

# Strategy

With its innovative solutions for sanitary products, Geberit seeks to achieve sustained improvement in the quality of people's lives. Its proven, focused strategy for doing so is based on the four pillars "Focus on sanitary products", "Commitment to innovation and design", "Selective geographic expansion" and "Continuous optimisation of business processes".



1. Focus on sanitary products: Geberit concentrates on "behind the wall" sanitary and piping systems for transporting water in buildings, as well as bathroom ceramics and ceramics complementary products "in front of the wall". In these areas, Geberit has comprehensive know-how and supplies high-quality, integrated and water-saving sanitary technology as well as attractive design.
2. Commitment to innovation and design: continuously optimising and extending the product range is crucial for future success. Innovative strength is founded on research and development in areas such as hydraulics, statics, fire protection, hygiene and acoustics, as well as process and materials technology. The insights gained are systematically applied in the development of products and systems for the benefit of customers.
3. Selective geographic expansion: an important factor in long-term success is stronger growth in those markets within and outside Europe in which Geberit products or technology are so far under-represented. 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 markets. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
4. Continuous optimisation of business processes: the purpose behind this focus is to ensure a leading, competitive cost structure in the long term. This 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 sanitary products,
- solid, sustainable → **growth and earnings drivers**,
- a strong competitive position,
- an innovative product range, developed in accordance with customer needs,
- a proven, customer-focused business model,
- a stable management structure,
- a lean, high-performance organisation with optimised processes,
- a unique corporate culture.

## Medium-term goals

Geberit has set itself the goal of being the standard-bearer for sanitary products, continually developing those products in a sustainable way and gaining market shares in the process. Among other things, this approach yields 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.

The medium-term goals were reappraised following the acquisition of Sanitec and the switching of reporting to net sales from the 2015 financial year onwards. Once the Sanitec business has been successfully integrated, from 2018 onwards the growth in net sales in local currencies, after adjustments for acquisitions, is expected to be between 4 and 6 percent in the medium term as an average over one economic cycle, and an operating cashflow (EBITDA) margin of between 28 and 30 percent is expected to be achieved. A third quantitative target has also been set: return on invested capital (ROIC), which from 2018 is expected to reach 25 percent.

In order to achieve the expected growth, for upcoming larger projects and due to the integration of the Sanitec business, between 2016 and 2018 around CHF 150 million is to be invested in property, plant and equipment.

Further growth through acquisitions has not been ruled out. However, any potential acquisition will have to satisfy strict strategic and financial criteria.

The following sales and earnings drivers are crucial to achieving the ambitious medium-term goals:

1. **„Push-Pull“ sales model**, which concentrates on the key decision-makers in the industry,
2. **Technology penetration**, which involves replacing outdated technologies with new, more innovative sanitary products and systems,
3. **Value strategy**, to increase the proportion of higher-quality products – particularly in markets in which Geberit products already have a high degree of market penetration,
4. **Geberit AquaClean**, to build up the shower toilet category in Europe,
5. **Innovation leadership** in the sanitary industry, in order to set new standards, and
6. **Continuous process and cost optimisation.**

## 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 invested 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 invested capital. Details can be found in the → [Remuneration Report](#).

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, important projects are tracked over the long term following project completion, and the achievement of objectives is evaluated annually by the Group Executive Board.

## Management of currency risks

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 in the various currency areas are incurred in the same proportion in which sales are generated. This hedging is almost entirely successful, particularly as regards the euro and US dollar. There are, however, minor deviations arising from the Swiss franc, British pound and the Nordic or Eastern European currencies, whereas, as a result of the integration of the Sanitec business, the currency risk resulting from the Swedish krona and Polish zloty in particular could be reduced. As a consequence of the natural hedging strategy, currency fluctuations only have a minor impact on the margins. Gains and losses result mainly from the translation of local results into Swiss franc (translation effects).

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

- Net sales: +/-8% to +/-10%
- EBITDA: +/-9% to +/-11%
- EBITDA 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, 15. Derivative Financial Instruments](#).

## Sanitec acquisition

On 14 October 2014, Geberit AG announced that it was making an offer to Sanitec's shareholders to acquire their shares at a price of SEK 97 per share. This equated to a total transaction value of CHF 1.2 billion for 100% of the shares. The offer represented a premium of 29% compared to the volume-weighted average price of the Sanitec shares on the Stockholm Stock Exchange over the preceding three months.

At that time, Sanitec was a leading European producer and supplier of bathroom ceramics. The company achieved net sales of EUR 689 million and an EBIT margin of 11.4% in 2014, and employed 6,200 people in 18 production facilities and 24 sales units. Sanitec sold its products primarily in Europe under 14 leading brands that are firmly established in their local markets.

The relevant competition authorities granted all the required approvals in late January 2015. At the end of the acceptance period on 2 February 2015, 99.27% of the Sanitec shares had been tendered to Geberit. The purchase/sale of these shares was effected on 10 February 2015 and was financed by Geberit using its own funds as well as new debt. Following an extended acceptance period, Geberit held 99.77% of the shares, with a squeeze-out process instigated for the remaining shares and completed successfully in September 2015.

For Geberit, the acquisition of Sanitec represents an expansion of its strategic focus. The future product portfolio will be enhanced with bathroom ceramics. The new company will be the European market leader for sanitary products and will, in particular, strengthen its position in regions such as the Nordic Countries, France, United Kingdom and Eastern Europe, in which Geberit had not yet gained a firm foothold. It combines technical know-how in sanitary technology "behind the wall" with design expertise "in front of the wall". The acquisition also supports the Group's → **key sales and earnings drivers** and will create added value.

The integration activities, which began in the second quarter of 2015, went according to plan. By the end of 2015, the main organisational work was complete. In particular, the aim of operating as a single company in sales activities on all markets by 1 January 2016 was achieved. The focus in 2016 will be on further harmonising processes and realising early synergies.

# Financial Year 2015

The challenging environment in the construction industry and the integration of the acquired Sanitec business shaped the Geberit Group's results in the 2015 financial year. Despite this, starting from a very high level, the company managed to achieve a good overall result. The majority of markets and regions achieved growth in sales and gained market shares. The results, adjusted for various special effects in connection with the Sanitec acquisition, were positively influenced by beneficial volume and product mix effects as well as lower raw material prices. These were countered mainly by the negative impact of the dilution of margins due to the integration of Sanitec and the effects of the currency rebate in Switzerland. With these results, the Group further consolidated its position as the leading supplier of sanitary products.

## Market environment

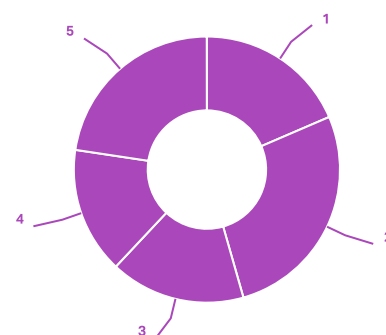
### Business climate still challenging

As in previous years, the construction industry in 2015 was shaped by developments that varied by region. There was no comprehensive recovery in the industry. Only a handful of markets experienced positive development. Elsewhere, volumes declined significantly: particularly notable was the slump in activities in the construction industries of China and Russia.

In a recent updated assessment for **Europe**, Euroconstruct adjusted its previous forecasts for the building construction volumes in 2015 down from +1.8% to +1.1%. When compared with older forecasts by Euroconstruct, the more cautious outlook is clear: at the end of 2014, it was assumed that building construction would increase by 2.0% in 2015. As in the previous year, new builds (+0.9%) increased by a smaller percentage than renovations (+1.2%). It is striking that the current volume of new building projects is 30 to 40% down on the level seen in 2007/2008. In contrast, the renovation business has once again almost reached the level seen at that time. Euroconstruct estimates for Germany (+0.7%), Switzerland (+1.0%), Italy (-0.3%), France (-0.9%), United Kingdom (+0.6%) and Austria (+0.3%) – Geberit's six biggest individual markets – were all below the average of the Euroconstruct estimate for building construction in Europe in 2015. Euroconstruct forecasted particularly strong growth for the Netherlands (+7.2%) and Sweden (+8.5%). Against this backdrop, it is safe to assume that Geberit's organic development once again outperformed the relevant competition during the year under review. The development of sales in Switzerland was affected by the currency rebate granted.

In Europe, 77% of the total construction volume in 2015 of EUR 1,371 billion relates to building construction. Residential construction accounted for just under 60% of this, and non-residential construction for just over 40%. More than half of the building construction volume pertained to renovation projects, primarily as a result of the high proportion within residential construction.

Total construction output  
Europe 2015  
(EUR 1,371 billion)



- 1 Residential - New (19%)
- 2 Residential - Renovation (27%)
- 3 Non-residential - New (16%)
- 4 Non-residential - Renovation (15%)
- 5 Civil engineering (23%)

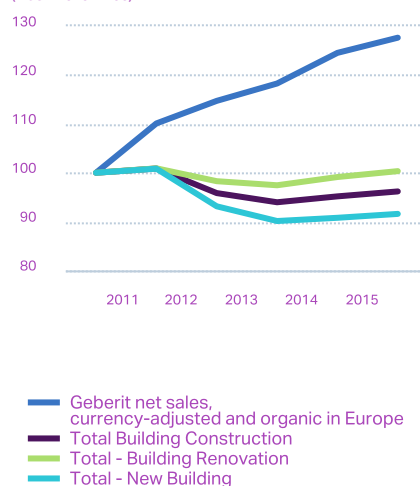
Source: 80th Euroconstruct Conference in  
Budapest (HU), December 2015

In **North America**, gross domestic product (GDP) rose by 2.4% and the economy grew slightly more than in 2014 (+2.2%). According to figures on the US construction industry published by the U.S. Department of Commerce, United States Census Bureau, investments in building construction increased by 14.8% compared with 2014. Within building construction, investments in non-residential construction increased by 17.0% in total, which was considerably more than in the previous year (+8.8%). Although below-average, the development of the health care/hospitals and schools/universities segments, which are important for Geberit, was nonetheless positive, at +5.9% (-1.4% in the previous year). The recovery in residential construction continued: the number of building permits for new private residential units increased significantly by 12.0% (previous year +5.6%); however, the absolute figures are still around a quarter below the long-term average before the financial crisis.

At +4.7%, economic growth in the **Far East/Pacific** region slowed marginally compared with the previous year (+4.9%), running counter to the global economic trend (of +2.5% in 2014 to +2.8% in the year under review; figures according to the International Monetary Fund). Nonetheless, at 53% (previous year 61%) more than half of the global growth originated from this region. The lion's share of that growth was achieved in China and, to a lesser extent, India. Despite the relatively stable macroeconomic situation, some of the region's construction markets suffered a slowdown. In a few regions of China in particular, there has been a significant slump in residential construction. Stocks of unsold residential properties, which had increased further compared with the previous year, had a negative impact on residential new builds.

### Construction output and Geberit net sales in Europe 2011 – 2015

(Index: 2010 = 100)



Source: 80th Euroconstruct Conference in Budapest (HU), December 2015 and 79th Euroconstruct Conference in Warsaw (PL), June 2015

# Net sales

## Solid sales growth

Cumulative net sales in 2015 increased by 24.2% to CHF 2,593.7 million. Total growth comprised organic growth in local currencies of +2.7%, a foreign currency effect of -9.6% and an increase of +31.1% due to the Sanitec acquisition. The currency-adjusted organic growth of +2.7% comprised a volume effect of +2.8% and a price effect of -0.1%, the price effect being significantly influenced by the currency rebate introduced in the Swiss market at the beginning of 2015.

From the start of February 2015, Sanitec's product range contributed CHF 649 million to the Group's net sales. Over the entire year, Sanitec posted a decline in net sales in local currencies of 2.2%.

In spite of the decline experienced between 2008 and 2011, average annual net sales growth for the last 10 years in Swiss francs was 4.2%.

The currency losses contained in net sales amounted to CHF 201 million, corresponding to a minus of 9.6%. In 2015, 63% of net sales were generated in euro, 5% in each of British pounds, US dollars and Swedish krona and 4% in Polish zloty.

The following changes in net sales in the markets and in the product areas are in local currencies and – except for the explanations relating to the product lines bathroom ceramics and ceramics complementary products – relate to the original Geberit unit.

## Currency rebate has severe negative impact on Swiss market

The biggest region, **Europe**, grew by 2.5% overall. All European countries/regions posted positive growth - with the exception of Switzerland. Strong rates of growth were achieved by the Iberian Peninsula (+14.2%), United Kingdom/Ireland (+8.3%), the Benelux Countries (+7.5%), the Nordic Countries (+5.5%) and Germany (+4.7%). Central/Eastern Europe (+2.7%), Italy (+2.0%), Austria (+1.4%) and France (+0.2%) also grew. Switzerland (-8.3%) suffered from the 10% currency rebate introduced at the beginning of February, in response to the strong Swiss franc. Outside Europe, the **Middle East/Africa** region grew by +16.2% and **America** by +7.1%. The **Far East/Pacific** region experienced a decline of -4.1% due to the very weak market environment in China.

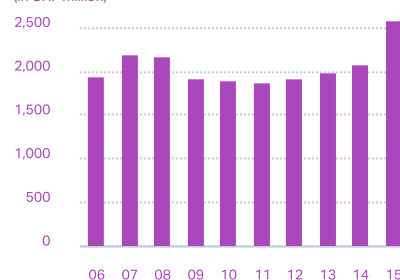
## Stronger growth in Sanitary Systems

Net sales for the **Sanitary Systems** product area amounted to CHF 1,145.9 million, corresponding to growth of 4.2%.

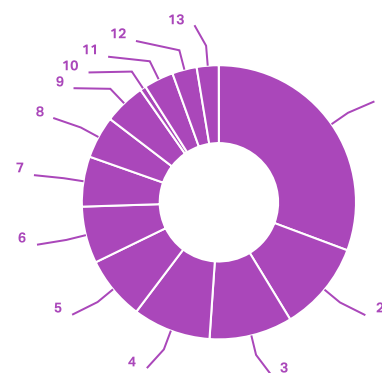
Net sales for the **Installation Systems** product line, at 28.0% of Group sales the most important product line, rose by 5.3%. The drywall elements and - with double-figure growth rates - the high-quality actuator plates made a major contribution to the strongest growth of all product lines. Growth of 0.6% was posted by the **Cisterns and Mechanisms** product line, which accounts for 8.5% of total net sales. The delivery problems caused by the major market success of the newly-launched Premium shower toilet AquaClean Mera, coupled with a lack of orders for the previous model, had a dampening effect. In contrast, as in the previous year the development of the Monolith WC module and the filling and flush valves was very pleasing, despite a downturn in the volatile OEM business. Net sales for the **Faucets and Flushing Systems** product line, which accounts for 4.5% of total net sales, increased by 5.1% in 2015. The growth was partly attributable to the positive market environment at US subsidiary Chicago Faucets in the business with schools and hospitals. Net sales for the **Waste Fittings and Traps** product line rose by 3.9%. The share of total Group net sales came to 3.2%. Positive growth rates were seen in shower drains and traps for urinals and WCs, while bathtub drains and traps for washbasins and bidets experienced a decline.

## Net sales development 2006 – 2015

(in CHF million)



## Net sales by markets/regions 2015



- 1 Germany (30.7%)
- 2 Switzerland (10.6%)
- 3 Nordic Countries (9.8%)
- 4 Central/Eastern Europe (9.2%)
- 5 Benelux (7.5%)
- 6 Italy (6.7%)
- 7 France (5.9%)
- 8 Austria (5.0%)
- 9 United Kingdom/Ireland (4.9%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.5%)
- 12 Far East/Pacific (2.9%)
- 13 Middle East/Africa (2.6%)

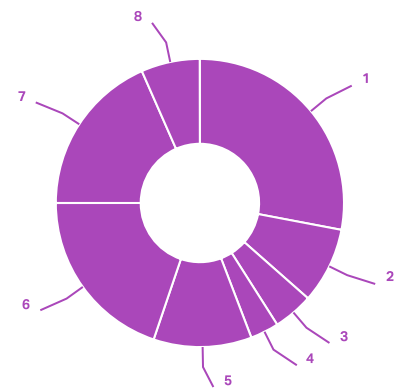


Net sales for the **Piping Systems** product area were CHF 798.8 million. The increase was 0.7%, meaning growth was below that of Sanitary Systems – as was the case in the previous year.

**Building Drainage Systems** grew by 3.9%. The share of total net sales reached 11.0%. The Silent-PP sound-absorbing drainage system and the PE drainage system experienced positive development. The Silent-DB20 drainage system, however, stagnated. At -0.9%, the **Supply Systems** product line was the only product line that posted a decline in net sales. The contribution of this product line, which is the second largest measured by Group net sales, came to 19.8%. A negative market environment in markets that are important for this product line, such as Norway and Italy, coupled with a negative trend on the heating market were responsible for this decline.

The product lines **Bathroom Ceramics** and **Ceramics Complementary Products**, which were consolidated for the first time in February 2015, accounted for 18.4% and 6.6% of Group net sales respectively in the 11 months since the Sanitec business was integrated.

## Net sales by product areas and product lines 2015



- Sanitary Systems (44.2%)
  - 1 Installation Systems (28.0%)
  - 2 Cisterns and Mechanisms (8.5%)
  - 3 Faucets and Flushing Systems (4.5%)
  - 4 Waste Fittings and Traps (3.2%)
- Piping Systems (30.8%)
  - 5 Building Drainage Systems (11.0%)
  - 6 Supply Systems (19.8%)
- Ceramics (25.0%)
  - 7 Bathroom Ceramics (18.4%)
  - 8 Ceramics Complementary Products (6.6%)

# Results

## Profitability remains impressive

In the 2015 financial year, the results of the Geberit Group were influenced by various special effects in connection with the Sanitec acquisition. For better comparability, adjusted figures<sup>1</sup> are shown and commented on.

Operating margins were positively influenced by beneficial volume and product mix effects, as well as lower raw material prices. The 10% currency rebate in the Swiss market, negative currency effects, higher personnel and pension costs as well as the generally lower margins of the Sanitec business had a negative effect.

The adjusted operating cashflow (adj. EBITDA) rose by 5.5% to CHF 693.5 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 26.7% compared with 31.5% in the previous year, due mainly to the aforementioned dilution of margins as a result of the integration of the Sanitec business. Over the last decade, average EBITDA growth of 4.3% was marginally better than the corresponding increase in net sales of 4.2%. The negative influence of currency developments explains why the previous year's operating results were not significantly bettered despite the Sanitec integration. Adjusted EBITDA was negatively impacted by the currency trend by CHF 69 million or 10.4%; the corresponding effect on the adjusted EBITDA margin was -0.4 percentage points.

The adjusted operating profit (adj. EBIT) rose by 2.4% to CHF 590.9 million, and the adjusted EBIT margin reached 22.8% (previous year 27.6%). Adjusted net income fell by 1.1% to CHF 493.1 million, which led to an adjusted return on sales of 19.0% (previous year 23.9%). The adjusted earnings per share came to CHF 13.23 (previous year CHF 13.28). The fall of 0.4%, which is disproportionately small compared with adjusted net income, was due to the lower average shareholding as a consequence of the ongoing share buyback programme.

## Operating expenses under control

Total adjusted operating expenses increased by 32.4% in 2015 to CHF 2,002.8 million. As a percentage of net sales, this equates to 77.2% (previous year 72.4%). The increase in total adjusted operating expenses as well as all subitems was attributable to the integration of Sanitec's activities. In contrast, → **foreign currency effects** had a reducing effect.

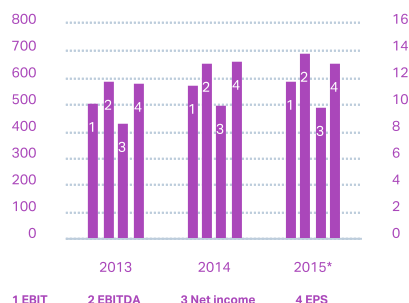
Overall, the adjusted cost of materials increased by 25.1% to CHF 756.0 million and rose slightly from 28.9% of net sales in the previous year to 29.1%. Falling raw material prices had the effect of reducing expenditure on both industrial metals and plastics. Adjusted personnel expenses grew by 35.2% to CHF 654.2 million, which equates to 25.2% of net sales (previous year 23.2%). Adjusted for the acquisition, the adjusted personnel expenses decreased in absolute terms. The largely tariff-related salary increases and rise in staff numbers, see also → **Business and financial review, employees** were more than offset by exchange rate effects. Adjusted depreciation rose by 24.5% to CHF 95.9 million; in organic terms, it would have fallen. The adjusted amortisation of intangible assets amounted to CHF 6.7 million (previous year CHF 3.2 million). Adjusted other operating expenses increased by 42.5% to CHF 490.0 million; in organic terms, a decline would have been posted.

The adjusted net financial result came to CHF -17.2 million, which is a minus of CHF 15.5 million compared to the previous year. This development can be explained by higher interest expenditure in connection with the financing of the Sanitec acquisition, the amortisation of acquisition-related financing charges and foreign currency losses. Adjusted tax expenses grew by CHF 4.0 million to CHF 80.6 million. This resulted in a slightly higher adjusted tax rate compared with 2014 of 14.0% (previous year 13.3%), which was attributable to completed amortisation that had an impact on taxes.

## EBIT, EBITDA, Net income, Earnings per share (EPS) 2013 – 2015

(in CHF million)

(EPS: in CHF)



\* Adjusted for costs in connection with the Sanitec acquisition (transaction, integration, and one-off financing costs as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

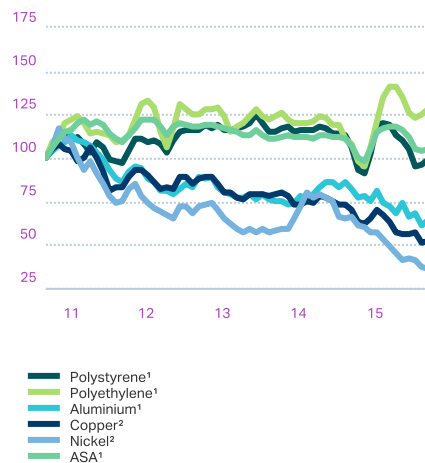
## Acquisition and integration related costs (in CHF million)

Transaction costs	7
Integration costs	27
Inventory revaluation charge*	28
<b>Total cost on EBITDA level</b>	<b>62</b>
Amortisation charges for intangibles*	31
<b>Total cost on EBIT level</b>	<b>93</b>
Financing costs	6
Tax effect	-28
<b>Total cost on net income level</b>	<b>71</b>

\* related to purchase price allocation

## Raw material price development

(Market price; index: December 2010 = 100)



<sup>1</sup> Source: Kunststoff Information Verlagsgesellschaft mbH

<sup>2</sup> Source: London Metal Exchange

### Significant acquisition and integration costs in the income statement

The negative special effects<sup>2</sup> arising from the Sanitec acquisition amounted to CHF 62 million as regards EBITDA, CHF 93 million as regards EBIT and CHF 71 million as regards net income. The reported values amounted to CHF 631.7 million for the EBITDA (EBITDA margin 24.4%), CHF 498.3 million for the EBIT (EBIT margin 19.2%), CHF 422.4 million for net income (return on sales 16.3%) and CHF 11.33 for earnings per share.

### Increase in free cashflow

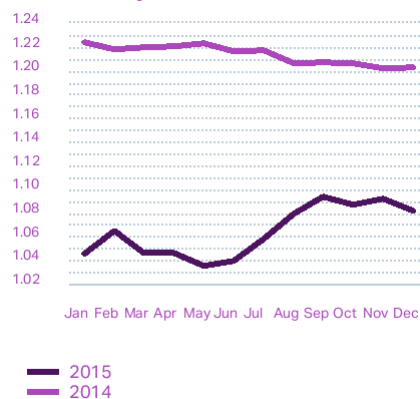
The slightly lower operating cashflow (EBITDA) and various special effects resulting from the Sanitec acquisition, the majority of which are mutually compensating, led to a decline in net cashflow of 2.0% to CHF 596.3 million. When calculating free cashflow, higher investments in property, plant and equipment were more than offset by positive effects of the change in net working capital. Consequently, an increase of 5.1% to CHF 484.0 million was achieved in free cashflow. Free cashflow was largely used to pay distributions of CHF 310.7 million to shareholders and to repurchase shares totalling CHF 159.8 million.

<sup>1</sup> Adjusted: adjusted for costs in connection with the Sanitec acquisition (transaction, integration, and one-off financing costs as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

<sup>2</sup> Transaction, integration, and one-off financing costs as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation

### EUR/CHF exchange rates 2014/2015

(Period-end exchange rates)



# Financial structure

## Strong financial foundation

Once again, even after the acquisition of Sanitec, the substantial contribution from free cashflow allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group.

Total assets increased from CHF 2,431.5 million to CHF 3,553.8 million. This development was heavily influenced by the integration of Sanitec and the strong Swiss franc.

Liquid funds and marketable securities decreased from CHF 749.7 million to CHF 459.6 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 345.6 million. Debts increased substantially to CHF 1,139.2 million (previous year CHF 10.5 million). This resulted in net debt of CHF 679.6 million at the end of 2015, compared with net cash of CHF 739.2 million at the end of the previous year. This development was shaped by the financing of the Sanitec takeover, dividend payments to shareholders amounting to CHF 310.7 million and share buybacks totalling CHF 159.8 million.

Net working capital decreased from CHF 169.1 million to CHF 146.6 million compared to the previous year. Property, plant and equipment increased from CHF 550.9 million to CHF 715.4 million, while goodwill and intangible assets rose from CHF 645.3 million to CHF 1,757.1 million. These items – and the key figures in the following section – were heavily impacted by the Sanitec acquisition and integration.

The ratio of net debt to equity (gearing) increased from -43.0% in the previous year to +45.9%. The equity ratio reached a solid 41.7% (previous year 70.6%). Based on average equity, the adjusted<sup>1</sup> return on equity (ROE) was 32.2%, the non-adjusted value of this ratio was 27.6% (previous year 29.2%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,504.9 million at the end of 2015 (previous year CHF 1,404.5 million). The adjusted return on invested capital (ROIC) was 20.1%, the non-adjusted value of this ratio was 17.0% (previous year 35.5%). For details on the non-adjusted 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 877,880 treasury shares on 31 December 2015, which equals 2.3% of the shares entered in the Commercial Register. Of these, 634,600 (1.7% of the shares entered in the Commercial Register) were acquired as part of the share buyback programme that started in 2014. The remaining 243,280 shares are mostly earmarked for share participation plans. The total number of shares entered in the Commercial Register stands at 37,798,427 shares. The aforementioned share buyback programme announced in March 2014 was launched on 30 April 2014. In the course of this programme, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register were to be repurchased over a period of two years, less withholding tax, and cancelled by means of a capital reduction. The share buyback was suspended from July 2014 until March 2015 as a result of the ongoing Sanitec acquisition, and thus only around 2% of the share capital – or some 40% of the originally planned amount – was repurchased by the completion of the programme at the end of February 2016. A proposal will be submitted to the 2016 ordinary General Meeting to carry out a capital reduction in the amount of the total repurchased shares and to cancel the shares.

<sup>1</sup> Adjusted: adjusted for costs in connection with the Sanitec acquisition (transaction, integration, and one-off financing costs as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

Debt (in CHF million; as of 31 December)			
	2013	2014	2015
Long-term debt	7.7	6.6	1,135.5
Total debt	11.7	10.5	1,139.2
Liquid funds and marketable securities	612.8	749.7	459.6
Net debt	-601.1	-739.2	679.6

# Investments

## Investment volume significantly greater than in previous years

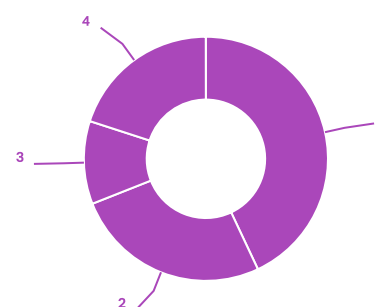
In 2015, investments in property, plant and equipment and intangible assets amounted to CHF 147.3 million, CHF 42.5 million or 40.6% more than in the previous year. As a percentage of net sales, the investment ratio was 5.7% (previous year 5.0%). All scheduled larger investment projects were carried out as planned.

The bulk of investments went toward machinery, building conversions and new building projects and the procurement of tools and moulds for new products. By far the biggest project in the reporting year was the expansion of capacity at the Logistics Centre in Pfullendorf (DE), where the groundbreaking ceremony was held in the spring of 2015. Additionally, investments were made in important development projects and the further optimisation of production processes. The investment volume was also heavily influenced by investments in the infrastructure and processes of the former Sanitec organisation, totalling CHF 24.5 million. Overall, 43% of total investments, or CHF 63.4 million, went toward expanding infrastructure in 2015. 20% or CHF 29.6 million was used to acquire tools and equipment for new product developments, 26% or CHF 38.3 million was invested in the modernisation of property, plant and equipment, while 11% or CHF 16.0 million was used for rationalisation measures relating to property, plant and equipment.

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

	2011	2012	2013	2014	2015
	92.6	86.0	98.0	104.8	147.3
In % of net sales	5.0	4.5	4.9	5.0	5.7

## Investments by purpose



- 1 Capacity expansion (43%)
- 2 Modernisation (26%)
- 3 Rationalisation (11%)
- 4 New products (20%)

# Employees

At the end of 2015, the Geberit Group employed 12,126 people worldwide, which equates to an increase of 5,879 people or 94.1% year on year. The majority of the increase is attributable to the integration of the acquired Sanitec employees. In Geberit's original organisation structure, the number of employees increased by 96, or 1.5%.

Based on the average headcount of 6,311, net sales per employee in the original Geberit organisation amounted to TCHF 308.1, or 7.0% below previous year, mainly driven by negative currency effects. For the newly combined Group following the integration of the Sanitec activities, this figure was TCHF 207.9.

As regards the breakdown of employees by business processes, the takeover of Sanitec resulted in a shift toward production, at the expense of all other processes. As a consequence of this, Marketing and Sales accounted for 23.9% of employees (previous year 29.5%), Production 62.6% (previous year 54.1%), Administration 7.8% (previous year 9.0%) and Research & Development 3.6% (previous year 3.7%). The share of apprentices was 2.1% (previous year 3.7%).

## Image as an attractive employer

First-rate employees guarantee the company's success in the future. With this in mind, a variety of efforts were again made in 2015 to position Geberit on the job market as an attractive employer with an open corporate culture and international development opportunities at the interface between craft, engineering and sales. This included specialists from various departments attending a series of university career fairs, together with Human Resources managers.

Geberit offers its employees attractive employment conditions. In 2015, salaries and social benefits – adjusted by various special effects in connection with the Sanitec acquisition – amounted to CHF 654.2 million (previous year CHF 483.9 million), please also refer to → [the Notes to the Income Statement](#). Employees can also participate in share participation plans at attractive conditions, see → [Consolidated financial statements Geberit Group, 17. Participation plans](#) and → [Remuneration Report](#).

Equal opportunities and equal pay for women and men are self-evident. The proportion of female employees at the end of 2015 was 25% (previous year 31%), and for senior management this figure was 8% (previous year 7%). There are no women on the Board of Directors and the Group Executive Board.

## Interesting prospects

Investments in employees are a key issue in terms of education and further training. Geberit employed 255 apprentices at the end of 2015 (previous year 232). The transfer rate to a permanent employment relationship was 64% (previous year 82%). The target is 75%. Apprentices also have the option of working abroad for a period of six months on completion of their apprenticeship. As a global company, Geberit promotes the internationalisation of employees. Experience abroad and the transfer of know-how are an advantage for both employees and the company.

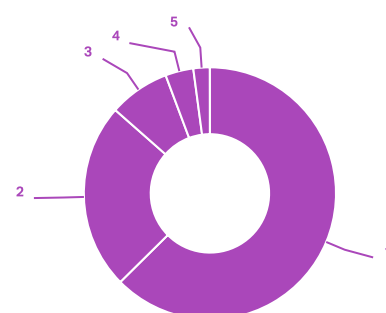
The two-stage Potentials Management Programme continues to be held. The aim is to selectively identify talents throughout the company and support them along their path to middle or senior management. Initial experience of managerial or project management responsibility are part of this. The problems investigated as part of the programme are geared towards the reality at the company and provide decision-makers with concrete bases for action. The programme is intended to help fill at least half of all vacant managerial positions within the company with internal candidates. In 2015, this was achieved for 40% of all Group management vacancies (previous year 69%).

## Employees by countries (as of 31 December)

	2014	Share in %	2015	Share in %
Germany	2,413	39	3,319	27
Poland	58	1	1,532	13
Switzerland	1,262	20	1,333	11
Ukraine	–	–	1,089	9
France	76	1	693	6
China	688	11	665	5
Austria	507	8	541	4
Sweden	22	–	431	4
Italy	118	2	425	4
Others	1,103	18	2,098	17
<b>Total</b>	<b>6,247</b>	<b>100</b>	<b>12,126</b>	<b>100</b>

## Employees by business processes 2015

(as of 31 December)



- 1 Production (62.6%)
- 2 Marketing and Sales (23.9%)
- 3 Administration (7.8%)
- 4 Research and Development (3.6%)
- 5 Apprentices (2.1%)

### Standard assessment scale

The standard Performance Assessment, Development and Compensation (PDC) process has been in place since 2012. This standardised process enables the company to gain an overview of the available potential. The aims of PDC are severalfold: to reinforce the performance culture, increase transparency and, finally, improve the identification and promotion of talents. As regards compensation, the standard job assessments used throughout the Group provide a solid reference system. All employees of the previous Geberit Group - with the exception of manual workers - are now incorporated in the PDC process. The circle of participants is currently being extended to include managers of the former Sanitec Group.

A comprehensive employee survey is planned for the coming year. As with the previous survey, the aim is to ascertain identification with the company and employee satisfaction. The survey also includes specific questions about the integration activities as part of the Sanitec acquisition.

### Proactive internal communication

The Intranet has been a central platform for communication with employees for many years. But this status was reinforced following the takeover of the Sanitec Group. During a transitional phase, the two former Intranets were operated in parallel but a new, joint Intranet was launched in October. Equally important on the new Intranet are balanced reporting, which reflects the new reality within the Geberit Group, and information by the CEO and Group Executive Board, which help foster understanding of the integration process going forward and, in particular, the associated milestones. For employees in production, who have no access to a personal computer, there are still special solutions such as a newsletter and/or communal large screens.

From the second edition, the recipients of the employee magazine, which has been published three times, were broadened to include all employees of the company. This has increased its print run from more than 6,000 to over 12,000 copies, now in six rather than the previous two languages.

### Identity and Code of Conduct updated

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 identity of Geberit (what we do, what motivates us, what is responsible for our success, how we work together) – and the → **Geberit Code of Conduct** for employees serve as the applicable guidelines. At the end of 2015, a physical copy of the Compass, together with a letter from the CEO, was delivered to the homes of all our employees (see also → **Compliance section**). Furthermore, the Compass was also explained by the CEO in the employee magazine. The revised Code of Conduct was communicated to employees at the start of 2015 (see also → **Compliance section**).

### Focus on occupational safety

The vision of a zero-accident company still holds after the takeover of the Sanitec Group. However, the targets have had to be revised to take account of the new situation: based on the 2015 reference year, the aim is to halve the number of accidents by 2025. By then, the AFR (Accident Frequency Rate) is to be reduced to a value of 5.5 (accidents per million working hours) and the ASR (Accident Severity Rate) to 90 (number of days lost per million working hours).

Due to the acquisition, the accident frequency rate rose to 11.4 in 2015. The accident severity rate increased during the same period to 206.2, again due to the acquisition. As the majority of occupational accidents and time lost are still attributable to carelessness, the focus in this regard is on changing behaviour. To this end, as part of the Geberit Safety System (GSS), a comprehensive masterplan on occupational safety, including a catalogue of measures, has been devised and adopted. Occupational safety is also part of the annual appraisal of managers at the plants.

# Customers

## A focus on specific customer needs

With the takeover of Sanitec, the number of advisors employed in the sales force in Europe was increased by around 200, and now totals more than 800. They are the frontline in daily contact with customers and decision-makers. When aligning the future sales organisation, the focus was on meeting the specific needs of wholesalers, plumbers, planners, architects, building owners and end users. In other words: a clear focus on the key customer groups in the respective markets takes precedence over advisors specialising in particular product Groups, such as ceramic appliances or piping systems. As a consequence, the entire sales force received training in the enlarged product range.

By the end of the year, the respective local sales companies in each country were amalgamated, with the aim of selling the entire product portfolio of the Geberit Group from a single source from the start of 2016.

A key instrument for retaining customers is and will remain Geberit's broad range of training opportunities. Thus, during the reporting year, once again 30,000 or so customers were provided with education and further training on Geberit products and software tools in the 25 Geberit information centres in Europe and overseas. In addition, around 90,000 customers became more familiar with Geberit know-how and products at external events.

## Geberit AquaClean has strong presence in 13 European countries

The Czech Republic and Slovakia brought to 13 the number of campaign markets in which concentrated advertising measures are being implemented for Geberit AquaClean shower toilets.

To enable end users to experience cleaning with water, Geberit has launched numerous activities in the campaign markets. In Germany, Denmark and Norway, for instance, the new → **Geberit AquaClean Mobile** went on a major tour from July to the end of October. Under the motto "The first time", interested parties had the opportunity to try out an AquaClean shower toilet and assess the various models. In Austria, Belgium, the Netherlands and Switzerland, a mobile AquaClean WC Lounge offered the public the opportunity at concerts, sporting events and other big events to find out more about a shower toilet. And so that guests don't miss out on the refreshing sensation of a shower toilet during a hotel stay, the international sales initiative for mid-range and high-end hotels was driven forward. Partly as a result of this, 40 hotel projects were won during the reporting year.

September saw the sales launch of the new premium complete shower toilet system Geberit AquaClean Mera. Demand for the new top-of-the-range model exceeded all expectations and, regrettably, this resulted in a supply backlog. The appropriate measures to increase production capacity have been introduced.

## Local contact with plumbing specialists

The close contact with plumbers and sanitary planners remained a focus of numerous marketing activities. Existing and proven measures such as customer visits, training and the publication of regularly updated technical documentation and apps were continued. The "Geberit On Tour" campaign, which has been organised in numerous markets since 2011, was also continued. This involved specially fitted-out showroom mobiles visiting wholesalers and offering plumbers the opportunity to assess Geberit innovations and solutions on site. In this way, over 30,000 visitors were addressed at more than 1,000 events in 18 countries in 2015.

## Trade fair presence to foster business relations and customer contacts

Numerous trade fairs were once again used as platforms in 2015 to foster and enlarge our network of contacts in the market and demonstrate Geberit's innovative strength. Chief among them was the ISH in Frankfurt, the world's most important trade fair for the sanitary industry. Here, Geberit and Sanitec were present with a total of three large stands. Another highlight was the World Expo in Milan, where Geberit was a joint sponsor of the hugely popular Swiss Pavillion. Other important trade fairs attended were Batibouw in Brussels, MosBuild in Moscow, Ideobain in



Paris, Unicera in Istanbul as well as the Kitchen & Bath Industry Show in Las Vegas and the Kitchen & Bath China in Shanghai. In addition, architects and designers were specifically targeted at the Fuori Salone in Milan.

### **Core competencies open doors**

Not all European markets have the same degree of awareness of low-noise sanitary installations. Therefore, a series of communication instruments have been developed to raise awareness of this subject among sanitary planners and plumbers and position Geberit as a professional solution partner. The initial use of these instruments in the Adriatic markets proved highly promising.

# Innovation

## Innovation as the foundation for future growth

Innovation is a key factor in Geberit's success. Therefore, substantial resources were once again invested in the development and the improvement of processes, products and technologies in 2015.

Its innovative strength, which is above average for the sector, is essential to the Group's continuing success. It is founded on Geberit's own, wide-ranging research and development (R&D) activities in our original business areas in sanitary technology, combined with various competencies that have been added as a result of the Sanitec acquisition. During the reporting year, a total of CHF 63.4 million (previous year CHF 55.8 million) or 2.4% of net sales was spent on future products and solutions. Of that total, CHF 58.3 million was attributable to the former Geberit and CHF 5.1 million to the activities of the former Sanitec. Expenditures increased by 13.6% year-on-year, or 4.5% after adjustments for the acquisition. 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. Over the last financial year, Geberit applied for 24 patents (including 4 for products of the former Sanitec business), bringing the total for the last five years to 108.

At Geberit, 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. From 2016, the product developments of the acquired ceramic appliances area will be aligned with this process.

## Broad-based competencies

Acoustic insulation, hydraulics, statics, hygiene, fire protection, process and materials technology – Geberit possesses uniquely strong competence in these and other areas, by setting industry standards.

Because of this, the development of sophisticated new products and technologies such as the → **Geberit Silent-Pro drainage system** can be accomplished almost entirely based on Geberit's own laboratories.

## Comprehensive development activities pay off

A highly sound-insulating drainage system is expected to deliver one thing in particular to the end user: quietness. When correctly installed, Geberit Silent-Pro fully meets this expectation. For around 50 realistic construction situations, the sound levels were ascertained in accordance with DIN 4109 in Geberit's building technology and acoustics laboratory, in cooperation with the Fraunhofer-Institut, and compliance with the strict limit values was confirmed. In order to obtain all the necessary fire protection permits that are recognised Europe-wide, Silent-Pro was also subjected to extensive fire trials at the certified materials testing institute at the University of Stuttgart.

The huge effort paid off: Geberit Silent-Pro – which will be introduced in selected markets during 2016 – enables the Group to offer a high-performance plug-in drainage system. Under normal operating conditions, the material has been shown to have a service life of many decades. The high degree of sound insulation, coupled with the hydraulic properties of the individual fittings, invariably achieve top marks.

## R&D expenditures (in CHF million)

	2011	2012	2013	2014	2015
	48.4	49.8	50.9	55.8	63.4
In % of net sales	2.6	2.6	2.5	2.7	2.4

## New products for greater comfort and better hygiene

The following products were newly launched on the market in 2015:

- The → **CleanLine** shower channel combines a high-quality finish with simple, safe installation while at the same time solving the hygiene problems of many shower channels. As the installation of a floor drain or a shower channel involves more and more trades, Geberit paid particular attention to making installation as simple and reliable as possible. Those efforts paid off, as sales so far have exceeded all expectations.
- Introduced to the public for the first time in March at the ISH in Frankfurt, the official sales launch of the → **Geberit AquaClean Mera shower toilet** took place in September. The new shower toilet has several impressive features: the WhirlSpray shower technology, developed by Geberit, ensures thorough and yet water-saving cleansing. The asymmetrical inner geometry of the rimless WC bowl allows quiet and clean flushing out. Comfort functions such as heatable WC seat, muted orientation light, automatic opening and closing of the WC lid as well as odour extraction unit and intelligent warm air dryer complete the new shower toilet.
- The elegant and small → **remote flush actuators type 01 and type 10** for cisterns are fitted with a high-performance, compact pneumatic cylinder. The actuations can be easily installed in drywalls or solid walls, at a distance of up to two metres from the cistern. This widens the design scope for the bathroom.
- The compact → **Geberit sanitary flush unit** with new control and sensor technology prevents the spread of bacteria and germ populations in pipes with standing water, by automatically flushing them when required. It therefore prevents hazardous contamination of drinking water systems in hotels, school buildings, sports stadia or hospitals. The devices are operated and programmed using a smartphone or by integration into the building service management system.

For more details on new products in 2015, see the → **Product Magazine 2015**.

Several new product launches are planned for 2016. Among them will be:

- The new → **Geberit Silent-Pro** drainage system, which represents the state of the art for building drainage: perfected plug-in connections, proven high degree of sound insulation, versatile and certified fire protection solutions, simple installation, high-quality materials and unrivalled quality. The outstanding sound insulation is due primarily to three factors: the high inherent weight of the material, increased wall thicknesses at defined points of the fittings and a consistent decoupling from the building structure.
- The new → **Geberit urinal system** enables sanitary planners and plumbers to create the optimal solution for every construction situation. The central elements of the new urinal system are the two rimless urinal ceramics Preda and Selva. Their inner geometry is precisely aligned with the newly-developed spray head and guarantees optimal flushing out even with the smallest flush volumes of 0.5 litres. The easy maintenance systems are extremely economical to maintain and operate.
- The ceramics in the → **Glow bath range** are characterised by their harmonious forms. The bath range, which was designed under the IDO and Porsgrund brands for all Scandinavian markets, comprises ceramics for wash-basins, WCs and bidets as well as bathroom furniture.

For more details on new products in 2016, see the → **magazine Facts & Figures 2016**.

# Production

## New production network

With the acquisition of the Sanitec Group, the number of Geberit plants increased. The existing 17 plants for processing plastic and metal were joined by 18 sites, 12 of which manufacture ceramic products. The other 6 process acrylic, mineral casting compound as well as aluminium and glass (in the case of shower enclosures). The range of manufacturing technologies used thus includes the areas of plastic injection moulding, blow moulding and extrusion, appliance construction, metalforming and thermoforming, assembly and ceramic production.

Efforts were focused during 2015 on the integration of the new sites and their workforces. One of the key aspects was establishing the principle of continuous, noticeable improvements in a sustainable manner and thereby achieving substantial increases in productivity over the longer term. The central component of this undertaking is the Geberit Production System (GPS), which comprises the main elements of lean manufacturing and is universally applicable, i.e. it can be applied to the situation at every plant. Intensive training attended by all managers of the former Sanitec plants placed a particular focus on this.

## Environmental management in production

The acquisition of Sanitec and, in particular, the integration of the new ceramics plants had a considerable impact on Geberit's ecological footprint. Because of the processes involved, the manufacture of sanitaryware is very energy-intensive. For this reason, the Group's energy consumption increased fivefold in 2015. Its environmental impact and CO<sub>2</sub> emissions also increased significantly. In absolute terms, its environmental impact increased due to the acquisition by 279%; however, organically, it reduced by 2.1%. Environmental impact in relation to net sales (organic, currency-adjusted) decreased by 4.7%. As regards the long-term target, which is based on a decrease of 5% per year, Geberit therefore remains on course in organic terms.

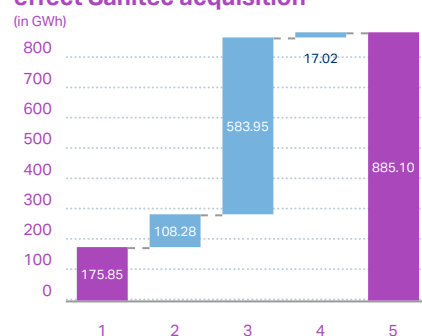
Despite the acquisition-related development outlined, Geberit's ambitious reduction targets formulated in 2006 are unchanged: Geberit is pursuing the goal formulated in the → **Sustainability Strategy 2016-2018** of maintaining or further extending its sustainability leadership. One of the main instruments that helps achieve this goal is the integrated Geberit management system, which unites the themes of quality, environment, health and occupational safety as well as energy. By the end of 2018, all new sites are to be integrated into this system and accordingly satisfy the requirements of standards → **ISO 9001 (quality)**, → **ISO 14001 (environmental management)** and → **OHSAS 18001 (occupational safety and health protection)**. Adding certification according to ISO 50001 (energy management) will be on the agenda for selected sites.

## CO<sub>2</sub> strategy

CO<sub>2</sub> emissions increased in 2015 by 296% to 251,430 tonnes as a result of the Sanitec acquisition. Organically, however, they were reduced by 3.1%. CO<sub>2</sub> emissions in relation to net sales (organic, currency-adjusted) declined by 5.6%. This enabled the targets set out in the long-term → **CO<sub>2</sub> strategy** sheet to be met and all measures to reduce → **CO<sub>2</sub> emissions** to be implemented.

Geberit bases the implementation of its ambitious CO<sub>2</sub> strategy on three pillars. The first pillar is about savings in energy consumption. The second pillar relates to increasing efficiency and the third pillar comprises the selective acquisition of high-quality, renewable energy sources. The detailed → **CO<sub>2</sub> balance sheet** and → **all measures taken to reduce CO<sub>2</sub> emissions** are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

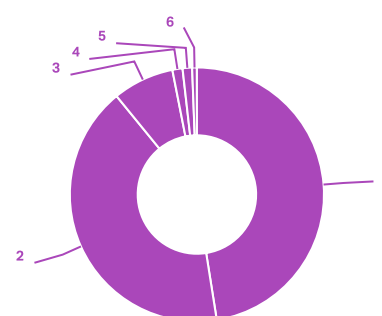
## Energy consumption 2015 – effect Sanitec acquisition



- 1 Geberit, organic\*
- 2 Sanitec electricity
- 3 Sanitec combustibles
- 4 Sanitec fuel
- 5 Geberit Group, consolidated

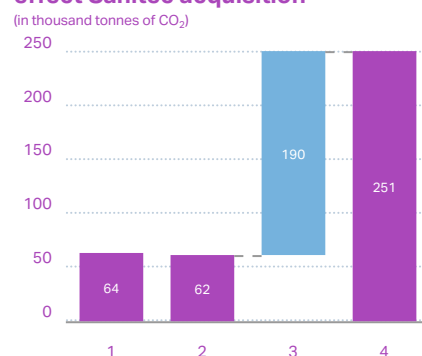
\* Electricity: 114.05 GWh, combustibles: 44.35 GWh, fuel: 17.45 GWh

## Distribution environmental impact 2015



- 1 Combustibles (47.5%)
- 2 Electricity (41.6%)
- 3 Fuels (7.8%)
- 4 Disposal (1.3%)
- 5 Water (1.2%)
- 6 Solvents (0.6%)

## CO<sub>2</sub> emissions – effect Sanitec acquisition



- 1 Geberit 2014\*
- 2 Geberit 2015, organic
- 3 Sanitec 2015
- 4 Geberit Group 2015, consolidated

\* Updated basic data, calculation in accordance with IPCC 2013, excluding Scope 3 emissions

# Logistics and procurement

## Two different logistics worlds

Geberit heavily centralised and integrated its logistics in Europe between 2005 and 2010, whereas the logistics organisation of the former Sanitec is decentralised and geared towards the needs of the various brands and regions. Sanitec's logistics organisation and reporting were already incorporated in Geberit's Group logistics in 2015.

## Groundbreaking ceremony in Pfullendorf

The integrated logistics of the original Geberit, with a Logistics Centre in Pfullendorf in south Germany and central transport management as the interface between the plants, markets and transport service providers, enables resource-efficient transport solutions. Transport between the plants, for instance, is combined with customer deliveries. This reduces the number of empty kilometres and increases truck capacity utilisation. A cooperation is in place with six main transport service providers for land transport in Europe. These service providers regularly report to Geberit on their quality and environmental management systems – including the reduction of energy consumption and emissions.

With a view to future growth and the continued optimisation of existing logistics processes, the decision was made the previous year – irrespective of the Sanitec acquisition – to further expand the capacities of the Logistics Centre in Pfullendorf and invest around EUR 40 million in this by 2017. The groundbreaking ceremony for the extension was held as scheduled in the spring of 2015.

## Sanitec suppliers integrated

The centrally organised Purchasing department looks after the procurement of raw materials as well as semi-finished and finished products for all production plants worldwide (except the USA), as well as the purchasing of external services for the Group. The central Purchasing department became even more important when the purchasing specialists of the former Sanitec were integrated. Once again, an uninterrupted supply of the requisite raw materials to all the plants could be guaranteed in the year under review.

All Geberit's business partners and suppliers are obligated to maintain comprehensive standards. This applies to quality, socially responsible and healthy working conditions as well as environmental protection and the commitment to fair business practices. The basis for the cooperation is the → [Code of Conduct for Suppliers](#). This Code is aligned with the principles of the United Nations Global Compact and is binding for every new supplier. The suppliers of the former Sanitec are also required to abide by these standards and, by the end of the reporting year, 38 of the 50 main suppliers had already signed the Code, bringing the number of suppliers that had signed the code to 868 by the end of 2015. This equates to more than 90% of the Geberit Group's purchasing volume.

# Sustainability

## Sustainable corporate culture – for decades and in the future

A corporate culture in which sustainability is implemented in a measurable way enhances the value of the company and minimises the risks to its further development. Geberit has a decades-long commitment to sustainability and is a leader in this area, setting standards for customers, employees, suppliers and other partners. As part of the integration of Sanitec, these high sustainability standards are also to be rolled out at the former Sanitec organisations. These standards cover water-saving and sustainably produced products; environmentally friendly and resource-saving production; procurement and logistics with high environmental and ethical standards; and good, safe working conditions for the more than 12,000 employees worldwide. Geberit realises its corporate social responsibility through various commitments: social projects in developing regions around the world and partnerships like those with the Swiss development organisation Helvetas.

Various stakeholder groups regard a position as a sustainable company as increasingly important. Numerous awards prove that Geberit has been taking this remit seriously for many years. In the world's largest climate protection ranking awarded by the international organisation CDP (Carbon Disclosure Project), for instance, Geberit has achieved the status of "Sector Leader Industrials" for its reporting, meaning that it is one of the 10 best companies in the sector in Germany, Austria and Switzerland.

## Water management still an important subject

In September 2015, the United Nations defined the follow-up programme to the Millennium Development Goals from the year 2000: the Sustainable Development Goals (SDGs) define concrete targets and indicators for 17 different themes which the states are required to implement by 2030. The involvement of the business world plays a pivotal role in implementing these targets and indicators. Goal number 6 states that access to clean drinking water and basic sanitation must be available to all people around the world, under fair conditions. Improving resource efficiency when handling water plays an important role in this. The importance of the subject of water management for sustainable development is still undisputed. A growing world population, migration, urbanisation, 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 major impact on future sanitary technology: water-saving and resource-efficient products are becoming even more important. The EU is increasingly putting water conservation and sustainability on its political agenda and has, for example, developed ecolabels for efficient toilets, urinals, washbasin taps and showers. Industry is also working on water efficiency and voluntary labels. The WELL label (Water Efficiency Label) of the European umbrella organisation for valve manufacturers EUnited, which was introduced in 2011, takes its direction from the well-known energy labels for electrical household appliances and serves as an information and orientation aid. Of the nine Geberit product groups – corresponding to more than 500 sales products – that are already certified, eight are represented in the A class. These product groups account for 17% overall of Group net sales.

The analysis of the entire Geberit 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 corresponding graphic takes account of all Geberit products before the integration of Sanitec. It is to be assumed that the new product portfolio will only cause a minor shift. Sparing use of the valuable resource water is and remains a focal point for Geberit.

## Water footprint throughout the value chain (2015)\*

### Provision of raw materials

0.2% of the total amount of water is required in the manufacture of raw materials for Geberit products.



0.2%  
(5.9 Mio. m<sup>3</sup>)

### Manufacturing

A mere 0.04% of the water is used in the manufacturing of products at Geberit in 2015.



0.04%  
(1.2 Mio. m<sup>3</sup>)

### Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2015 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.75%  
(3 115 Mio. m<sup>3</sup>)

### Disposal

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



0.01%  
(0.2 Mio. m<sup>3</sup>)

\* Geberit organic

## Green building competencies are being expanded

Green building has become the standard in recent years, in the public and the private construction sector. European standards are thus prescribing the use of sustainable products and systems in buildings. At the same time, more and more buildings are being constructed in accordance with sustainability standards, such as DGNB, Minergie, BREEAM and LEED. Investors, project developers, owners and tenants are demanding system providers with holistic know-how regarding green building in order to satisfy the relevant standards. Geberit is addressing these issues with water and energy saving, low-noise and durable products, consistently positioning itself in the frontline with regard to green building.

In 2015, an internal working group was formed to discuss the entire product portfolio in great detail, at a number of workshops. The aim was to determine the relevance of the various sustainability issues, such as energy, comfort, climate, resources, origin, materialisation or Society, and gain comprehensive know-how regarding the requirements of the different labels. The next step will involve establishing an internal area of competence as well as raising awareness among, and training, the technical advisors. In the long term, product catalogues and online information will be supplemented with the relevant data on green building.

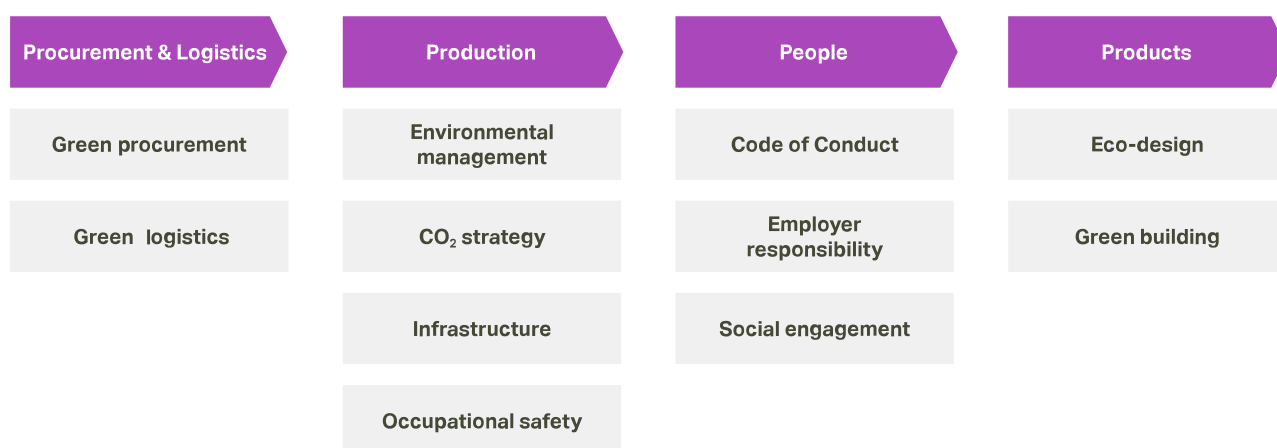
More and more green building reference projects involving Geberit products attest to the great importance of the subject. In Vilnius (LT), for example, the new → **"k29" office complex** just a few walking minutes from the historic old town was inaugurated in 2015. For the architects, environmental friendliness was the key aspect of their design process, resulting in a completely glazed green building (BREEAM certified). Another example is the 1970s-built → **"Klenze 27"** student residence in Regensburg (DE), which provides 240 apartments and, following its renovation and redesign, fulfils the requirements of the KfW-Effizienzhaus 70 environmental label. Comprehensive Geberit sustainability know-how is built in to both properties.

## Sustainability strategy consistently rolled out

The consistent implementation of the sustainability strategy is an essential objective for the whole Geberit Group. Even in the wake of the integration of Sanitec, Geberit remains committed to this strategy. Therefore, the existing sustainability modules will gradually be rolled out to all newly added sites.

The strategy continues to focus on a total of 11 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, measures derived from that and quantified key figures for effective monitoring.

## Sustainability strategy landscape



Since 2007, a sustainability performance review has been published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). The switch from the GRI G3 to the new GRI G4 guidelines was made in 2014. A process for determining the essential aspects of sustainability was the strategic starting point. These were identified and prioritised as part of an internal process. In 2012 and 2014 an → **external stakeholder panel** was consulted for the purpose of reviewing the → **materiality analysis** along with the sustainability strategy and related communication. The plan is to convene another stakeholder panel in 2016 in order to have both material aspects and the sustainability strategy assessed under the new circumstances.

All aspects of the GRI G4 guidelines can be found in the → **Sustainability Performance Report** for 2015. The information disclosed within the scope of this report fulfils the "comprehensive" transparency grade set out in the GRI G4 guidelines, as has been → **verified by GRI**.

Since 2008, Geberit has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalisation more socially responsible and environmentally friendly. A → **Communication on Progress** regarding measures in the areas of human rights, labour practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The anchoring of the subject of sustainability is reinforced by the → **Code of Conduct for Employees**, which was overhauled in 2015, 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**.

The efforts in terms of sustainable business management are rewarded by the capital market. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. The share is represented, for example, on the Dow Jones Sustainability Europe Index (DJSI) and is a component of the STOXX Europe



Sustainability Index as well as the FTSE EO 100 Index series. 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, which are still gaining in importance.

### **Eco-design as a standard in product development**

As part of the Group's systematic innovation and development process, the eco-design approach has been consistently applied since 2007. This means that environmental aspects – from the selection of raw materials right through to disposal – are systematically examined during a product's early development phase, with the requirement that every product outperforms its predecessor from an ecological perspective. The new Geberit urinal system is an example of this. It includes urinals with electronically controlled flushing systems but also with completely waterless operation. The central elements are the two rimless urinal ceramics Preda and Selva, which were developed by Geberit. Thanks to the low consumption of resources and the option of a control system supplied with electricity by an autonomous, network- and battery-independent energy source, the urinals satisfy the most stringent requirements for green building and economic operation.

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. For example, detailed life cycle assessments have already been prepared for the following products: drainage/supply pipes, AquaClean Mera, electronic lavatory taps type 185/186, concealed cisterns, urinal flush controls and the new urinal system. The environmental product declarations (EPD) in accordance with the new European standard EN 15804 are becoming increasingly important and can also be used directly for green building standards such as LEED. For example, the EPD for the Geberit urinal system presents relevant, comparable and verified information about the product's environmental performance in a transparent manner.

# Compliance

## Transparency established

Transparent and intelligible compliance processes were especially important in 2015 following the acquisition of the Sanitec Group. The subject of compliance had to be uniformly positioned throughout the Geberit Group. As is the case with other issues, the launch of the joint Intranet provided a suitable opportunity for this, presenting and explaining the compliance organisation on a dedicated page. In parallel to this, the management at all Group companies was called upon by the CEO to communicate in a suitable way to employees - including those without Intranet access - the information made available on the subject.

## Effective Compliance organisation

A thorough review of the Compliance organisation at the end of 2014 yielded a very satisfactory result. The Internal Audit department and external auditors concluded that responsibilities are clearly regulated within the various Group functions and the mechanisms are geared towards effectiveness. Geberit is guided by the relevant criteria that are typical of the industry and, accordingly, places the emphasis on the areas of antitrust legislation, corruption, environmental protection, employee rights and product liability. Once an assessment of the existing compliance structures had been completed, the Geberit Group's Compliance Programme was also extended to the companies of the former Sanitec Group.

The focal areas mentioned are described in detail in → [Geberit's Code of Conduct](#), a new version of which has been available since the start of 2015. The Code of Conduct has existed since 2008. Compliance with the Code has always been audited annually in all organisational units, by means of a detailed questionnaire, and this now includes the organisational units of the former Sanitec Group. No significant breaches of the Code of Conduct were identified in 2015. The Code of Conduct attaches special importance to the particularly sensitive subjects of antitrust legislation and corruption. The corresponding directives have been updated and made accessible to all relevant employees through suitable communication channels. Over the coming year, there will be a repeat of a Group-wide survey on correct practice regarding donations. The Geberit Integrity Line, which was established in 2013, was opened to employees of the former Sanitec Group in 2015. This service is intended to enable employees to anonymously report cases such as sexual harassment or when a corrupt payment is covered up. There were no reports of significant violations of the Code of Conduct, either via the Integrity Line or the checks described.

Training events geared specifically towards antitrust legislation matters were held in 2015 for the Managing Directors of the European sales companies. An e-learning course on the subject of compliance in the sphere of antitrust legislation will be held for all employees concerned in the first quarter of 2016.

## Overhauled identity launched

In 2015, a key compliance element was remodelled in the → [Geberit compass](#), which describes the cornerstones of the corporate culture: the joint mission, the shared values, the operational principles and the success factors to be considered by all employees. The CEO presented and explained these cornerstones in the first joint edition of the Group-wide employee magazine, which is published in six languages. At the end of 2015, a physical copy of the Compass was sent to the home addresses of all employees, with a letter from the CEO.

# Social Engagement

## Focus on water

With innovative sanitary products, Geberit continuously improves the quality of people's lives. The company rigorously pursues this mission. The new edition of the guideline for employees, the → **Geberit Compass**, sets this out.

The Group's social engagement is also about quality of life and sustainability. This is why it has for many years undertaken social projects that exhibit a relationship to the topic of water as well as to its core competencies and corporate culture. Equally important is the aspect of personal and professional education: by becoming actively involved in the social projects in developing regions of this world, apprentices become familiar with other cultures and acquire new social, linguistic and professional skills. Furthermore, the Group's social engagement in the form of social projects makes a tangible contribution to implementing the follow-up programme of the Millennium Development Goals of the United Nations, which seeks to give all humans access to clean drinking water and basic sanitation by 2030.

## Tangible commitment – global and diverse

In a repeat of 2012, the apprentices visited South Africa in 2015, this time close to the port of Durban in Kwazulu-Natal province. This is the location of the → **Cottonlands Primary School**. Around 1,000 pupils attend the school, which was originally designed to accommodate around 500 children and was in urgent need of an infrastructure upgrade. The local Geberit sales company planned and oversaw the preparatory construction work. In November and December, the Geberit team, with apprentices from Germany, Austria and Switzerland, went to the school to install new sanitary installations and perform valuable voluntary work for orphan children in the neighbouring "LIV village".

The partnership with the Swiss development organisation Helvetas was renewed for another two years. Geberit once again supported the Helvetas campaign for clean drinking water and latrines, with a substantial contribution. The volunteering project in Nepal that had been planned for 2015 in partnership with Helvetas and with the involvement of Geberit employees was postponed by a year, because of the earthquake in the spring of 2015.

The cooperation with the non-profit organisation Swiss Water Partnership was 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 and promote international dialogue on water.

A multitude of initiatives and collection campaigns round off the Geberit Group's social commitment at the local level. As a basic principle, all social projects and the use of funds are regularly checked by Geberit employees in the respective country or in partnership with non-governmental organisations (NGOs).

In addition, a number of Geberit production plants have for many years been awarding packing and assembly work to workshops for people with mental disabilities. In 2015, the volume of such orders was CHF 6.2 million.

For an overview of donations and financial contributions, see → **Investments in infrastructure and services primarily for public benefit**. All of Geberit's donations and related commitments are neutral from a party political point of view. Furthermore, 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, aside from the → **Sanitec acquisition**. Please also refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure**.

# Outlook

## Environment for the construction industry will remain challenging

The situation in the construction industry will remain challenging. The individual regions/markets and construction sectors are developing very differently. In **Europe**, there are signs that the construction industry could stabilise. For markets such as Germany, the United Kingdom, the Netherlands and Poland, a positive market environment is expected. No growth is forecasted for the Swiss and Austrian construction industry. In the Italian and French markets, which have been in crisis in recent years, a few indicators point towards a stabilisation. In **North America**, moderate growth is predicted in the public sector construction industry, which is important to Geberit's business in the USA, along with a continued recovery in residential construction. The **Far East/Pacific** region will be shaped by a further weakening in China in the residential construction segment. In the **Middle East/Africa** region, the outlook in South Africa remains positive, whereas in the Gulf States a slowing of activities is expected in the construction industry, due to the low oil price.

Fluctuations in the Swiss franc will continue to affect sales and earnings. Gains and losses result mainly from the translation of local results into Swiss franc (translation effects). In general, the effects of currency fluctuations on margins are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. The integration of the Sanitec business did nothing to change this situation. The influence of currency fluctuations on operating profit margins is relatively small due to the natural hedging strategy. The 10% currency rebate introduced at the start of February 2015 in the Swiss market, in response to the stronger Swiss franc, was transferred to the 2016 price list. With regard to the impact of foreign currency effects, please refer to the information and the sensitivity analysis in the → **Management of currency risks** section.

In the first half of 2016, the level of raw material prices is likely to be slightly below the prior-year period - driven mainly by lower prices of industrial metals and special plastics. It is unwise at present to give any more detailed forecasts, given the uncertain environment.

## Geberit

The Geberit Group's 2016 financial year is expected to be further impacted by the integration of Sanitec's activities. Since 1 January 2016, the sales organisation is operating as a single company in all markets; another focus shall also be on the further harmonisation of systems and processes and realising initial synergies. Just as important shall be the focus on Geberit's daily business, which is expected to be a challenging undertaking once again owing to the situation in the European construction markets. The objective shall be to provide convincing services in all markets with the new joint sales team and, as in previous years, gain market shares. The main focus shall fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of markets in which Geberit products or technologies are still under-represented and on the very promising shower toilet business. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes.

The Board of Directors and the Group Executive Board are convinced that the company is very well equipped for the upcoming opportunities and challenges. The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. 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 organisation, an established cooperation based on trust with our market partners in both commerce and trade, and the Group's continued solid financial foundation following the acquisition of Sanitec are vital to our future success.