



creating better environments



# CHARACTER.

Individual needs and requirements deserve individual flooring solutions. We create spaces that have a special and individual character with flooring that meets the toughest demands in terms of functionality, materials and finishing.



FLOORING SYSTEMS



**CHARACTER.**



**RESPONSIBILITY.**

# 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.

## Flooring Systems

The Flooring Systems division offers a broad and attractive range of environmentally friendly linoleum, high-quality vinyl floors, entrance flooring systems for cleaning and drying shoes, carpet tiles, needle felt, and Flotex, the washable 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 over 65 percent, Forbo is the world leader in linoleum.

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

## Movement Systems

Movement Systems is a global industry leader for sophisticated conveyor and processing belts, synthetic 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.

## 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, 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

## CHARACTER

# STYLISH AMBIENCE

Carpet tiles give a room a very special character. They create a warm atmosphere and bring about an environment that is conducive to concentration by naturally reducing noise levels. Our carpet tiles not only lend every room a personal touch but also satisfy a number of other requirements: resistance to wear, antistatic properties and ease of cleaning. With our own carpet tile production, we are able to cater to customers' specific wishes, and to offer custom-made carpets. Carpet tiles are suitable for carpeting large surfaces, and their modular design and long-lasting materials make them ideal.



# FLOORING SYSTEMS: A MIXED YEAR

'In the past year we focused once again on our defined long-term goals by aligning our product portfolio even more closely to the needs and applications of customers in the private sector and by adding further attractive collections to our product range. To support these efforts, we have invested in new products as well as in measures to boost efficiency over a wide range of operational areas. Despite all these steps, we were unable to repeat the positive sales and earnings performance achieved in 2014. Public sector investments remain at a modest level and are still characterized by restraint. Our efforts to expand and energize customer segments in the private sector are having an effect. However, weaker demand in our important, high-revenue core markets has put a damper on growth. With our current product portfolio, the initiatives to boost growth, customer focus and cost consciousness, we will strengthen our market position as a leading systems supplier in the commercial segment and get back on the growth path.'

The Flooring Systems division posted net sales of CHF 791.3 million in the 2015 business year (previous year: CHF 884.6 million). This corresponds to a decrease of 1.1% in local currencies; owing to the negative impact of currency fluctuations, the decline in the corporate currency came to 10.5%. The division accounts for 69.5% of Group sales. By expanding our product portfolio for specific applications in the private sector, we posted encouraging growth figures in various customer segments, especially for shop fittings, hotels, and catering and leisure services as well as the manufacturing industry. However, flagging demand in important core markets impeded our efforts. In addition, public sector investment is still weak. Despite measures on the cost side, the strong Swiss franc combined with a slight downturn in sales impacted negatively on operating



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Flooring Systems

profit (EBIT), which declined by 11.0% to CHF 109.8 million (previous year: 123.4 million). The EBIT margin came to 13.9% (previous year: 14.0%), slightly below the previous year by 0.1 percentage points.

#### **Sales in local currencies slightly lower than previous year**

The market we operate in has been very mixed for a number of years and, in addition, depressed by a persistently low level of demand in the public sector. These factors are increasingly affecting our high-revenue segments in the healthcare and education sectors. In the year under review, our major core markets, in particular France, Great Britain and North America, had to contend with a number of challenges. In France, demand went into decline owing to the ongoing market situation and a very competitive environment. Sales in Great Britain showed a downtrend in the reporting year following significant growth the previous year driven by large-scale projects. In North America demand was muted especially in our core segments healthcare and education. Some of our smaller markets also had to contend with adverse market conditions: Switzerland reported a negative impact on sales from the strengthening of the Swiss franc against the euro, while markets in Eastern Europe and South America, which had been growing, recorded a significant drop in demand owing to the current market environment.

The markets in southern Europe performed very well. Sweden, too, reported encouraging sales growth on the back of an overall strong market, while Germany performed well and posted growth amid tough competition. In the Netherlands, sales stabilized after falling

in recent years. China and South Korea again reported above-average sales growth owing to large-scale customer installations in various customer segments.

The building and construction adhesives activity recovered after difficult years during a cyclical downturn and reported marginal sales growth. All three core markets, Netherlands, Germany and Russia, contributed to this result. New product developments delivered additional growth stimuli.

#### **Innovative new collections**

The steady expansion of the range catering to private sector customer segments continued in the year under review with innovative new collections featuring a broad spectrum of color and design options, 3-D printing, new embossing and materials plus developments in functionalities. The luxury vinyl tiles again generated double-digit growth in a highly competitive market, gaining market share and delighting customers with state-of-the-art designs, patterns, and installation techniques for discerning tastes. Vinyl floor coverings for the commercial sector, entrance matting systems, and needle felt floor coverings also contributed to sales growth. Carpet tiles and Flotex – our washable, high-tech textile floor covering – remained more or less at the previous year's level. Demand for linoleum remained subdued because this material is widely used in the healthcare and educational sectors where investment in new builds and renovations depends closely on public spending budgets. Sales of vinyl floor coverings for the residential sector declined in the year under review in the wake of strategic portfolio adjustments.

#### **Investments to support growth**

In addition to engaging in wide-ranging product portfolio activities, we have taken targeted measures to strengthen distribution channels. In Turkey, the new sales team set up the previous year was expanded and provided with local warehouse capacity; in Indonesia, a local sales team was established; and in Poland and the Czech Republic, a local customer service was put in place. In Sweden, we opened an additional service depot in Malmö and expanded the central warehouse in Gothenburg. These measures guarantee us customer focus and make delivery of daily orders more efficient by reducing delivery times and bringing us closer to customers in order to deal with their local needs and requirements.

Given the buoyant sales of luxury vinyl tiles, we have added an additional packaging line in the Netherlands. For modular linoleum production in Scotland, we completed the expansion of the interim storage facility for large reels.

In the year under review, we built a new production plant in Coevorden, the Netherlands, which will begin manufacturing high-end homogeneous vinyl floor coverings towards the end of 2016. This will significantly increase the portfolio of resilient floor coverings for 2017, a range that is geared to new application areas in both the public and private sector.

#### **Execution and efficiency will drive a return to profitable growth**

For 2016 we anticipate market conditions similar to those in the reporting year, and this will pose a challenge for all areas of the organization. We will execute our strategy systematically, develop our attractive product portfolio with a focus on customers in all target segments, and coordinate it closely with a wide range of applications. We expect this approach to generate better-than-average sales growth in the growth markets, especially in Asia.

We will support all these investments and activities with continuous efficiency gains along the entire value chain in order to get back on the path to profitable growth.

# INNOVATIONS ADDED TO PRODUCT RANGE FOR THE PRIVATE SECTOR

Continuously improving the sustainability and environmental friendliness of products and processes – this is the priority in all changes and new developments at Flooring Systems. Forbo floor coverings combine attractive and innovative design with long life and high product quality. Forbo has again made its mark in the reporting year with a wide range of new trends.

## **Design award for unique linoleum offer**

After the launch of the very diverse and trendy modular linoleum floor coverings for the private sector in the previous year, the collection was extended in the reporting year by a click-fit version, which can also be used in the commercial sector. This is available in square and rectangular formats, and allows easy and quick installation.

Work continued in the reporting year on further innovative and creative linoleum offers, resulting in a unique linoleum collection with a striped look whose surface has a three-dimensional embossment. The use of this embossment technique gives the surface texture a new depth, and changes the way the surface feels to the touch. With the aid of a large metal roller, a 3-D pattern is embossed into the linoleum, transforming the otherwise flat surface, giving the floor covering its own dynamics as the appearance changes depending on the incidence of light and the angle of view. This gives a warmer, cozier character to any ambience. Accordingly, this collection is more likely to be popular for installations in the private sector, for example in nursing homes or in office buildings. Alongside this aesthetic aspect, the technique also has practical advantages – it is very good at hiding scratches, dirt or uneven surfaces of the underfloor.



This collection, available in various tone on tone shades and colorful designs, was distinguished in February 2016 with the iF Design Award, which, alongside the Red Dot Award, is one of the world's most prestigious design awards.

This product offer, with a three-dimensional effect, will also be available as of spring 2016 in a modular version.

## 'NATURALNESS IN THE FOREGROUND'

### **Even more sustainable entrance matting systems**

Our high-performance entrance matting systems keep entrance areas clean and tidy, and reliably absorb most of the dirt and wet before it is carried into the building. This protects the neighboring floor covering from dirt and wear, which in turn effectively reduces building care and maintenance costs. The sustainable entrance matting systems owe their dirt- and water-repellent properties to highly absorbent fibers and robust bristles.

In order to make the product offer for permanently installed entrance matting systems even more sustainable, the Nuway collection has been expanded with a bamboo version, in which the aluminum rails are replaced by strips of bamboo. This version gives the ambience an even more natural, softer look. Bamboo is a regenerative material of the grass family, with all the advantages of the finest hardwoods.

