

Business and financial review

The Geberit Group achieved convincing results in 2013. In a continued challenging environment, market shares were gained in many markets through above-average sales increases. Despite continued, substantial investments in organic growth, the results were up on the previous year's values. The healthy sales growth and lower cost of materials in percentage terms compared to the previous year had a positive effect on the results. This was partially offset by higher customer bonuses as well as increased maintenance and personnel expenses. With these results, Geberit noticeably outperformed the European market environment and further consolidated its position as a leading provider of sanitary technology.

Market environment

Challenging parameters

2013 saw only an insignificant change in economic and political parameters. As in the previous year, the construction industry in the geographic markets relevant for Geberit saw strongly divergent developments. Some markets remained robust, others recovered in the second half of the year and several remained caught up in a serious crisis.

Euroconstruct published an updated outlook for construction volumes in **Europe** in November 2013. These figures once again forecasted a decline in building construction volumes of 2.7% in 2013 (previous year -4.4%). The decline was much more significant for new buildings (-4.5%) compared to renovations (-1.2%). When compared to figures from further in the past, new building projects are over 30% down on 2008 and almost 40% down on the same value in 2007. In contrast, the renovation business is comparatively stable and has been ranging between 5 and 10% below the values from 2007 and 2008 for several years.

In addition to the more stable situation in the building renovation sector mentioned before, Geberit also benefited from the generally positive trend in the building construction sector in countries such as Switzerland (+1.9%) and Germany (+0.3%). Also of note is the largely positive situation in Scandinavia (with the exception of Finland). In comparison with the construction sector as a whole, Geberit also benefited from the fact that, at -4.0% (previous year -8.2%), the civil engineering sector – which is not relevant for the company – trended substantially weaker than the building construction sector. Based on this information, Geberit can assume that it clearly outperformed its competitors once again. For example, the company managed to develop better than the market environment in countries experiencing a decline – thus gaining market shares.

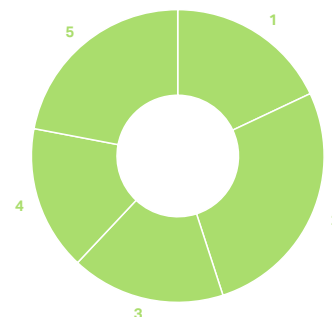
Of the total construction volume in 2013 of EUR 1,285 billion, 78% relates to building construction. Residential construction accounted for just under 60% of this, and non-residential construction for just over 40%. Within the building construction sector, slightly more than half pertained to renovation projects, primarily as a result of the high proportion within residential construction.

In the **USA**, gross domestic product (GDP) rose by 1.9% and the economy grew at a slower rate than in 2012 (+2.8%). Investments in building construction increased by 8.6% year-on-year, thus continuing the recovery which started the previous year. However, despite positive trends a return to the long-term average is still a long way off. Investments in non-residential construction increased by 0.1% in total (previous year +5.1%). While offices, hotels and commercial buildings increased noticeably (+6.3% in 2013), the trend for the healthcare/hospital and school/university sectors important to Geberit remained unsatisfactory (-5.2% in 2013). Residential construction performed substantially better than non-residential construction: The number of building permits for new private residential units increased by 18.0% in the reporting year (previous year +33.0%), while the number of permits for single-family houses rose by 19.0% (previous year +24.0%). The number of finished private residential units increased by 17.0% year-on-year (figures on the US construction industry as per the US Department of Commerce, United States Census Bureau).

In contrast to the global trend of a slowdown in development (from 2.6% to 2.4% according to the International Monetary Fund), economic growth in the **Far East/Pacific** region increased to just under 5%. Around 60% of total global growth was reported in this region in 2013, with China accounting for 60% of this figure. Based on the data of IHS Global Insight, the construction industry in Asia experienced similar growth in 2013 (+4.9%) as in the previous year, whereby the civil engineering sector, which is not relevant for Geberit, grew more strongly than the building construction sector. With almost 50% of regional construction volume and well over half the growth, China remains the dominant country in the construction sector in the Far East/Pacific region.

Total construction output Europe 2013

(EUR 1,285 billion)

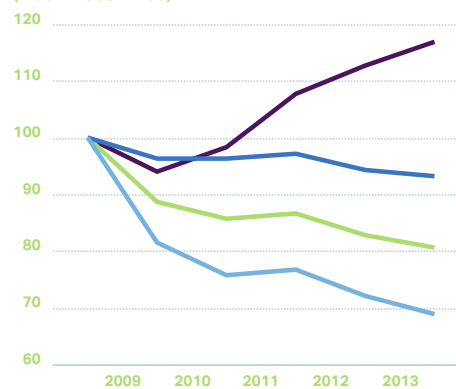


- 1 Residential - New (18%)
- 2 Residential - Renovation (27%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (16%)
- 5 Civil engineering (22%)

Source: 76th Euroconstruct Conference in Prague, November 2013

Construction output and Geberit sales in Europe 2009–2013

(Index: 2008 = 100)



- Geberit sales currency-adjusted in Europe
- Total Building Construction
- Total Building Renovation
- Total New Building

Source: 76th Euroconstruct Conference in Prague, November 2013

Sales

Currency-adjusted sales growth slightly below medium-term target range

Cumulative sales in 2013 increased by 4.7% to CHF 2,291.6 million. With a growth of 3.6% in local currencies, total sales were slightly below the medium-term growth expectation of 4 to 6%. The total growth figure is made up of a volume effect of +1.8%, a price effect of +1.8% and a foreign currency effect of +1.1%.

In spite of the decline in sales experienced between 2008 and 2011, the longer-term trend remains encouraging. Average growth for the last ten years was 5.0%.

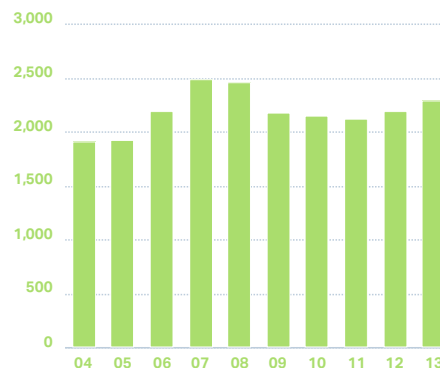
Market shares gained

The following changes in sales figures by markets and regions refer to local currencies.

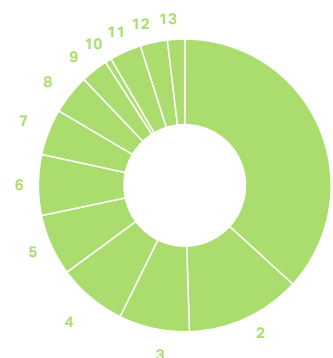
In a continued challenging environment, market shares were gained in many markets through above-average sales increases. Europe recorded an increase in sales of 3.7%. While individual markets saw recoveries in the second half of the year, an overall trend of strongly diverging developments continued. Substantial growth was posted in the United Kingdom/Ireland (+18.3%) and Germany (+7.4%). The Nordic Countries (+4.5%), Central/Eastern Europe (+4.1%), the Iberian Peninsula (+3.9%), Switzerland (+2.9%) and France (+1.0%) also made gains. By contrast, the Benelux Countries (-1.7%), Austria (-1.8%) and Italy (-5.0%) recorded drops in sales. Despite a slight recovery, the sales development in America (-0.8%) remained negatively affected by the poor state of the public sector – an area of prime importance to Geberit in this region. Sales in the Far East/Pacific region, which were largely affected by negative business development in China, decreased by 3.8%. However, Middle East/Africa achieved positive sales growth of +23.8%.

Sales development 2004–2013

(in CHF million)



2013 sales by markets/regions



- 1 Germany (36.8%)
- 2 Switzerland (12.7%)
- 3 Benelux (7.8%)
- 4 Italy (7.6%)
- 5 Central/Eastern Europe (6.8%)
- 6 Austria (6.7%)
- 7 Nordic Countries (5.1%)
- 8 France (4.4%)
- 9 United Kingdom/Ireland (3.0%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.5%)
- 12 Far East/Pacific (3.0%)
- 13 Middle East/Africa (1.9%)

Stronger growth in Piping Systems

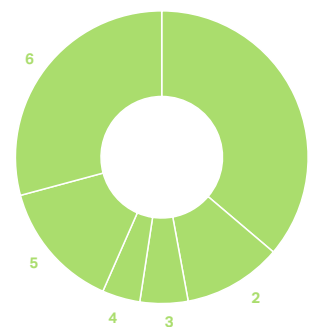
Sales for the **Sanitary Systems** product area increased by 4.4% in Swiss francs to CHF 1,297.6 million. Growth in local currencies was 3.3%.

Sales for the **Installation Systems** product line, at 36.2% of Group sales the most important product line, rose by 5.2% in local currencies – thus also achieving the highest increase across all product lines. In the reporting year, drywall elements and designer actuator plates were also a key to success. The Huter prefabricated bathrooms also achieved impressive growth rates. Growth of 2.1% was posted by the **Cisterns and Mechanisms** product line, which accounts for 10.9% of total sales. Sales were boosted by the strong growth of the Monolith sanitary module for WCs, which is breaking into ever more markets. In contrast, sales of traditional exposed cisterns stagnated as a consequence of Geberit's efforts over many years to convert to concealed solutions. Sales of filling and flush valves also stagnated, mainly because of the generally volatile OEM business. The AquaClean shower toilet was not able to achieve the growth seen in the previous years. Following years of impressive growth, the effects of the introduction of the new AquaClean Sela and delivery problems due to the high demand for the new models resulted in only single-figure growth rates in the past year. Sales for the **Faucets and Flushing Systems** product line, which accounts for 5.3% of total sales, decreased by 3.9% in 2013. This product line continued to be negatively affected by challenging market conditions where the US subsidiary Chicago Faucets is engaged in business with schools and hospitals. Sales of urinal flush controls remained stable at the previous year's level. Sales for the **Waste Fittings and Traps** product line, representing 4.2% of total Group sales, improved only slightly by 1.2%. The positive growth rates seen in floor outlets and bathtub drains were offset by weaker sales in traps for washbasins, bidets, urinals and WCs.

Sales for the **Piping Systems** product area grew by 5.2% to CHF 994.0 million. The increase in local currencies was 4.0%. Once again, sales for this product area thus improved more than those for the Sanitary Systems area.

Sales for the **Building Drainage Systems** product line grew at an above-average rate of 5.1% in local currencies, contributing 14.2% to total sales. The Silent-PP and Silent-db20 sound-absorbing drainage systems did well, but sales of the PE drainage system decreased. The **Supply Systems** product line posted 3.4% growth. The contribution of this product line, which is the second largest measured by Group sales, remained unchanged at 29.2%. The Mapress Stainless Steel product range delivered impressive sales increases in particular. On the other hand, Mapress Carbon Steel and Mapress Copper and the Mepla multilayer piping system experienced below-average growth.

2013 sales by product areas and product lines



- Sanitary Systems (56.6%)**
- 1 Installation Systems (36.2%)
- 2 Cisterns and Mechanisms (10.9%)
- 3 Faucets and Flushing Systems (5.3%)
- 4 Waste Fittings and Traps (4.2%)
- Piping Systems (43.4%)**
- 5 Building Drainage Systems (14.2%)
- 6 Supply Systems (29.2%)

Results

Positive impact of foreign currencies

For the first time in a long time, the strength of the recovering euro against the Swiss franc had a positive impact on the income statement in 2013. The total currency gains contained in sales amounted to around CHF 25 million. In 2013, Geberit generated 69% of its sales in the eurozone, 5% in US dollars and 3% in British pounds. Accumulated currency effects increased sales by 1.1%. As a result of the currency trend, the operating profit (EBIT) was positively impacted by approximately CHF 2 million.

In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs are incurred in the same proportion in the currencies in which sales are generated. This hedging strategy has been almost completely successful for the euro and US dollar, but the higher costs in Swiss francs compared to sales in Swiss francs have led to slight deviations. Consequently, only minor currency gains or losses result from transaction effects.

In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or 10% stronger:

- Sales: +/-7% to +/-9%
- EBIT: +/-9% to +/-11%
- EBIT margin: approximately +/- 0.5 percentage points

For more information on the management of currency risks, please refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 4. Risk Assessment and Management, Management of Currency Risks](#) and the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 16. Derivative Financial Instruments](#).

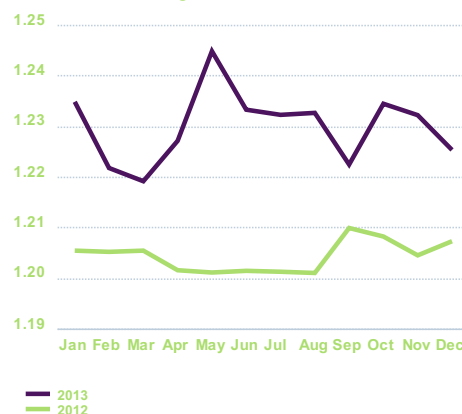
Increase in results exceeds sales growth

Thanks to healthy sales growth and efficient cost control, results were up on the previous year's values in a challenging environment in spite of once again continued, substantial investments in organic growth.

Operating cashflow (EBITDA) rose by 10.5% to CHF 592.8 million. At 25.9%, the EBITDA margin was significantly higher than the previous year (24.5%) and also above the medium-term target range. Over the last decade, average EBITDA growth of 6.0% was better than the corresponding increase in sales of 5.0%. Operating profit (EBIT) rose by 11.9% to CHF 510.7 million, and the EBIT margin reached 22.3% (previous year 20.9%). Net income increased by 12.5% to CHF 435.8 million, which led to a return on sales of 19.0% (previous year 17.7%). As a percentage of sales, net income thus reached its highest value since going public in 1999. Earnings per share rose by 14.1% to CHF 11.59 – also as a result of a lower number of shares issued.

EUR/CHF exchange rates 2012/2013

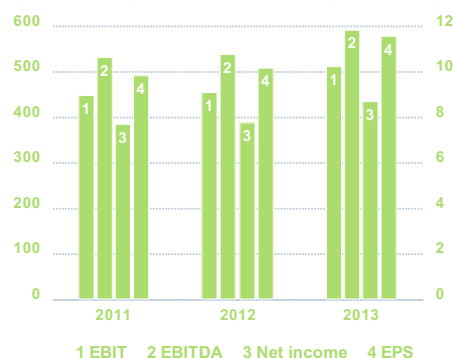
(Period-end exchange rates)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2011–2013

(in CHF million)

(EPS: in CHF)



Costs under control

Customer bonuses and cash discounts increased by 8.8% to CHF 291.7 million or from 12.3% to 12.7% of total sales, primarily as a result of sales growth.

In 2013, total operating expenses advanced by 1.8% to CHF 1,489.2 million or to 65.0% of total sales (previous year 66.9%). Foreign currency effects no longer had any significant influence on the operating results. Increased maintenance expenses, freight costs and personnel expenses had a negative impact. In contrast, the slight decrease in material prices compared to the previous year had a positive effect on the results.

The cost of materials increased slightly by 1.1% to CHF 597.2 million and dropped from 27.0% of sales in the previous year to 26.1%. The effects felt in the first four months of the year resulting from insourcing the shower toilet business, price increases and slightly lower material prices all contributed to this development. In historical terms, purchase prices remained very high although the situation stabilized somewhat in 2013, with industrial metals actually easing. Personnel expenses increased by 1.3% to CHF 475.4 million or 20.7% of sales (previous year 21.5%). This is explained on one hand by the rise in staff numbers due to the – to some extent temporary – adjustment of capacities in the production plants, the start of operation at the new plant in India and continued development in various emerging markets. On the other hand, salary increases and greater expenditure on the further training and development of employees also played a part in the increase. While depreciation increased by 3.1% to CHF 76.6 million, amortization of intangible assets fell by 5.2% to CHF 5.5 million. Other operating expenses grew by 3.6% to CHF 334.5 million due to the effects of continued organic growth and higher costs for maintenance and freight triggered by the growth in volumes.

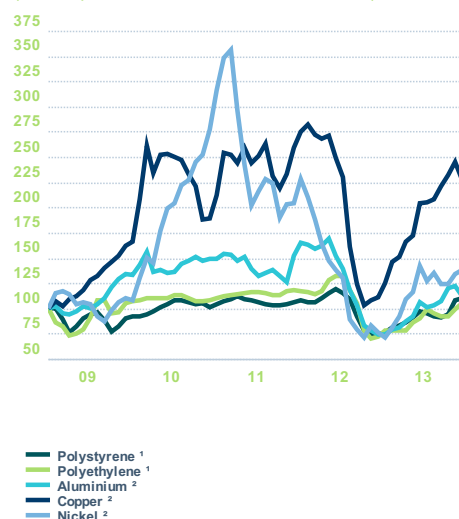
The improved financial result compared to the previous year (up by CHF 1.7 million to CHF -5.5 million) was due to lower interest payments made possible by debt repayments as per end of 2012 – partially compensated by currency losses. The tax expense increased by CHF 7.6 million to CHF 69.4 million, resulting in a tax rate of 13.7% (previous year 13.8%).

Increase in free cashflow

The marked upturn in operating cashflow (EBITDA) led to an increase in net cashflow of 8.8% to CHF 548.7 million. Free cashflow grew by 13.6% to CHF 444.3 million. The higher growth posted in comparison to net cashflow resulted from the positive effects of the change in net working capital, which was compensated in part through higher investments in property, plant and equipment. Free cashflow was largely used to pay distributions of CHF 248.2 million to shareholders.

Raw material price development

(Market price; index: December 2008 = 100)



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Financial structure

Solid financial foundation with equity ratio of 75%

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy to be continued while also maintaining the extremely solid financial foundation of the Group.

Total assets increased from CHF 2,007.4 million to CHF 2,226.0 million, mainly as a result of the higher cash reserve.

As neither shares were bought back nor debts repaid in contrast to previous years, the cash reserve increased substantially. In addition to liquid funds and marketable securities of CHF 612.8 million (previous year CHF 423.1 million), the Group had access to an undrawn operating credit line of CHF 198.3 million. At CHF 11.7 million, debts were slightly under the previous year's value of CHF 14.7 million. This resulted in positive net cash of CHF 601.1 million at the end of 2013 (previous year CHF 408.4 million).

Net working capital decreased by CHF 6.5 million to CHF 127.9 million compared to the previous year. Property, plant and equipment strengthened from CHF 521.2 million to CHF 536.4 million, while goodwill and intangible assets increased from CHF 638.1 million to CHF 645.5 million.

The ratio of net cash to equity (gearing) increased from -28.5% in the previous year to -36.1%. The equity ratio further improved from a very solid 71.3% to 74.8%. Based on average equity, the return on equity (ROE) was 28.2% (previous year 27.7%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 1,366.0 million at the end of 2013 (previous year CHF 1,346.0 million). The return on invested operating capital (ROIC) was 32.1% (previous year 28.9%). For details on the gearing, ROE and ROIC calculations, please refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital](#).

The Geberit Group held 212,382 treasury shares on December 31, 2013, which equals 0.6% of the shares entered in the Commercial Register. These treasury shares are mostly earmarked for share participation plans. With regard to the share buyback program concluded prematurely in December 2012, the General Meeting of April 4, 2013 approved a capital reduction in the amount of the shares repurchased in 2012. The 1,022,578 shares were canceled with effect from June 2013 following expiry of a two-month deadline and the publication of three notices to creditors in the Swiss Official Gazette of Commerce. The total number of shares entered in the Commercial Register now stands at 37,798,427 shares. The shares repurchased in 2011 as part of the share buyback program had already been canceled in 2012 by resolution of the General Meeting of April 4, 2012.

Debt (in CHF million; as of December 31)

	2011	2012	2013
Long-term debt	10.8	10.9	7.7
Total debt	75.6	14.7	11.7
Liquid funds and marketable securities	542.0	423.1	612.8
Net cash	466.4	408.4	601.1

Investments

Investment volume in line with medium-term goals

Investments in property, plant and equipment and intangible assets amounted to CHF 98.0 million in 2013 or CHF 12.0 million (+ 14.0%) more than in the previous year. Investment volume has thus reached around CHF 100 million, the level aimed for over the medium term in order to be prepared for expected growth. As a percentage of sales, the investment ratio was 4.3% (previous year 3.9%). All scheduled larger investment projects were carried out as planned.

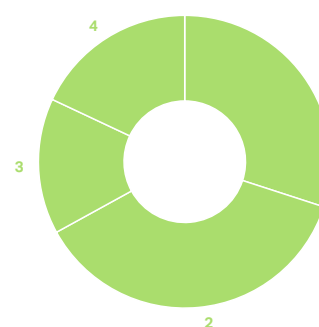
In 2013, 30% of all investments or CHF 30.3 million was used for infrastructure expansion. Geberit used 18% or CHF 17.5 million to acquire tools and equipment for new product developments. 37% or CHF 35.6 million was invested in the modernization of property, plant and equipment, while 15% or CHF 14.6 million was used for rationalization measures relating to property, plant and equipment.

The bulk of investments went toward machinery, the procurement of tools and molds for new products as well as building conversions and new building projects. Among other things, projects for the building of new plants in Slovenia and India were continued and preparations were made for the expansion of the Italian plant. Additionally, investments were also made for the further optimization of production processes and important development projects.

Expenditures for property, plant and equipment (in CHF million)

	2009	2010	2011	2012	2013
In % of sales	4.9	3.7	4.4	3.9	4.3

Investments by purpose



- 1 Capacity expansion (30%)
- 2 Modernization (37%)
- 3 Rationalization (15%)
- 4 New products (18%)

Employees

More employees once again

At the end of 2013, the Geberit Group employed 6,226 people worldwide – 92 persons or 1.5% more than in the previous year. This increase is primarily due to the – to some extent temporary – adjustment of capacities in the production plants, the start of operation at the new plant in India and the development of various emerging markets. A reduction in capacity in the Chinese plants offsets this growth slightly.

Based on the average number of 6,219 employees, sales per employee amounted to TCHF 368.5 or 3.6% more than in the previous year.

In view of the increase in market activities, the number of employees in marketing and sales business processes rose from 29.1% to 29.6%. In contrast, the share of employees in production dropped from 54.8% to 54.0% as a result of the below-average share among new employees. The other employee categories did not see any material changes: At the end of 2013, 9.0% worked in administration, 3.6% in research and development and 3.8% were apprentices.

Improving the profile as an attractive employer

First-rate employees are key to the sustained success of any company. Not only the best, but also the right employees are to be acquired and retained. The implementation of the employer branding concept was successfully continued in 2013 and the presence at job fairs intensified in particular. In doing so, Geberit sharpened its profile as a company with an open corporate culture that offers attractive international development opportunities at the interface between the craft, engineering and sales sectors.

For internal communication with employees, there is a focus on interactive, real-time communication that is accessible to all. The intranet plays a central role here, while special solutions involving newsletters and/or communal large-screens provide the production employees without access to personal computers with the information they need. The CEO, Albert M. Baehny, regularly informs the employees on the current state of the business, the economic parameters, the future prospects and general topics of interest in videos that are accessible on the intranet as well as via electronic newsletters. The employee magazine is published four times a year and contains articles on issues relevant to the world of Geberit.

In-depth employee surveys are used to evaluate their identification and satisfaction with the company. The most important findings from the 2011 survey revealed that employees identify with the company to a high degree and are very satisfied with their employment conditions. Areas from the survey with room for improvement such as personnel development have been tackled as part of a range of optimization measures. For example, the standardized global performance assessment, development and compensation process (PDC) started in 2012 was continued. The goal here is to reinforce the performance culture, increase transparency and better recognize and promote talent. Remuneration policies are based on standardized job assessments and salary levels for the relevant country. A central element of the process is that several supervisors assess the performance, development and salary of an employee together. The process is concluded with a feedback interview between the employee and their direct supervisor. The upper hierarchical levels – a total of around 1,000 employees or 15% of the entire workforce – are involved in this PDC process.

International opportunities for apprentices and management development

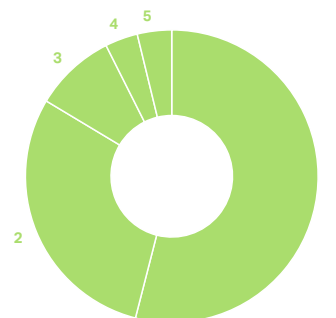
Geberit offers its employees attractive employment conditions. In 2013, salaries and social benefits amounted to CHF 475.4 million (previous year CHF 469.3 million), please also refer to the → [Notes to the Income Statement](#). The employees can also participate in share participation plans at attractive conditions, see → [Financial Statements of the Geberit Group, 18. Share Purchase Plans](#) as well as → [Corporate Governance, 5. Remuneration, Shareholdings and Loans](#) and the → [Remuneration Report](#).

Equal opportunities and equal pay for women and men are self-evident. The proportion of female employees at the end of 2013 was 31% (previous year 31%), and for senior management this figure was 7% (previous year 7%). As of 2013, the six-member Board of Directors no longer has any female members.

Employees by countries (as of December 31)

	2012	Share in %	2013	Share in %
Germany	2,351	38	2,423	39
Switzerland	1,259	21	1,255	20
China	758	12	718	11
Austria	491	8	503	8
Slovenia	224	4	248	4
USA	237	4	227	4
Italy	113	2	113	2
Others	701	11	739	12
Total	6,134	100	6,226	100

Employees 2013 by business processes (as of December 31)



- 1 Production (54.0%)
- 2 Marketing and Sales (29.6%)
- 3 Administration (9.0%)
- 4 Research and Development (3.6%)
- 5 Apprentices (3.8%)

In 2013, regional minimum wages were defined in Switzerland as part of the revised collective employment contract. In doing so, differentiations were made between three regions according to their respective economic strength.

Investment in employees with regard to education and further training continues to be of central importance. In the reporting year, employees attended around 17 hours of internal and external training and further education courses on average (previous year 17 hours). Additionally, 234 apprentices (previous year 229) were employed. The transfer rate of apprentices to a permanent employment relationship was 59% (previous year 92%). The target is a rate of 75%. Generally speaking, all apprentices should work at several different locations during their apprenticeship. As a global company, Geberit promotes the internationalization of employees. Experience abroad and the transfer of expertise are an advantage for both employees and the company. Therefore, apprentices have the option of working abroad for a period of six months on completion of their apprenticeship. While the greatest demand for these young professionals comes from China, similar apprentice programs are also in place in India and the USA. The Group trainers have been made aware of the importance of internationalization.

The Potentials Management process was continued. The goal here is to identify talent within the company and support selected candidates on their way to middle or upper management, or to their first management, project management or specialist functions. These measures are intended to ensure that at least half of the open management positions can be filled by internal candidates. In 2013, it was even possible for 70% of all positions in Group management to be filled internally (previous year 54%).

The management training program at the International Institute for Management Development (IMD) in Lausanne was continued in 2013 for the 160 members of Group management worldwide. The course was tailored individually to Geberit's needs and included topics such as strategic management, leadership and finance. As of the end of 2013, 130 employees had completed this program.

Systematic process for improving occupational safety

Group-wide, the absenteeism rate was 4.1% for the reporting year (previous year 3.5%). Of this, 4.0% (previous year 3.4%) was due to sickness and 0.1% (previous year 0.1%) to occupational accidents.

The health and safety of employees has the highest priority. Geberit has formulated the vision of an "accident-free company". Currently, over 60% of occupational accidents are due to carelessness and account for just under 50% of the lost working time. Therefore, changes in behavior will focus on this area. To meet the Group's ambitious standards, the objective is to reduce the accident frequency rate (AFR) and accident severity rate (ASR) by 5% per year and thus by 50% between 2010 and 2020. For this purpose, a comprehensive master plan for occupational safety including a package of measures for the period 2013 to 2015 has been developed and adopted. This will be implemented and checked as part of the Geberit Safety System (GSS). Since 2013, occupational safety has also become part of the annual assessment for the responsible managers in the plants.

The implemented measures are proving effective – in 2013, the AFR decreased to 10.2 (previous year 11.7) and the ASR from 202.6 to 124.3.

The two Chinese production plants have been certified according to OHSAS 18001 since 2009, the sales company in the UK since 2010, the production plant in Givisiez (CH) since 2011 and the production plant in Pottenbrunn (AT) since 2013. By mid-2016, all plants including logistics are to be certified according to OHSAS 18001 in combination with ISO 9001/14001.

The largest Geberit Group site in Pfullendorf (DE) has set itself the target of creating a working environment that promotes health. For some years, employees have been able to take advantage of a range of offers focusing on health, nutrition and relaxation. In 2013, a comprehensive concept was developed based on the following essential pillars: Making each employee increasingly responsible for their health, training and raising the awareness of supervisors ("health-oriented management"), creating incentives for employees and providing broad internal communication. The concept will be implemented on a step-by-step basis.

Integrity Line introduced

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. In this regard, the Geberit Compass – which formulates the self-image of Geberit (what we do, what motivates us, what is responsible for our success, how we work together) – and the Code of Conduct for Employees serve as the applicable guidelines. Revision of the Code was started in 2013 and will be completed in 2014. The Code applies worldwide and is available on the

intranet in 14 languages. New employees were introduced to the most important topics at the Welcome events, such as bribery, sexual harassment, workplace bullying and IT misuse.

The Geberit Integrity Line (whistleblower hotline) has been available since the start of 2013 and allows all employees to anonymously report internal irregularities either by phone or online in their mother tongue (35 languages). This makes an important contribution to the maintenance of high → **Compliance Standards** within the Group. No major cases were reported through the Integrity Line in 2013. The few registered complaints were all dealt with and issues were settled swiftly.

Customers

Differentiated customer approach

In order to ensure the Group's long-term success, Geberit relies on sustainable organic growth. To do this, it needs to increase penetration in the existing markets and also develop new markets. The needs and requirements of the various target groups – whether they are wholesalers, plumbers, architects, end users or real estate investors – thus play a central role in all marketing activities.

At the forefront are around 500 technical advisors working in field service at the local sales companies, who are in daily contact with plumbers, planners and architects. Training is another important instrument in retaining customers. During the reporting year, around 30,000 customers were provided with education and further training on Geberit products and software tools in the 25 information centers in Europe and overseas. Additionally, external events provide a special setting for training courses offered in cooperation with partners. In this way, around 80,000 customers became more familiar with Geberit know-how and products in 2013. In order for these customer events and training courses to be successful, it is not just the content that has to be constantly updated. In addition to the traditional focus on those in the trade, the increasing orientation towards end users requires the sales arguments to be tailored as specifically as possible to the different requirements of the target groups.

Preparations for the marketing activities to mark the "50 years of concealed cisterns" anniversary in 2014 are already underway. With more than 60 million cisterns sold to date, this constantly evolving product is a real success story. The success of the concealed cistern triggered the development of prewall installation, which allowed bathrooms to be designed with unprecedented levels of freedom. A paradigm shift occurred in European bathrooms – the bathroom was no longer merely a functional room, but instead was transformed into an area of comfort with individual fittings.

Internationally successful AquaClean campaign

Of particular importance in 2013 was the new cross-media AquaClean advertising campaign launched in a total of eleven markets – including → **Italy and Poland** for the first time. Water is the key element of the campaign. With slogans such as "natural freshness", "pure cleanliness" and "modern well-being", a dance performance evokes a sense of emotion and aesthetics. The Geberit AquaClean Sela – a shower toilet with a sophisticated technology concept – was also introduced at the start of the campaign. The design from Matteo Thun won the "iF product design award" and the "Interior Innovation Award", and also took home the "Design Plus powered by ISH 2013" award at the ISH in Frankfurt.

Brand tracking studies for end users were carried out in all eleven shower toilet markets in 2013. In addition to sociodemographic data, the studies also provided information on the respective awareness of the shower toilet product category, attitude and behavioral parameters, and also the perception of the Geberit AquaClean brand and the most important competitors. In all markets, the awareness of the product category and the perception of the Geberit AquaClean brand in particular have significantly increased – and the upward trend shows no signs of abating. The study reflects the success of market cultivation and the campaign in the individual markets.

Positive reaction to events

Geberit's most important target group is and remains plumbers. The current, tried-and-tested market cultivation activities such as customer visits, training or the provision of technical documentation were continued, as were the → **"Geberit On Tour"** events and the → **"Geberit Challenge"** competition for plumbers. "Geberit On Tour" is a mobile exhibition that allowed plumbers to experience the advantages of Geberit products up close and personally at more than 1,150 events in 2013. Around 34,000 visitors were registered at these events in total. The "Geberit Challenge" took place in Switzerland, Finland and twice in the United Kingdom in 2013. Garnering much media attention, the best team of plumbers in each of these countries was chosen. The Challenge events were also awarded the "Xaver" in 2013, the Swiss event industry's most important award. The format won over the independent jury and stole the show from other high-profile competitors.

Further improvements in customer service

Customer service and attractive information on new products are continuously improved and the range and use of communication tools further optimized. For example, since 2012 all Geberit technical advisors in Germany have been equipped with iPads. Using the sales app, the advisors can access all the relevant sales documentation online during sales discussions and then send it directly to the customer as required. As this new service has been met with a positive response from all participants, the sales app will now be made available to Geberit field service staff in a total of 20 markets. Also extremely popular among customers is the Geberit ProApp, which makes it easier to find and order spare parts. As Geberit guarantees the availability of spare parts for 25 years, the app is an extremely useful tool. This is also reflected in its popularity – since the launch of the Geberit ProApp at the ISH in March 2013, the app was downloaded 23,356 times and visited over 100,000 times by the end of the year. Additionally, the technical hotline – which has proven extremely successful in Germany for many years – will also be expanded to the Swiss market in 2014.

More emotion in customer communication

In 2013, Geberit again found trade fairs to be a suitable platform for maintaining customer contact and demonstrating the company's innovative power. The most important trade fairs were the ISH in Frankfurt (DE), Batibouw in Brussels (BE), Mosbuild in Moscow (RU), Kitchen & Bath China in Shanghai (CN), Idéo Bain in Paris (FR) and the Kitchen & Bath Industry Show in Las Vegas (US). Architects and designers were addressed directly at the Fuori Salone – the international design meeting point – in Milan (IT). In contrast to plumbers and planners, it is less the technical facts than the emotional and design aspects that count in communication with end users, designers and architects. With these customers in mind, Geberit Germany welcomed a total of 1,700 customers at ten trend shows in 2013. At these events, the participants were able to find out what the bathroom of tomorrow must offer in order to meet the changed needs of the customer – and how Geberit is addressing this trend in terms of design and innovations. The starting point for this series of events was a trend study carried out by Zukunftsinstitut GmbH in Frankfurt (DE) entitled "Changes in Body Awareness and Hygiene". One of the findings from the study revealed that the bathroom will increasingly become a place of communication and also a home for innovative technologies and devices.

Innovation

Innovation as a central brand value

As innovation is a key factor in Geberit's position as market leader, substantial resources were once again invested in the development of new products and the improvement of existing products and technologies in 2013. In addition to features such as top-class quality, durability and ease of installation, the new products also use water and resources efficiently while guaranteeing the highest possible level of hygiene and optimized acoustic features.

The Group's innovative power, which is above average in a sector comparison, helps to ensure its sustained success. As successful research and development (R&D) is a prerequisite for success, the Group invested CHF 50.9 million (previous year CHF 49.8 million) or 2.2% of sales in upcoming products. Expenditures increased by 2.2% year-on-year. Additionally, as part of the → **investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for the production of newly developed products. The company applied for 20 patents in 2013, bringing the total for the last five years to 101.

All new product developments go through a structured innovation and development process, which ensures that the Group's creative potential is used to the optimum extent and that the development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here.

Decisive know-how in technology and innovation

Design, comfort, drinking water hygiene, fire protection, sound insulation, ecology and sustainability – Geberit has professional answers to all these global topics and trends. Innovations are developed within the team and know-how is combined in all aspects of the product. To support its internationalization efforts, the Group maintains development competence centers of its own in China and the US.

Two examples show the extent of the expertise at Geberit:

- In the area of sound insulation, work is being carried out on minimizing acoustic disturbances with the help of innovative technologies. This expertise is in demand: The Deutsche Institut für Normung e.V. (DIN) has asked Geberit to make a statement on VDI 4100 – the most important standard for enhanced sound insulation in Germany – in order to offer targeted practical support for planners, architects, manufacturers of building products, consultant engineers and surveyors. With this statement, Geberit demonstrates a strong commitment to acoustically sustainable building, supports enhanced sound insulation and increases personal well-being and quality of life.
- Specific simulation programs have been developed in order to analyze the flow behavior as well as the pressure and velocity distribution of the water in individual components. In this way, products such as the → **Sovent fitting** have been optimized. In many cases, such simulations mean that real prototypes are no longer needed.

New products for technicians and designers

Various new products were launched on the market in 2013:

- With its simple, modern lines and innovative technology, the new → **Geberit AquaClean Sela shower toilet** launched in April 2013 is a compelling product offering a high level of convenience. In adding this model, Geberit is supplementing its line of shower toilets with a complete solution that has been fundamentally redesigned and fits into nearly any style of bathroom. The spray functionality, which uses aerated water for cleaning, is the main feature of the new shower toilet. Enrichment with air not only gives a pleasant feeling of cleanliness, but also reduces water and energy consumption.
- The company's → **market position in China and Southeast Asia** was reinforced with new and innovative products and an expanded product range. The popular Monolith sanitary module launched in 2012 is now available in a range of new attractive colors and patterns. The Alpha concealed cistern, which was launched successfully in India in 2012 and is sold together with the WC ceramic appliance, was also launched in China and Southeast Asia. The cistern – an addition to the existing concealed models in China – has an environmentally compatible dual-flush mechanism that reduces water

R&D expenditures (in CHF million)

	2009	2010	2011	2012	2013
	45.6	44.2	48.4	49.8	50.9
In % of sales	2.1	2.1	2.3	2.3	2.2

consumption. It is more efficient than traditional pressure flushing valve systems as it needs smaller pipe diameters and less water pressure.

- Following their optical and technical redesign, the → **actuator plates Sigma10 and Sigma50** were launched and are setting new design trends.
- The new → **sound insulation for the Pluvia roof outlet** solves the problem of irritating gurgling sounds in the roof outlet by removing the source of the noise. This adds a unique product to the globally successful Pluvia roof drainage system. This innovative product will cement the market position as an acoustic specialist.
- To ease the daily work of Geberit's most important customers – plumbers – the tried-and-tested → **welding machines for polyethylene pipes** were improved further. The result was a reduction in weight without sacrificing robustness, while functionality and operation were improved in many small details and the conversion of the machine from one pipe diameter to another was simplified.

For more details on new products in 2013, see the → **Product Magazine 2013**.

Several new product launches are planned for 2014:

- The new, flow-optimized → **Sovent fittings** facilitate an optimal layout of waste water discharge stacks in high-rises. The fitting ensures pressure compensation and increases the discharge rate by 40%, and also permits the use of relatively small-sized discharge stacks even in very high buildings.
- The → **flushing system Omega** features extra-small actuator plates and a cistern that is available in three installation heights for optimal flexibility. Depending on the room layout, the high-quality actuator plates can be mounted on the cistern either from the front or the top.
- The thin → **actuator plate Sigma70** floats a few millimeters in front of the wall and impresses with a refined elegance that has already won international design awards. Thanks to patented servo technology, a gentle press suffices to trigger the dual flush.
- The → **Monolith Plus** is a further development of the sanitary module for WCs that was successfully introduced in 2010. Extras such as an integrated odor extraction unit and a discreet, indirect LED light for orientation at night set new standards in both comfort and style.
- Another further development of a product already successfully introduced on the market is the attractive → **wall drain for showers**. This elegant solution can be installed virtually anywhere thanks to its extra-flat trap and is also ideally suited for renovations.
- Drainage pipes made of polyethylene can be connected to one another in a permanent and impermeable manner. This can be achieved using an electrofusion sleeve coupling or an electrofusion coupling with integrated thermal fuse, among others. New tools such as the → **electrofusion machine ESG3 and the pipe scraper** greatly facilitate the work on the building site or in the workshop.

For more details on new products in 2014, see the → **Product Magazine 2014**.

Logistics and procurement

Intelligent transport solutions

The area of logistics is viewed as one of Geberit's core competencies. Integrated logistics processes enable greater customer closeness and thus represent an important link to customers. They also contribute to reducing environmental impacts. As the interface between plants, markets and transport service providers, Transport Management coordinates the activities in question and facilitates intelligent transport solutions, for example, by enabling transport runs between plants to be linked with deliveries to customers. This reduces the number of empty kilometers and increases truck capacity utilization.

In 2013, the cooperation with six main transport service providers for land transport in Europe was continued. These service providers regularly report to Geberit on their quality and environmental management systems – among others including the reduction of energy consumption and emissions. Geberit also arranged with these service providers for all new truck purchases to meet the Euro 6 emission standard in advance of this standard coming into effect in 2014. The logistics calculator developed by Geberit records data on the composition of the vehicle fleet, transportation performance and the environmental impact of the transport service providers and prepares an eco-balance sheet. This enables greater comparability between the transport service providers and a more efficient tracking of the improvements that have been made. In 2013, the largest transport service providers handled 176.6 million ton-kilometers (previous year 169.7 million ton-kilometers; +4.1%), resulting in 27,483 metric tons of CO₂ emissions (previous year 26,883 metric tons; +2.2%), with a fleet consisting of 87% Euro 5 vehicles (previous year 84%) and already featuring 3% Euro 6 vehicles.

In the reporting period, mega-trailers were used for all transport runs between the Rapperswil-Jona (CH) site and the logistics center in Pfullendorf (DE) as well as between Pottenbrunn (AT) and Pfullendorf. These trucks allow more load volume to be transported. The use of mega-trailers as opposed to conventional vehicles resulted in 452 fewer transport runs being made in 2013. This translates into a reduction of 134,000 kilometers. Diesel consumption was reduced by 39,900 liters and CO₂ emissions were lowered by 164 metric tons. Geberit is also working on innovative solutions aimed at enabling a higher goods per truck ratio and further increasing capacity utilization.

Furthermore, the pilot project with an → **environmentally friendly, natural gas truck** running between Pfullendorf and Rapperswil-Jona commenced at the end of 2013. This pioneering project is being conducted in collaboration with a transport service provider and a truck manufacturer.

Supplier management proves its worth

The centrally organized Purchasing department is responsible for procurement for all production plants worldwide. Geberit's business partners and suppliers are obligated to maintain comprehensive standards. This not only applies to quality, but also to socially responsible and healthy working conditions as well as environmental protection and the commitment to fair business practices. As a rule, the selection of new suppliers is required to include a quality audit covering clarification on environmental, health and safety issues. Where an audit reveals inconsistencies in the area of sustainability, an additional, in-depth audit is conducted. The basis for the cooperation is the → **Code of Conduct for Suppliers**, which was introduced in 2007. This Code is aligned with the principles of the United Nations Global Compact and is binding for every new supplier. Up to the end of 2013, 701 suppliers had signed this Code (previous year 671 suppliers). This equates to 95% of the total procurement value (previous year 95%). Among the top 200 suppliers, the proportion of companies that have signed is 99% (previous year 99%).

When evaluating suppliers, Geberit strives to achieve the greatest possible degree of transparency. All new and existing partners are thus assessed by means of standardized processes according to the same criteria: company as a whole, quality and sustainability, price, procurement chain and delivery reliability, production and technology. Comprehensive supplier management has proven its worth. Since 2013, data is now exchanged only digitally between suppliers and Geberit.

The risk management approach is based on the division into risk classes – depending on the production location (country) and production processes at the supplier. To ensure neutrality and the expertise required for the audits, Geberit works with an external partner. In China, for example, the carrying out of audits by independent experts has proven effective. Performing such audits makes an important contribution to enhancing credibility in supplier management. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedying the situation. For example, shortcomings were revealed at three Chinese suppliers in 2013, primarily in the areas of occupational safety, working hours and remuneration. Action plans were agreed upon with these three companies, the implementation of which will be checked and demanded during a re-audit in 2014.

Sustainability

Sustainable thinking and action as part of the Geberit culture

A sustainable corporate culture makes it possible to increase the value of the company over the long term and minimize risks for its future development. Geberit aims to be a role model and to set standards for customers, suppliers and other partners. This applies to water-saving, sustainable products; environmentally friendly and resource-efficient production; procurement and logistics with high environmental and ethical standards; and good, safe working conditions for the more than 6,000 committed and qualified employees worldwide. The corporate social responsibility is realized among other things within the scope of global social projects relating to the core competence of water and is intensified through partnerships such as that with Swiss WaterKiosk aimed at cleaning polluted drinking water in Bangladesh. There is also a long-term partnership with the Swiss development organization Helvetas.

The 50th birthday of the Geberit concealed cistern is a perfect example of how long-term business success is compatible with environmentally friendly action. This highly successful product, which has been sold over 60 million times, was a far-sighted strategic step on the journey from a sanitary unit to the bathroom of today in its modern form. Water saving through reduced flush volumes, reliable quality and comfort for end users as well as the 25-year guaranteed spare parts availability for plumbers are all convincing aspects of a sustainable product.

Responsible handling of water

With its Millennium Development Goals from the year 2000, the United Nations aims to halve the number of people without access to clean drinking water and sanitary facilities by 2015. This demonstrates the great importance of the topic of water for world health, world nutrition and peacekeeping. The increase in the world's population, migration, urbanization, climate change and natural disasters can lead to regions that are currently well supplied with water becoming problem regions in the future. These global trends will have a significant impact on future sanitary technology: Water-saving and resource-efficient products are becoming even more important. The EU is increasingly putting water conservation on its political agenda and is developing ecolabels for efficient toilets, urinals, washbasins and showers. As an industry leader in the area of sustainability, Geberit imposes stricter standards on its products than those prescribed by the European ecolabels. In the → [product classification system WELL \(Water Efficiency Label\)](#) for water-saving and resource-saving products introduced by the industry in 2011, seven Geberit product groups are already represented in the highest classification class A.

The continuous reduction of the ecological footprint of Geberit products goes beyond water saving. The → [eco-design approach](#) has been implemented since 2007. This means that concepts are tested in their entirety during a product's early development phase in order to examine how water, energy and material consumption can be optimized. At the same time, production processes are often also simplified and cost savings made. Thanks to this pioneering work on the topic of eco-design, Geberit is well equipped in terms of possible requirements as envisaged as part of an EU ecodesign directive. The ability to think ahead and quickly implement measures in development can also be seen in the handling of the European Drinking Water Directive 98/93/EC, which is valid as of December 1, 2013 and defines a maximum allowable lead concentration in drinking water. All affected components made of copper materials – some 1,800 products – were adapted to the new requirements ahead of time.

System provider of solutions in green building

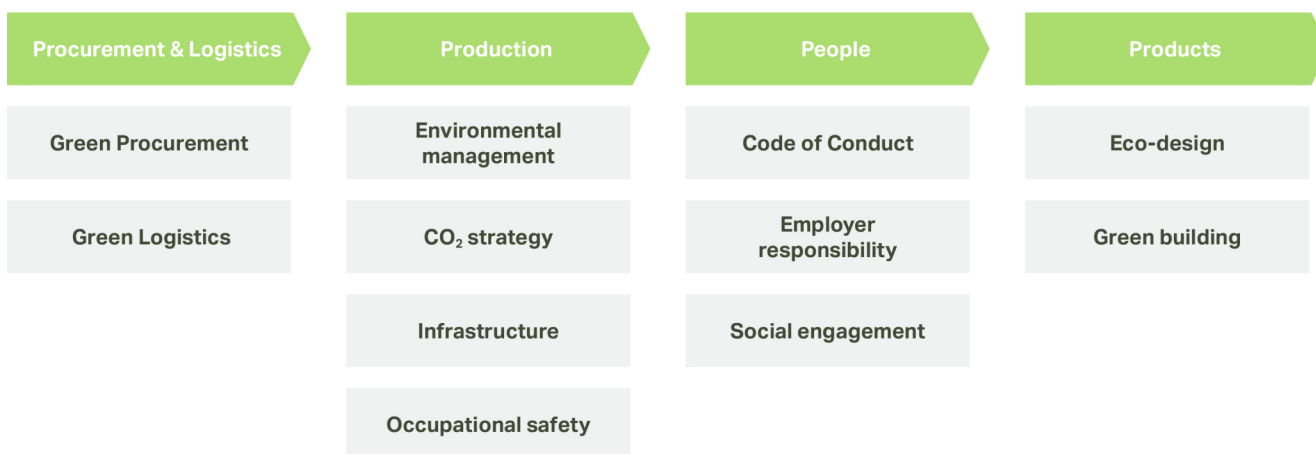
Green building has long been more than just a trend. European standards in this area are becoming increasingly significant and new standards are setting out the basic rules for → [environmental declarations](#) for individual products and systems for buildings, for example. At the same time, more and more buildings are being constructed in accordance with voluntary sustainability standards such as DGNB, Minergie, BREEAM and LEED. Investors, project developers, owners and tenants are looking for system providers with holistic expertise regarding green building that can contribute to the respective desired standards being fulfilled in a targeted manner. This is opening up a future market with major potential in which Geberit is present and well positioned with water-saving, energy-saving, low-noise and durable products. The importance of the topic is also reflected in the increasing number of green building reference projects in which Geberit products are installed. The impressive shopping center → ["Emporia" in](#)

Malmö sets itself apart thanks to its striking architecture and is also a BREEAM-certified green building. The Mepla piping system and the Duofix installation systems from Geberit meet the stringent BREEAM requirements here. When constructing Shanghai Tower, the world's second tallest building, those responsible for the project opted for the Geberit Pluvia roof drainage System, which efficiently collects rainwater, enabling over 40% to be reused. Geberit Sigma concealed cisterns and PE piping systems are an integral part of green buildings in Milan's new skyline: → **UniCredit Tower and Bosco Verticale** are both nominated for LEED Gold certification.

Sustainability strategy and reporting as a foundation

Geberit's positioning as a sustainable company is playing an increasingly important role in various stakeholder groups' expectations, as is reflected by a large number of awards. The consistent implementation of the sustainability strategy is an essential guideline for the development of all internal organizational units. The strategy focuses on individual sustainability modules. Among these are → **green procurement**, → **green logistics**, → **environmental management in production**, → **occupational safety** and → **eco-design in product development** as well as → **social engagement**. Each module contains a clear objective, derived measures and quantified key figures for effective monitoring. Overall, objectives were achieved to a great extent in 2013. For more information, see the → **sustainability strategy**.

Sustainability strategy landscape



Geberit is committed to internationally recognized principles of sustainability and since 2008 has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalization more socially responsible and environmentally friendly. The → **Communication on Progress** regarding measures in the areas of human rights, labor practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local Swiss network of the UN Global Compact. The formal anchoring of the subject of sustainability is reinforced by the → **Code of Conduct for Employees** and the → **Code of Conduct for Suppliers**. Compliance with the directives is ensured by continuously improved → **compliance processes**. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Corporate Governance, 3. Board of Directors, Information and Control Instruments vis-à-vis the Group Executive Board**.

A sustainability performance review is published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). All aspects of the guidelines can be found in the → **Sustainability Performance Report for 2013**. As part of sustainability reporting for 2012, an external stakeholder panel was initiated and consulted for the first time. Its mandate consisted of providing feedback on the company's sustainability strategy and reporting, as well as reviewing whether the key topics were included in the sustainability reporting and whether the needs of the stakeholder groups were taken into consideration. The results are summarized in a → **panel statement**. These served as a basis for the further development of the sustainability strategy and reporting for 2013. The next stakeholder panel consultation is due to be carried out in 2014, where key sustainability topics shall also be identified. Focusing on the key issues in the respective company in the reporting is an essential part of the new GRI G4 guidelines published in summer 2013.

The information disclosed within the scope of this report fulfills the maximum transparency grade A set out in the currently applicable GRI G3 guidelines, as has been verified and confirmed by GRI (see → [GRI Statement](#)). The presentation of the Econ Award for corporate communication in Berlin demonstrates that the efforts being taken to create more transparent communication on the topic of sustainability are being recognized by others. The integrated sustainability reporting for 2012 received excellent feedback and the silver medal in the Online Reporting category.

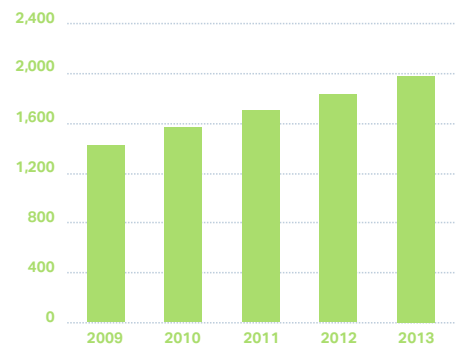
The efforts in terms of sustainable business management are also being rewarded by the capital market. At the end of 2013, more than 10% of Geberit stock was held by sustainability-conscious investors. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. For example, the Geberit share is represented in the Dow Jones Sustainability Index (DJSI) and part of the STOXX Europe Sustainability Index as well as the FTSE4Good Index (Europe/Global), where it is among the supersector leaders in Construction & Materials. In addition, renowned sustainability funds hold the shares in their portfolios. Geberit's objective is to continue to play a significant role in the future in the "Sustainability" and "Water" investment segments that are still gaining in importance.

Saving water with Geberit products

Thanks to industry-leading research and development, Geberit products impress with their high environmental compatibility and recyclability. The company's greatest environmental achievement, however, is a result of its contribution to the sustainable use of water resources. The analysis of the entire value chain in the form of a water footprint shows that nearly 100% of the water consumption is attributable to the product usage phase. The savings are impressive: According to one model calculation, the entire dual-flush and flush-stop "fleet of cisterns" produced since 1998 has so far saved around 15,800 million cubic meters of water in comparison with traditional flushing systems. In 2013 alone, the water saved amounted to around 2,000 million cubic meters. This is more than half of the annual consumption of all German households.

Water-saving through Geberit products 2009–2013

(in m³ million)



Water footprint throughout the value chain (2013)

Provision of raw materials

0.6% of the total amount of water is required in the manufacture of raw materials for Geberit products.



0.6%
(14 million m³)

Manufacturing

A mere 0.01% of the water is used in the manufacturing of products at Geberit in 2013.



0.01%
(0.14 million m³)

Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2013 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.4%
(2,591 million m³)

Disposal

0.01% of the total amount of water is used for the disposal of Geberit products.



0.01%
(0.25 million m³)

Sustainable products thanks to eco-design

The basis for sustainable products is a systematic innovation and development process in which the most environmentally friendly materials possible are chosen, risks are minimized along the value chain and a high level of resource efficiency is targeted in the area of product design. Eco-design workshops, in which different disciplines cooperate and ensure that every new product outperforms its predecessor in environmental aspects, have been an integral part of product development since 2007. For example, thanks to innovative flow technology, the discharge rate of → **Sovent fittings** – a product which facilitates an optimal layout of waste water discharge stacks in high-rises – was increased by 40%. Since 2010, eco-design has also been included in product modifications and technology projects, thus ensuring that opportunities to reduce the ecological footprint are always utilized to their full potential.

Specially created product life cycle assessments are important decision-making aids for the development processes and provide arguments for the use of products that conserve resources. Detailed life cycle assessments have already been prepared for the following products: drainage/supply pipes, AquaClean 8000plus, electronic lavatory taps type 185/186, concealed cisterns and urinal flush controls. An Environmental Product Declaration (EPD) was issued in accordance with the new European standard EN 15804 for the first time in 2012. The EPD for lavatory taps provides relevant, comparable and verified information about the product's environmental performance. New ways of more efficiently creating product life cycle assessments and EPDs for other products are currently being sought. A pilot project for the systematic recording of environmental data at the product level was therefore started, which should greatly simplify a further processing to EPDs and ecological product information.

WELL label documents leading position in the area of water conservation

In 2013, the European Commission formally agreed upon the criteria for an ecolabel aimed at reducing water consumption in European toilets. This label will be awarded to toilets that – in addition to fulfilling other requirements – use a maximum of five liters per toilet flush and therefore contribute to significantly reducing the average water consumption per toilet flush. An industry solution that was introduced in 2011 and supported by Geberit already provides incentives for exceeding these requirements. The WELL label (Water Efficiency Label) introduced by the European umbrella organization for faucet manufacturers (EUnited) takes its direction from the well-known and well-established energy labels for electrical household appliances and serves as an information and orientation aid. WELL provides consumers with information about a product's water efficiency at a glance. WELL uses a scale of A to D for products for home use and A to F for products for use in public areas. For example, WC flushing systems achieve the A class only if they use a maximum of between four and five liters per flush. As such, these requirements are more stringent than those for the EU Ecolabel. Of the eight Geberit product groups already certified, seven are represented in the A class and one in the B class. These product groups account for around 20% of Group sales. This water-efficiency label has been added to packaging and specified in the catalogs since 2013. The list of products certified in the A class also includes one of the most important products in the Geberit range, the Sigma concealed cistern.

Production with high resource efficiency

All production sites – with the exception of the Indian site, which commenced operations only in the second half of 2013 – and logistics as a whole are subject to systematic, Group-wide environmental management and certified in accordance with → **ISO 9001 and ISO 14001**. Certification for the entire Group was renewed in 2012 and is valid until 2015. A comprehensive corporate eco-balance is prepared each year as the basis for targeted measures to improve environmental performance. In 2013, the roll-out of the integrated management system for quality, environment, energy and safety was continued at all plants. This includes the further implementation of the software program launched in 2012 for the Group-wide monitoring of the corporate eco-balance, the energy master plan and occupational safety. Among other things, this enables the energy balance to be checked on a monthly basis.

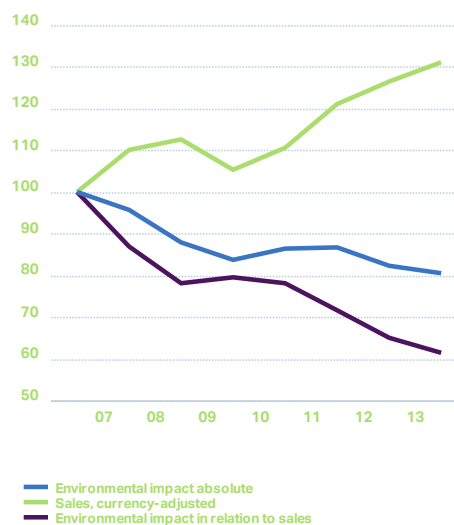
Although currency-adjusted Group sales rose by 3.6% in the reporting year (previous year +4.5%), the absolute environmental impact over the same period declined by 2.1% (previous year -5.1%). The consumption of energy in the form of electricity, combustibles and fuels represents the greatest environmental impact. The consumption of electricity fell in 2013 (111.7 GWh; previous year 113.4 GWh). In terms of combustibles, while the company consumed slightly more natural gas (39.9 GWh compared to 38.1 GWh in the previous year), it consumed considerably less heating oil (0.16 GWh compared to 0.24 GWh in the previous year). Fuel consumption increased slightly (18.2 GWh compared to 17.9 GWh in the previous year). The procurement of green electricity (21 GWh compared to 20 GWh in the previous year) and the use of 10.6 GWh of biogas (previous year 9.4 GWh) reduced the environmental impact and CO₂ emissions.

Numerous technical measures have helped increase energy efficiency. For example, the number of injection molding machines retrofitted with energy-efficient drive technology was increased in the reporting year as planned from 74 to 96, with the two Chinese production plants in Shanghai and Daishan benefiting particularly from this development. An analysis on site showed that a modified machine consumed an average of over 40% less energy. This measure enables the Chinese plants to save approximately 2 GWh of electricity per year, which corresponds to over 20% of total electricity consumption. At the site in Pfullendorf (DE), replacing an old blow molding machine with the latest machine technology and using the waste heat from the block heating station contributed to a reduction in energy consumption of around 1.2 GWh per year. The conducting of pre-audits at three German plants for the purpose of implementing the new ISO 50001 standard is further evidence of active energy management.

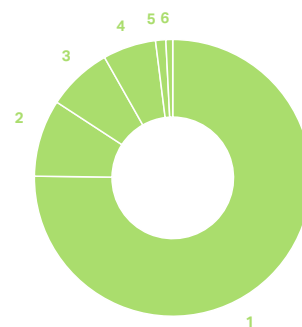
CO₂ emissions in 2013 amounted to 69,909 metric tons (previous year 71,853 metric tons). The ratio of CO₂ emissions to currency-adjusted sales was reduced by 6.1% (previous year -10.6%). This enabled the targets set out in the long-term → **CO₂-strategy** to be met. The growing use of renewable energies plays a significant role here. In 2013, the consumption of additionally purchased green electricity amounted to 21 GWh (previous year 20 GWh). Renewable energy sources accounted for 31% of total electricity consumption (previous year 30%). This figure is to be increased to 60% by 2020. The amount of green electricity supplied to the largest production site in Pfullendorf (DE) was increased by an additional 2 GWh to 14 GWh. The Daishan site in China used around 2 GWh of wind power, which corresponds to approximately 60% of the plant's total energy consumption. At the plant in Givisiez (CH), a roof area of 3,050 m² was made available for the installation of solar panels. The photovoltaic system produces just under 0.5 GWh of electricity per year, which is equivalent to the amount of electricity consumed by two production lines at the plant. The share of renewable energies in combustibles is also to be gradually increased Group-wide, rising to 25% by 2020. The block heating station in Pfullendorf (DE), which was commissioned in 2012, is fed with 10.6 GWh of regionally generated biogas.

Environmental impact 2007–2013

since launch of the CO₂ strategy
(Index: 2006 = 100)



Distribution environmental impact 2013

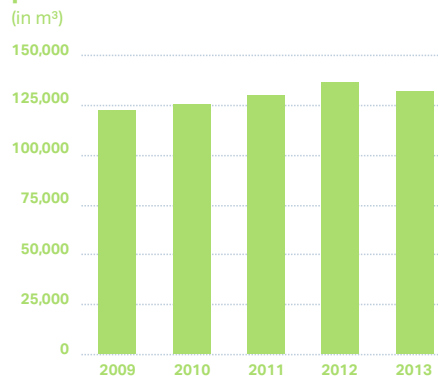


- 1 Electricity (75.2%)
- 2 Fuels (9.0%)
- 3 Combustibles (7.6%)
- 4 Disposal (6.2%)
- 5 Solvents (1.2%)
- 6 Water (0.8%)

Binding requirements for new vehicles help increase energy efficiency and reduce CO₂ emissions. Furthermore, CO₂ emissions caused by air travel amounted to 829 metric tons in the reporting year (previous year 769 metric tons). All the corresponding targets and measures are disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP). Successes were also achieved with respect to other environmental factors. Internal water consumption is at a very low level thanks to the exploitation of far-reaching savings potential. Targeted improvements contribute to the diligent handling of water: Examples include the reuse of water in laboratories and the optimization of fresh water test runs in development. Altogether, 131,938 cubic meters of water were consumed in the reporting year (previous year 136,669 cubic meters). The total amount of waste disposed of came to 12,118 metric tons (previous year 11,460 metric tons), with 84% (previous year 84%) sent to external recycling processes.

Geberit is investing in the infrastructure of tomorrow through the holistic planning and realization of new buildings and expansion projects. The use of rainwater, external shading and enhanced ventilation and cooling were implemented at the new production plant in India, which commenced operations in August 2013. Efficiency potentials are also being exploited as part of the expansion of the plant in Villadose (IT). By relocating the warehouses, the 12,000 m² area can be managed more efficiently in future and deadhead trips can be reduced to a minimum. The factory premises currently being built in → **Ruše (SI)** are already serving as a model for green production throughout Slovenia. The site's holistic energy concept includes the use of all waste heat from industrial processes as well as the complete absence of fossil fuels. The available ground water is used for cooling, while rainwater is collected and used both as fire fighting water and for watering the surrounding area.

Water consumption of Geberit production sites 2009–2013



Compliance

Increasingly comprehensive compliance processes

The five topic areas "antitrust legislation", "corruption", "employee rights", "product liability" and "environmental protection" are at the forefront of efforts in the area of compliance. The relevant processes are continually optimized by the departments involved. Cartels of any kind and other competition-distorting activities are categorically rejected. Adherence to compliance in all organizational units is subject to binding controls each year as part of reporting on the Code of Conduct for Employees. In 2013, this survey, which has been implemented since 2009 and continuously expanded ever since, comprised around 50 questions on the five above-mentioned topic areas. In addition, on-site audits are performed by the Internal Audit department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Group Executive Board and are published in the → [Sustainability Performance Report](#) in accordance with the guidelines of the Global Reporting Initiative (GRI). No significant breaches of the Code of Conduct were identified in 2013.

To raise awareness on the topic of compliance, a "Corporate Compliance Info Letter" was sent to Group managers in 2013 for the first time. This letter contained information on the latest developments in case law, legislation and practice in the areas of antitrust legislation, product liability and corruption. Comprehensive training on antitrust legislation via an e-learning program was carried out as planned at the sites in China, India, South Africa, Southeast Asia, Australia and the USA. During this training, the respective members of management and the field service employees were brought up to the same level of knowledge and prepared for the market challenges. As in 2011, all sites in Europe will take part in the updated e-learning program in 2014.

As an active member of Transparency International, Geberit is committed to high standards in combating corruption, which it implements accordingly. Guidelines on donations that apply Group-wide are in place in this regard. A high level of awareness with respect to the correct practice regarding donations – which particularly plays a role during marketing campaigns – can be seen in the company. In cases of uncertainty, local business and marketing managers can have marketing concepts examined early on and consult the Group's Legal department. Awareness of compliance issues is also raised among sales partners at locations without Geberit representation, with a Code of Conduct for these partners currently in preparation.

The → [Geberit Code of Conduct](#), which is currently being revised, will be published in 2014 and demonstrates the company's ongoing commitment to further development. This includes the → [Geberit Integrity Line](#) for employees launched in 2013, the goals of which include identifying breaches of the Code and enabling the company to take the necessary measures. Overall, since the introduction of the Code of Conduct and the related training, employees' awareness of misconduct and their understanding of compliance topics have increased considerably, all of which contribute to risk minimization.

Social engagement

Social projects with focus on water

Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology. This is why it supports social projects in developing regions. What all social activities have in common is the topic of "water". When selecting projects, it is important that they exhibit a relationship to Geberit's core competencies and corporate culture. The social projects are also integrated into Geberit's training philosophy. Working on these projects provides apprentices with the opportunity to develop abilities and social skills that aid their personal development. At the same time, social commitment also contributes to the implementation of the Millennium Development Goal of the United Nations, which has the aim of providing people worldwide with access to clean drinking water and basic sanitation.

Targeted aid throughout the world

In 2013, Geberit funded the installation of the sanitary facilities at a hospice in Bucharest (RO) that treats seriously ill patients, offering them day-care facilities and in-patient care. The organization "Hospice Casa Sperantei", which is responsible for the hospice, is dependent on donations. The materials for all sanitary facilities were provided free of charge. The Geberit team was made up of eight apprentices from Switzerland, Germany and Austria, as well as a technical advisor and a supervisor. Their first week in Bucharest was spent installing the sanitary technology. This was followed by a week of voluntary work which saw them mainly visit patients or look after the children of patients.

Geberit continued its support of Swiss WaterKiosk's pilot project aimed at cleaning polluted drinking water in Bangladesh. The goal of the project is to supply the population in several rural locations with clean water. The water available there is usually contaminated with arsenic and iron or has an excessive salt content. The water is treated using a solar water pasteurization system developed at the University of Applied Sciences in Rapperswil-Jona (CH). The long-term goal is for the locals to take over responsibility for the operation of the water treatment systems.

The partnership with the Swiss development organization Helvetas was continued, with the contract extended by three years. Geberit supports Helvetas in its commitment to providing people in the world's poorest regions with access to clean drinking water and basic sanitary facilities. 2013 was the United Nations "International Year of Water Cooperation". In this regard, the partnership between Geberit and Helvetas is a success story that highlights what can be achieved by two partners in pursuit of a joint vision.

The cooperation with the non-profit organization "Swiss Water Partnership" was also continued in the reporting year. The goal of this platform is to bring together all those involved in the topic of water supply (from academic, economic as well as public and private spheres) to collectively address future challenges in this area and promote the international dialog on water.

Donations and financial contributions – including product donations – totaling CHF 3.1 million were made during the reporting year (previous year CHF 2.7 million). In addition, employees contributed 1,340 hours of charitable work as part of social projects (previous year 2,335 hours). All donations and related commitments are neutral from a party political point of view. Geberit also supported facilities for disabled persons and long-term unemployed, where simple assembly and packaging work in the amount of around CHF 4.4 million was carried out in 2013 (previous year CHF 4.8 million). No donations were made to parties or politicians. As a rule, no political statements are made and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

Changes in Group structure

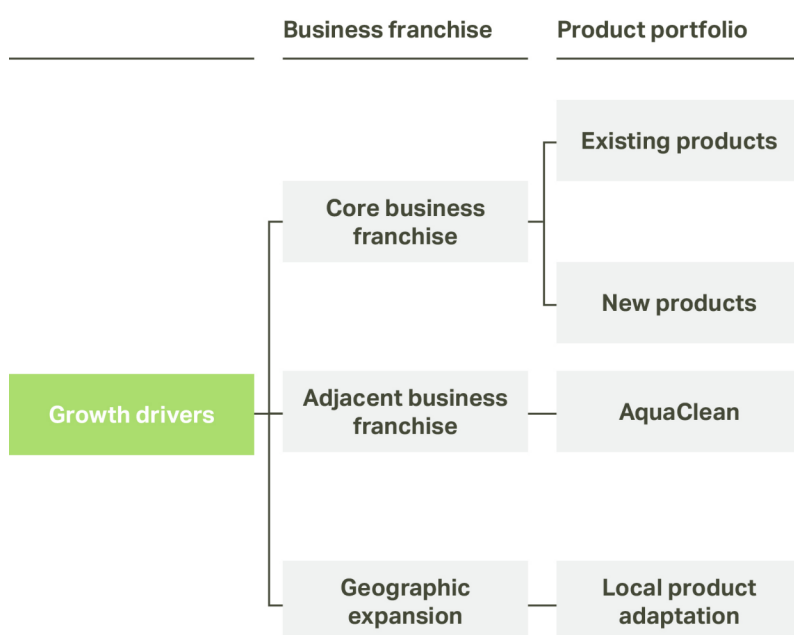
No significant changes in the Group structure took place during the reporting year.
Please also refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group Organization](#).

Targets and strategy

Ambitious medium-term goals

Geberit has made the setting of standards in sanitary technology worldwide its goal and aims to entrench these standards in the long-term by acting sustainably. This approach is to be reflected among other things in sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. Additional growth through acquisitions has not been ruled out. However, any potential acquisition will have to satisfy strict strategic and financial criteria. In the medium term, average currency-adjusted sales growth of 4 to 6% and an operating cashflow margin of between 23 and 25% should be achieved annually.

Source of growth contribution



Medium-term contributions to growth will come from products already launched on the market, new product launches, the AquaClean business and from local product adaptations. Overall, around one-third of growth should result from products that have been launched in the past three years and from the AquaClean business.

Having achieved the project objectives, the organic growth initiatives (OGIs) in sales launched over the past few years became an integral part of standard business once again in 2013 and will no longer be measured and disclosed separately. These initiatives are generating substantial contributions to growth, which shall pave the way for continued above-average growth and market share gains.

A concerted internationalization strategy for the AquaClean business has been pursued since the beginning of 2009 with the objectives of establishing shower toilets as a product category in Europe and strengthening Geberit's position as the market leader in this category.

In addition, further contributions to growth will be generated in the context of geographic expansion from products adapted to the specific local needs outside the core European markets.

In order to be prepared for the expected growth, Geberit also intends to invest around CHF 100 million annually in property, plant and equipment in the coming years.

Strategy

In accordance with its vision, Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology. Its proven, focused strategy for doing so is based on the four strategic pillars "Focus on sanitary technology", "Commitment to innovation", "Selective geographic expansion" and "Continuous optimization of business processes". These are practiced daily by the highly motivated and qualified employees.

- With regard to focusing on sanitary technology, Geberit centers on those business areas in the sanitary industry for which in-depth know-how and core competencies are available within the company. Essentially, these are sanitary systems and piping systems for the transport of water in buildings. Here, superior-quality, integrated, water-saving sanitary systems are offered.
- Continuously optimizing and extending the product range is crucial for future success. Innovation strength is founded on basic research in areas such as hydraulics, statics, fire protection, hygiene and acoustics. The insights gained are systematically applied in the development of products and systems for the benefit of customers.
- The accelerated penetration of markets such as France, the United Kingdom, the Nordic Countries, Eastern Europe and the Iberian Peninsula is an important factor for long-term success. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, Southeast Asia, Australia, the Gulf region and India. With the exception of North America and Australia, the company mainly engages in project business in these regions. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
- A further strategic focus relates to the permanent optimization of business processes. This is intended to ensure a leading, competitive cost structure in the long-term and is partly achieved through Group-wide projects and partly through employees identifying improvement potential in their day-to-day work, thus making a major contribution toward positive development.

Strategic success factors

The success of the Geberit Group is based on a series of success factors. The most important are:

- a clear, long-term strategy,
- the focus on the sanitary industry,
- significant sustainable growth drivers (refer to graphic → "[Source of growth contribution](#)"),
- an attractive competitive position,
- an innovative product range, developed in accordance with customer needs,
- a proven push-and-pull business model,
- a stable management structure,
- a lean, high-performance organization with optimized processes.

Value-oriented management

Value orientation aspects are considered in many areas of the company.

The remuneration model for Group management as a whole involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the return on operating capital. In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on operating capital. Details can be found in the → [Remuneration Report](#) and in the → [Corporate Governance section](#).

Investments in property, plant and equipment above a certain amount are approved only if strict criteria are met. In this context, it is mandatory that an investment return be achieved that exceeds the cost of capital plus a premium.

In the interests of value-oriented management, Group-relevant projects are tracked over the long-term following project completion and the achievement of objectives is evaluated. To this end, a controlling report is discussed annually by the Group Executive Board.

Outlook

Situation in global construction industry to remain challenging

Despite moderate global economic growth being forecast for this period, the construction industry will remain challenging in 2014. The individual regions/markets and construction sectors will develop very differently.

In Europe, volumes in the construction industry are continuing to contract overall. Apart from a few markets such as Germany, Switzerland and the United Kingdom/Ireland that are performing positively, most other markets have been seeing a clear fall in demand for some time. Within the construction sector, non-residential construction is failing to recover, but this is at least partially being compensated by a flat to slightly positive trend for residential construction. Furthermore, the renovation sector is developing better than the new building sector.

In North America, the relevant indicators in public construction projects are pointing to an uncertain development that will significantly affect the Geberit business in this market. In contrast, robust growth with rising prices and substantial piling up of demand can be seen in residential construction.

In the Far East/Pacific region, mid-single-digit growth is forecast for China in both residential and commercial construction. Business in Australia is expected to be flat overall, while Southeast Asia is expected to see moderate growth – though with significant differences between regions. The outlook for the Middle East and South Africa is positive.

Considerably lower volatility in raw material prices

The raw material markets relevant for Geberit eased during the reporting year. Flat to moderately increasing prices for plastics and flat to slightly declining prices for industrial metals are expected over the coming quarters. However, due to the uncertain economic environment, forecasts for 2014 as a whole are not possible.

Geberit

Owing to the tense situation in the majority of the European construction markets, 2014 will once again be a demanding business year for the Geberit Group. The objective is, not only in the few markets that are healthy but also in the large number of markets that are shrinking, to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and on the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize business processes. The management is convinced that the company is very well equipped for upcoming tasks. With experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organization, an established cooperation based on trust with our market partners in both commerce and trade and – as a result of our industry leadership in terms of financial results in recent years – an extremely solid financial foundation, Geberit can look to the future with confidence.