway companies unique properties combined in a single product: especially developed for being used in highly frequented areas, they are long-lasting, comfortable, noise-absorbent, anti-slip, dirt-repellant and flame-retarding. Our diverse and individual digital print design options allow railway companies to have a floor covering made as required in the colors and design of their own corporate identity.



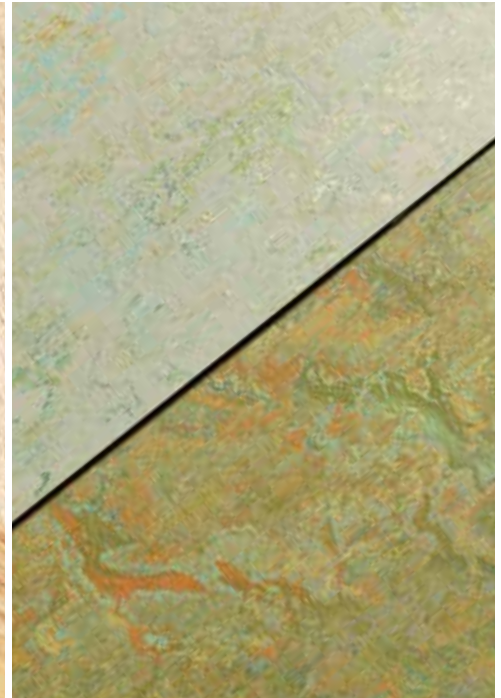
'CORAL MOVE' TEXTILE FLOORING FOR TRAINS



'ETERNAL' VINYL FLOOR COVERINGS



'ALLURA' LUXURY VINYL TILES



'MARMOLEUM MARBLED' LINOLEUM FLOOR COVERINGS

Within the framework of an advanced digital print technology, the new heterogeneous 'Eternal' vinyl floor collection combines the latest trend colors with impressive wood, stone and concrete designs with modern embossed structures, all finished with a new, sustainable surface seal. On request, our design service can also realize further customized digitally printed designs.

Sustainability and installation options are in demand

The new global linoleum collection for sheet material, 'Marmoleum marbled', is a natural product that is produced on a CO₂-neutral basis. It appears in five refreshed design directions and diverse natural color tones with various thicknesses and noise-absorbent

properties. These natural tones are ideal for combination with natural materials such as wood, stone and textiles, and, as well as the well-known applications in the education and healthcare sectors, are setting accents in retail stores, in leisure-time facilities as well as in the hotel industry.

The collection of the luxury vinyl tiles 'Allura' which was launched on the market at the start of 2020, was completely renewed and extended by different installation options. Alongside the trendy designs, as well as an additional noise-absorbent version, the development focused on providing a range of installation options. The tiles can be installed with adhesive, by a click system or loosely laid using various techniques. These new solutions are especially suitable for mobile installations such as trade fair stands or pop-up stores. 'Allura' luxury vinyl tiles are used for a wide range of applications in high traffic areas in offices, retail outlets, leisure-time facilities, in the hotel and restaurant industry as well as in healthcare and nursing homes.

'NATURAL TONES AND COLOR ACCENTS IN TREND'