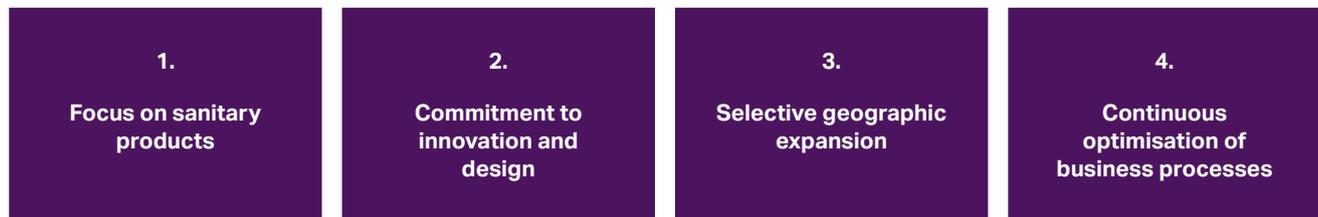


Strategy

With its innovative solutions for sanitary products, Geberit aims 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. Here, the aspects of design are constantly growing in importance.
3. Selective geographic expansion: an important factor in long-term success is stronger growth in those markets outside Europe in which Geberit products or technology are still under-represented. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, Southeast Asia, Australia, the Gulf Region, South Africa 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 thereby gaining market shares. 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 in autumn 2015 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.

2017 and 2018 will each see around CHF 150 million investments in property, plant and equipment in order to achieve the expected growth, for upcoming larger projects and due to the integration of the Sanitec business.

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

The following growth 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-added-value products – particularly in markets in which Geberit products already have a high degree of market penetration
4. **Geberit AquaClean**, to further expand the shower toilet category in Europe
5. **Innovation leadership** in the sanitary industry, in order to set new standards
6. **Continuous process and cost optimisation**

Value-oriented management

Value orientation aspects are considered in all 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 value-oriented key figure "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 and Eastern European currencies. 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 francs (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, see also 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 integration

For Geberit, the acquisition of Sanitec in February 2015 represented an expansion of its strategic focus. The future product portfolio was enhanced with bathroom ceramics. Geberit became the European market leader for sanitary products and in particular strengthened 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. The acquisition combined technical know-how in sanitary technology “behind the wall” with design expertise “in front of the wall”. It also supported the Group’s key → **growth and earnings drivers** and will create added value.

The integration activities, which began in the second quarter of 2015, continued to progress according to plan in the reporting year. Since 1 January 2016, Geberit and the former Sanitec units have been operating as a single company in sales activities in all markets with joint order and invoicing processes. In 2016, the focus also fell on the harmonisation of processes and systems and the realisation of synergies.

Market environment

Improved business climate

As in previous years, the construction industry in 2016 was shaped by developments that varied by region. The market environment was, however, friendlier than in the previous year.

In November 2016, Euroconstruct forecasted an increase in building construction for **Europe** in 2016 of +2.9%, which confirmed the previous report of mid-2016. A comparison with older forecasts explains the more positive outlook: at the beginning of 2015, Euroconstruct still expected building construction to increase by +2.3% in 2016. At +4.5%, new construction reported stronger growth in 2016 than renovations (+1.6%). Although the volume for new buildings still lagged behind the record highs of 2007/2008 in 2016, renovation volumes were almost on a par again with the level seen at that time. At +3.9%, residential construction was the growth driver for building construction in 2016. The following countries that are important to Geberit in terms of sales did well in 2016: the Netherlands (+6.8%), the Nordic Countries (+6.2%), Belgium (+4.0%), Germany (+2.5%), Italy (+1.9%), Austria (+1.7%) and Switzerland (+0.5%).

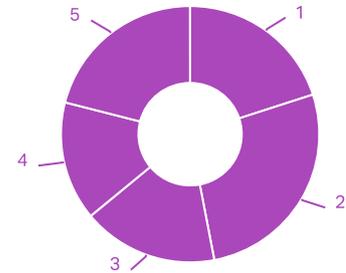
Of the total European construction volume of EUR 1,441 billion in 2016, 79% was generated by building construction. The ratio of residential to non-residential building construction remained the same at around 60 to 40 percent. In spite of stronger growth, new construction as a share of total building construction once again lagged slightly behind the renovation business in 2016.

In the **US**, gross domestic product (GDP) rose by 1.6% and the economy grew considerably slower than in 2015 (+2.6%). Investments in building construction increased by 5.9%. Within building construction, investments in non-residential construction increased by 8.0% in total, which was less than in the previous year (+13.8%). This development was supported by the office, hotel and commercial buildings sector. The health care/hospitals and schools/universities segments, which are important for Geberit, developed with +4.7% slightly below the previous year (+5.0%). Residential construction slowed down further in the reporting year: the number of building permits for new private residential units only increased by 0.4% in the reporting year after the previous year's good performance of 12.4% (these figures for the US construction industry were published by the U.S. Department of Commerce, United States Census Bureau).

In the **Far East/Pacific** region, economic growth at +4.7% was on a par with the previous year (+4.6%). At +2.5%, global economic growth was considerably lower. At 62% (previous year 55%), more than half of the global growth once again originated from the Far East/Pacific region, where all relevant economies enjoyed positive growth. As in previous years, China contributed around two-thirds to the growth of this region. In spite of the comparatively good macroeconomic situation, activity in the Chinese residential construction sector remained low, in particular in the smaller conurbations, as the market is burdened by large numbers of unsold residential properties.

Total construction output Europe 2016

(EUR 1,441 billion)



- 1 Residential - New (20%)
- 2 Residential - Renovation (27%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (15%)
- 5 Civil engineering (21%)

Source: 82nd Euroconstruct Conference in Barcelona (ES), November 2016

Construction output and Geberit net sales in Europe 2012 - 2016

(Index: 2011 = 100)



Source: 82nd Euroconstruct Conference in Barcelona (ES), November 2016, and 81st Euroconstruct Conference in Dublin (IRL), June 2016

Net sales

Very good sales development

Cumulative net sales in 2016 increased by 8.3% to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a foreign currency effect of +0.7% and an acquisition- and divestment-related increase of 1.2%.

The net sales for the second half of 2015 of the Koralle Group (sold at the end of June 2016) and the net sales for January 2016 of the Sanitec Group (acquired in February 2015) were not included in the calculation of organic growth. The net effect of these eliminations amounted to CHF 31.7 million.

The currency gains contained in net sales amounted to CHF 18 million. In 2016, 62% of net sales were generated in euros, 10% in Swiss francs, 5% in US dollars and 4% in British pounds.

The following changes in net sales in the markets and product areas relate to currency-adjusted, organic developments.

Convincing developments in European markets

The biggest region, **Europe**, grew by 6.8%. Austria (+12.3%), the Nordic Countries (+11.1%) and Central/Eastern Europe (+10.4%) posted double-digit growth. The other European markets/countries also reported convincing growth, with +7.9% for the Benelux Countries, +6.5% for the Iberian Peninsula, +6.4% for Switzerland, +5.4% for United Kingdom/Ireland, +4.8% for France, +4.7% for Germany and +3.9% for Italy. **Far East/Pacific** (+4.3%), **Middle East/Africa** (+3.5%) and **America** (+0.2%) posted below-average growth compared to the European markets.

Sanitary Systems reported strongest growth

Net sales for the **Sanitary Systems** product area amounted to CHF 1,263.5 million, corresponding to growth of 9.2%.

Net sales for the **Installation Systems** product line, at 28.1% of Group net sales the most important product line, rose by 8.0%. This growth was strongly supported by the drywall elements, high-quality actuator plates and the synergies that were realised from the Sanitec integration. Growth of 14.3% was posted by the **Cisterns and Mechanisms** product line, which accounts for 9.1% of total net sales. This above-average growth was driven by the reduction of the order backlog for the newly-launched premium shower toilet AquaClean Mera on the one hand, and on the other by continued strong demand for the Monolith WC module. Net sales for the **Faucets and Flushing Systems** product line, which accounts for 4.4% of total net sales, increased by 3.0% in 2016. The below-average result for this product line was due to the difficult market conditions faced by the US subsidiary Chicago Faucets in business with schools and hospitals. Sales of urinal systems, however, trended very well. Net sales for the **Waste Fittings and Traps** product line rose by 14.3%. The share of total Group net sales came to 3.4%. This product line posted the strongest growth of all, primarily because of the great success of the CleanLine shower channel launched in the market in the previous year.

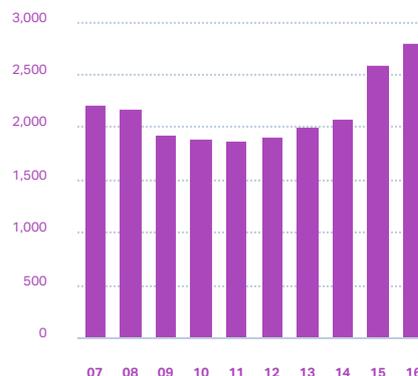
Net sales for the **Piping Systems** product area increased by 2.5% to CHF 823.8 million. As in the previous year, growth for this product area lagged behind Sanitary Systems.

Building Drainage Systems grew by 4.4%. The share of total net sales reached 10.7%. The Silent-PP sound-insulating drainage system and the PE drainage system experienced positive development. Sales for the **Supply Systems** product line increased by 1.4%. This product line contributed 18.6% to total net sales. The product line was burdened by the carbon steel piping systems, which suffered from low copper prices. Stainless steel piping systems, however, reported encouraging growth.

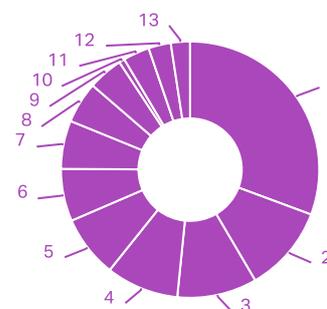
The **Sanitary Ceramics** product area posted organic, currency-adjusted growth of +6.5% to CHF 721.7 million. Measured for the year as a whole (inclusive of Sanitec's sales for January 2016), currency-adjusted growth was +4.9%.

Net sales development 2007 – 2016

(in CHF million)



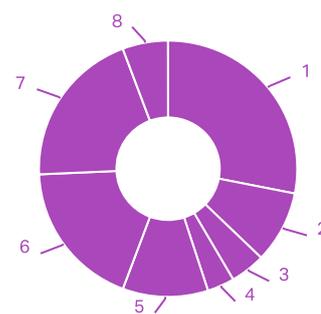
Net sales by markets/regions 2016



- 1 Germany (30.7%)
- 2 Nordic Countries (10.9%)
- 3 Switzerland (10.0%)
- 4 Central/Eastern Europe (9.1%)
- 5 Benelux (7.8%)
- 6 Italy (6.6%)
- 7 France (6.1%)
- 8 Austria (5.2%)
- 9 United Kingdom/Ireland (4.4%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.3%)
- 12 Far East/Pacific (2.8%)
- 13 Middle East/Africa (2.4%)

The **Bathroom Ceramics** product line grew by 8.3%. The contribution of this product line, which is the second largest measured by Group net sales, came to 20.0%. Wall-hung WC ceramic appliances and WC seats were the most important drivers of growth. Net sales for the **Ceramics Complementary Products** product line, which accounted for 5.7% of Group net sales, improved by 0.7%. This comparatively low growth rate was due to the fact that the installation systems of the former Sanitec, which fall under this product line, are increasingly being substituted by Geberit systems.

Net sales by product areas and product lines 2016



- Sanitary Systems (45,0%)
- 1 Installation Systems (28,1%)
- 2 Cisterns and Mechanisms (9,1%)
- 3 Faucets and Flushing Systems (4,4%)
- 4 Waste Fittings and Traps (3,4%)
- Piping Systems (29,3%)
- 5 Building Drainage Systems (10,7%)
- 6 Supply Systems (18,6%)
- Ceramics (25,7%)
- 7 Bathroom Ceramics (20,0%)
- 8 Ceramics Complementary Products (5,7%)

Results

Improved profitability

In the 2016 financial year, the results of the Geberit Group were once again impacted by acquisition, divestment and integration costs, and income related to the Sanitec acquisition – albeit much lower than in the previous year. For better comparability, adjusted figures are shown and commented on.

The adjusted operating cashflow (adj. EBITDA) rose by 14.6% to CHF 794.9 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 28.3% compared with 26.7% in the previous year. Foreign currency developments did not have any material impact on the adjusted EBITDA margin.

The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices.

The adjusted operating profit (adj. EBIT) rose by 16.2% to CHF 686.5 million, and the adjusted EBIT margin reached 24.4% (previous year 22.8%). Adjusted net income improved by 18.4% to CHF 584.0 million, which led to an adjusted return on sales of 20.8% (previous year 19.0%). The adjusted earnings per share were up by 19.8% to CHF 15.85 (previous year CHF 13.23). This above-average increase when compared with the operating results is explained by an improved financial result and a slightly smaller number of shares.

Operating expenses remain on track

Total adjusted operating expenses increased by 6.0% in 2016 to CHF 2,122.5 million, which is below average when compared to the net sales growth. As a percentage of net sales, this equates to 75.6% (previous year 77.2%).

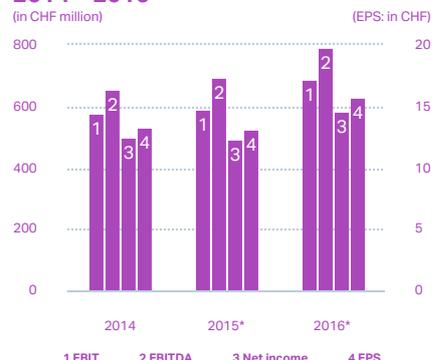
The adjusted cost of materials increased by 2.3% to CHF 773.5 million, whereas in percentage of net sales dropped substantially from 29.1% in the previous year to 27.5%. Expenditure was reduced by lower purchase prices for industrial metals and plastic, even though the prices for these materials started trending upwards again in the second half of the year. Adjusted personnel expenses grew by 6.4% to CHF 696.2 million, which equates to 24.8% of net sales (previous year 25.2%). Adjusted for acquisition and currency effects, the adjusted personnel expenses were only slightly higher. The largely tariff-related salary increases were partly offset by synergies and efficiency gains, see also → [Business and financial review, employees](#). Adjusted depreciation rose by 4.0% to CHF 99.7 million. The adjusted amortisation of intangible assets amounted to CHF 8.7 million (previous year CHF 6.7 million). Adjusted other operating expenses increased – in part driven by the acquisition – by 11.1% to CHF 544.4 million.

The adjusted net financial result came to CHF -9.3 million, which is an improvement of CHF 7.9 million compared with the previous year. This development can be explained by the exceptional expenditure incurred in connection with the financing of the Sanitec acquisition in the previous year and foreign currency gains (rather than the previous year's foreign currency losses). Adjusted tax expenses grew by CHF 12.6 million to CHF 93.2 million. This resulted in a slightly lower adjusted tax rate compared with 2015 of 13.8% (previous year 14.0%). A number of one-off effects led to this lower rate.

Acquisition and integration costs in the income statement lower than in previous year

The negative special effects (see table below) arising from the Sanitec acquisition/integration amounted to CHF 10 million as regards EBITDA, CHF 46 million as regards EBIT, and CHF 36 million as regards net income. The non-adjusted figures were CHF 785.2 million for EBITDA, CHF 640.1 million for EBIT, CHF 548.2 million for net income, and CHF 14.88 for earnings per share.

EBIT, EBITDA, Net income, Earnings per share (EPS) 2014 – 2016

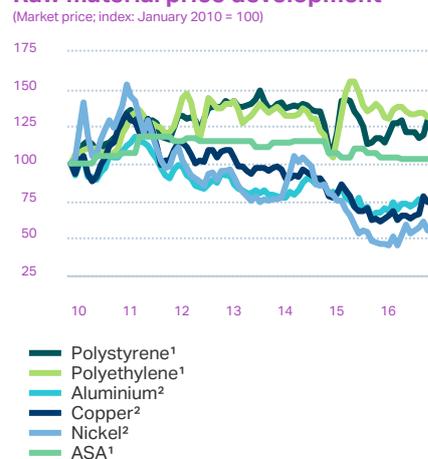


* Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income as well as amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

EUR/CHF exchange rates 2015/2016



Raw material price development



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Increase in free cashflow

The considerably higher operating cashflow (EBITDA) and an improved financial result on the one hand and higher absolute tax expenditure on the other led to an increase in net cashflow of 17.2% to CHF 699.0 million. A slight decline in the investments in property, plant and equipment and negative effects of the change in net working capital resulted in an increase in free cashflow of 16.5% to CHF 563.9 million (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 28. Cashflow figures**). Free cashflow was used to pay distributions of CHF 309.3 million to shareholders, to repay debts of net CHF 172.8 million and, as part of the last phase of the share buyback programme, to buy back shares for CHF 50.7 million.

Acquisition and integration related costs

(in CHF million)

	2015	2016
Transaction costs	7	0
Integration costs	27	10
Inventory revaluation charge*	28	0
Total cost on EBITDA level	62	10
Depreciation and amortisation*	31	36
Total cost on EBIT level	93	46
Financing costs	6	0
Tax effect	-28	-10
Total cost on net income level	71	36

* mainly related to purchase price allocation

Financial structure

Solid financial foundation

Once again, 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 3,553.8 million to CHF 3,601.1 million. Liquid funds increased from CHF 459.6 million to CHF 509.7 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 340.6 million. Debts were reduced to CHF 970.9 million (previous year CHF 1,139.2 million). This resulted in a reduction in net debt by CHF 218.4 million to CHF 461.2 million at the end of 2016. This development resulted from the strong free cashflow, the dividend payment to the shareholders, share buybacks and the repayment of debts (see also → **Increase in free cashflow**).

At CHF 147.3 million, net working capital was on a par with the previous year (previous year CHF 146.6 million). Property, plant and equipment increased from CHF 715.4 million to CHF 726.5 million, while goodwill and intangible assets dropped from CHF 1,757.1 million to CHF 1,681.1 million.

The ratio of net debt to equity (gearing) improved from 45.9% in the previous year to 28.2%. The equity ratio reached a very solid 45.4% (previous year 41.7%). Based on average equity, the adjusted return on equity (ROE) was 38.3% (previous year 32.2%); the non-adjusted value of this ratio was 35.9% (previous year 27.6%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,704.6 million at the end of 2016 (previous year CHF 2,504.9 million). The adjusted return on invested capital (ROIC) was 21.5% (previous year 20.1%); the non-adjusted value of this ratio was 20.2% (previous year 17.0%). 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 239,869 treasury shares on 31 December 2016, which equals 0.6% of the shares entered in the Commercial Register. These shares are mostly earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares. The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. When the programme ended, this represented 2.0% of the share capital recorded in the Commercial Register. The share buyback was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 327.40. The ordinary General Meeting of 6 April 2016 approved the proposal to cancel the shares that were bought back by means of capital reduction. This took place on 20 June 2016.

Debt

(in CHF million; as of 31 December)

	2014	2015	2016
Long-term debt	6.6	1,135.5	966.7
Total debt	10.5	1,139.2	970.9
Liquid funds	749.7	459.6	509.7
Net debt	-739.2	679.6	461.2

Investments

Slightly lower investments

In 2016, investments in property, plant and equipment and intangible assets amounted to CHF 139.1 million, CHF 8.2 million or 5.6% less than in the previous year. As a percentage of net sales, the investment ratio was 5.0% (previous year 5.7%). All 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. The biggest project was the expansion of the logistics centre in Pfullendorf (DE), which will commence operations in spring 2017. Additionally, investments were made in important development projects and the further optimisation of production processes.

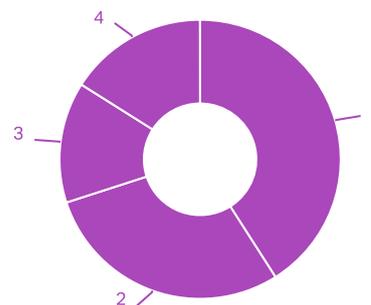
In 2016, 41% of total investments, or CHF 57.7 million, went toward expanding infrastructure, 16% or CHF 22.9 million was used to acquire tools and equipment for new product developments, 29% or CHF 39.7 million was invested in the modernisation of property, plant and equipment, while 14% or CHF 18.8 million was used for rationalisation measures relating to property, plant and equipment.

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

	2012	2013	2014	2015	2016
	86.0	98.0	104.8	147.3	139.1
In % of net sales	4.5	4.9	5.0	5.7	5.0

Investments by purpose



- 1 Capacity expansion (41%)
- 2 Modernisation (29%)
- 3 Rationalisation (14%)
- 4 New products (16%)

Employees

Decreasing number of employees

At the end of 2016, the Geberit Group employed 11,592 staff worldwide, which is 534 employees or 4.4% less than in the previous year. This is mainly due to fewer people employed in the ceramics plants, synergies as a result of the consolidation of functions and efficiency-enhancing measures, as well as the sale of the Koralle Group. Based on the average headcount of 11,972, net sales per employee amounted to TCHF 234.6, or 12.8% more than in the previous year.

Broken down by business process, staff numbers were as follows: marketing and sales employed 24.5% of the staff members (previous year 23.9%). 61.7% worked in production (previous year 62.6%). Additionally, 8.2% (previous year 7.8%) of the employees worked in administration, and 3.6% (previous year 3.6%) in research and development. The share of apprentices was 2.0% (previous year 2.1%).

An attractive employer

First-rate employees guarantee the company's success in the future. With this in mind, efforts were again made in 2016 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. For example, specialists from various departments attended a series of university career fairs together with Human Resources managers.

Geberit offers its employees attractive employment conditions. In 2016, personnel expenses – adjusted for special effects in connection with the Sanitec integration – amounted to CHF 696.2 million (previous year CHF 654.2 million). The employees can also participate in share participation plans at attractive conditions, see → [Financial Statements of the Geberit Group, 17. Participation Plans](#) and → [Remuneration Report](#). Equal opportunities and the same salaries for men and women are embedded in the corporate philosophy. The proportion of female employees at the end of 2016 was 24% (previous year 25%), and for senior management this figure was 9% (previous year 8%). Since 2016, the six-member Board of Directors now has a female member once again.

The capital of tomorrow

Geberit employed 233 apprentices at the end of 2016 (previous year 255). The transfer rate to a permanent employment relationship was 75% (previous year 64%). The target is 75%. All apprentices are essentially required to work at several sites during their training. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Apprentices also have the option of working abroad for a period of six months on completion of their apprenticeship. Such apprenticeship programmes took participants to the US, India and South Africa.

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 in project work as part of the programme are geared towards the reality at the company and provide the decision-makers involved with concrete bases for action. The Potentials programme is intended to help fill at least half of all vacant managerial positions within the company with internal candidates. In 2016, this was achieved for 88% of all Group management vacancies (previous year 40%).

Fair and uniform conditions for all

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. PDC has several goals: to reinforce the performance culture, increase transparency and better identify and promote talents. Except for the employees who work directly in the production processes, all employees of the original Geberit

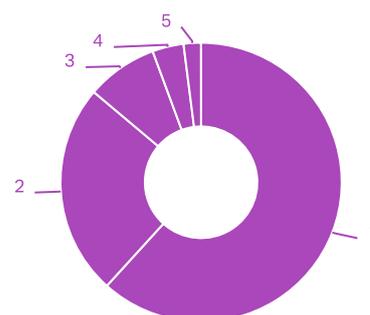
Employees by countries

(as of 31 December)

	2015	Share in %	2016	Share in %
Germany	3,319	27	3,282	28
Poland	1,532	13	1,515	13
Switzerland	1,333	11	1,336	12
Ukraine	1,089	9	627	5
France	693	6	691	6
China	665	5	637	5
Austria	541	4	532	5
Sweden	431	4	419	4
Italy	425	4	434	4
Others	2,098	17	2,119	18
Total	12,126	100	11,592	100

Employees by business processes 2016

(as of 31 December)



- 1 Production (61.7%)
- 2 Marketing and Sales (24.5%)
- 3 Administration (8.2%)
- 4 Research and Development (3.6%)
- 5 Apprentices (2.0%)

Group have now been incorporated into the PDC process. The circle of participants is currently being extended to include the managers of the former Sanitec. PDC in practice means that the individual performance as well as the potential for future development are assessed by several supervisors. The direct supervisor then has to give employees feedback on their performance, development and compensation. As regards compensation, the standardised job assessments used throughout the Group provide a solid reference system.

Group-wide survey carried out

84% of the employees took part in the Group-wide survey carried out in the reporting year. This encouraging response rate shows that the employees are prepared and willing to participate in the development of the company.

A very good sign is that more than 80% of the employees are positive or at least neutral about the integration, even though such processes always go hand in hand with much personal uncertainty. The survey also revealed cultural differences between the original Geberit and the acquired Sanitec units, and confirmed that the integrated organisation has some way to go until it is really one company.

Since October, the local Geberit companies have been discussing the survey results and evaluating and implementing measures in all areas flagged for action by the feedback from the employees.

Identity and Code of Conduct consolidated

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 (see also → **Compliance**). The Compass, together with a letter from the CEO, was delivered to all employees of the new, enlarged Geberit Group at the end of 2015.

Focus on occupational safety

Geberit’s vision is to be an accident-free company. The extension of the production network following the integration of the Sanitec plants and the resulting increase in staff numbers led to the adjustment of the targets in 2015. Using 2015 as the 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).

The accident frequency dropped to 9.8 in 2016 (previous year 11.4), a reduction of 14.0%. In contrast, the accident severity increased by 1.6% to 209 in the same period (previous year 206). In the reporting year, many optimisation measures were implemented at the different plants (see also → **Production**), all of which play a central role in occupational safety. Special attention continues to be paid to changes in behaviour, as the majority of occupational accidents and time lost are still attributable to carelessness. Occupational safety has been part of the annual appraisal of plant managers since 2013.

Customers

Market cultivation remains intense

With the integration of the ceramics business in its established sales structures, Geberit substantially strengthened its presence in many markets. Since the beginning of 2016, each market has been serviced by one local sales company only. The more than 800 advisors deployed throughout Europe no longer focus on specific product areas, but rather on different customer segments, such as the wholesale trade, plumbers and planners, architects and showrooms. This means that the advisors must have very broad product knowledge in order to provide comprehensive support to their customers.

Architects, planners and engineering offices are increasingly using BIM (Building Information Modelling) to optimise and integrate their processes. Nowadays, it is essential for manufacturers of sanitary products to provide the relevant BIM data, in particular for large projects. Geberit has therefore started recording the BIM data for all relevant products, and now makes the data available for download to customers across the world.

For decades, Geberit's broad range of training opportunities has been a proven instrument for retaining customers. During the reporting year, more than 30,000 customers were provided with education and further training on Geberit products, tools and software tools at the 25 Geberit information centres in Europe and overseas. In addition, a total of around 90,000 customers became more familiar with Geberit know-how and products at external events, some of which were organised in cooperation with market partners.

Market presence of Geberit AquaClean expanded further

The advertising measures for Geberit AquaClean shower toilets focused on 13 campaign markets in Europe. As in the previous year, the Geberit AquaClean truck went on a major tour, this time to the Netherlands, Belgium, the UK and for a second time to Germany. Under the motto "My first time", the mobile showroom and test unit offered interested parties the opportunity to try out an AquaClean shower toilet at their leisure and assess the various models.

The strategy of offering potential end users the opportunity to try out a shower toilet for themselves was also followed in Italy, Denmark, Austria and Switzerland. The Swiss and Austrian sales companies, for example, made a mobile AquaClean WC lounge available to the public at selected concerts, sporting events and other major events. In the reporting year, it was possible to establish contact with around 15,000 end users with these two lounges.

The international sales initiative for mid-range and high-end hotels also made excellent progress. More than 60 new hotel projects were acquired in the reporting year, which pushed up the number of four- and five-star hotels equipped with AquaClean shower toilets in Europe to 350.

The premium AquaClean Mera model launched in September of the previous year met with a very positive response in all markets. This unexpected level of success led to an order backlog, which has since been reduced by the fast expansion of our internal capacity to produce the sophisticated ceramic sanitary appliances. Demand, which has remained persistently high, has been met on time again since the fourth quarter.

Direct link to sanitary professionals

Most of Geberit's marketing activities continued to target sanitary professionals and entrepreneurs. Proven measures such as customer visits, training and the publication of regularly updated technical documents, brochures and magazines, online platforms and apps were continued and developed further. The successful "Geberit On Tour" campaign was repeated for the sixth time in the reporting year. Specially fitted-out mobile showrooms visited local and regional wholesalers and offered plumbers the opportunity to assess Geberit innovations and solutions directly on site. In 2016, more than 25,000 visitors were addressed at more than 900 events in 16 countries.

Fully integrated trade fair presence

In 2016, numerous trade fairs were once again used as platforms to demonstrate Geberit's innovative strength and to foster and enlarge the network of contacts in the market. Important trade fairs attended were Batibouw in Brussels, the Ideal Home Show in London, Swissbau in Basel, Aquatherm in Vienna, SHK in Essen as well as the Kitchen & Bath Industry Show in Las Vegas. Architects and designers were specifically targeted at the Fuori Salone and the Salone del bagno in Milan.

A new trade fair concept was developed in the reporting year and successfully implemented for the first time in Belgium in October. With this concept, several brands can be exhibited jointly at Geberit's stand, which guarantees a first-class presentation of ceramic sanitary appliances and bathroom furniture in addition to the regular, more technical product range. The achievable synergies include the reduction of the exhibition space required at a trade fair – in the previous year, Geberit still needed three large exhibition stands at the ISH in Frankfurt – and the joint presentation of products and improved cross-selling opportunities.

Innovation

Ongoing high investment in the future

Geberit's innovative strength, which is above average for the sector, is founded on its own, wide-ranging research and development (R&D) activities. In the reporting year, a total of CHF 72.3 million (previous year CHF 63.4 million) or 2.6% of net sales was invested in the development and improvement of processes, products and technologies. 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 32 patents, bringing the total for the last five years to 118.

All product developments go through an established innovation and development process, which ensures that the Group's creative potential and know-how are used to the optimum extent and that development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here. Since the beginning of 2016, the development projects of the acquired Sanitary Ceramics business area have also been following this process.

Holistic solutions thanks to wide-ranging expertise

Geberit leads the sector when it comes to technologies such as virtual engineering, hydraulics, materials technology, sound insulation, statics, fire protection, hygiene, electronics, surface technology and process engineering. Thanks to the bundling of expertise under one roof, the company can develop sophisticated solutions in-house.

An example of this holistic approach is the → **Geberit tap system**, which will be launched in the market in 2017. Electronic washbasin taps will be installed in the sanitary facilities of public or semi-public buildings such as airports, sport stadiums, schools and catering establishments. They enable a hygienic hand washing. These taps usually also save a lot of water. In high-traffic locations, however, they have to be quite robust to withstand rough treatment. Most electronic taps are standard washbasin-mounted taps. Wall-mounted taps are quite rare, even though they are much more practical. They leave the entire washbasin area free, which makes cleaning easier and the washing of hands a better ergonomic exercise. To date, however, there has been no way to safely and reliably install such systems. Geberit's new tap system enables a new way of thinking: electronic tap systems can be flawlessly installed in the wall from the outset and are slim, shapely yet still very robust. With the exception of the infrared sensor, the electronics, mixer, valves and power supply are stored in a separate function box. This box is built into the prewall under the washbasin, which makes it easily accessible and also puts it outside of the wet zone. This opens up entirely new design opportunities. The tap system, which is also available in a washbasin-mounted version, not only offers an attractive price-performance ratio but also promises to be very economical; there are three available power supply options: connection to the mains supply, battery operation or a self-sustaining power supply by means of a generator unit driven by the pressure of the tap water.

New products for sophisticated markets

The following products were newly launched on the market in 2016:

- → **Geberit Silent-Pro**, the highly sound-insulating building drainage plug-in system represents the state of the art, with a proven high degree of sound insulation, versatile fire protection solutions, simple installation, first-class materials and unrivalled quality. The sound insulation is largely achieved by a low-resonance product material and a consistent decoupling from the building structure.
- Whether urinal systems are needed for a stadium or for a modern hotel – with the new → **Geberit urinal system**, such infrastructures can be tailored optimally to the customer's needs. There is a choice between conventional water flush, individually programmed water flush or operation entirely without water. Rimless ceramic appliances and unobstructed access to all connections simplify cleaning and reduce maintenance costs.

R&D expenditures

(in CHF million)

	2012	2013	2014	2015	2016
	49.8	50.9	55.8	63.4	72.3
In % of net sales	2.6	2.5	2.7	2.4	2.6

- The ceramic appliances in the → **Glow bathroom range** are characterised by their harmonious forms. The bath range, which is marketed under the IDO and Porsgrund brands in Northern Europe, comprises washbasins, WCs and bidets as well as bathroom furniture.

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

Several new product launches are planned for 2017. Among them will be:

- Geberit's latest shower toilet → **Geberit AquaClean Tuma**, which stands out with a sophisticated product concept and simple yet elegant design. It is offered as a complete solution including a rimless WC ceramic appliance. Alternatively, it is also available as a WC enhancement solution that can be combined with the previously installed ceramic appliances.
- The shower surface → **Geberit Setaplano** is made from high-quality solid material. It feels warm, is non-slip and easy to clean. To simplify the work at the building site and ensure reliable sealing, as many components as possible are pre-mounted at the plant. New, ultra-flat traps were developed for the shower surface.
- The new modular → **Geberit tap system** represents clever installation technology, different energy concepts and elegant wall-mounted or washbasin-mounted taps. The taps can be mounted quickly and flawlessly. Mixer, valves, electronics and power supply are stored in a function box, which is mounted under the washbasin where it is protected from moisture.
- The competitively priced new → **Geberit Volex** supply system consists of multilayer pipes and brass press fittings. It is suitable for drinking water as well as heating installations. The range comprises all standard pipe diameters and fittings.

For more details on new products in 2017, see → **the magazine Facts & Figures 2017**.

Production

A single common denominator

Following the sale of the two Koralle plants in the reporting year, the Geberit Group operates of 33 plants, six of which are located overseas. A wide range of production technologies are applied in these plants, which fall into three categories:

- Ceramic moulding (CER)
- Injection moulding, blow moulding and assembly (IBA)
- Extrusion, metalforming and thermoforming and appliance construction (EFA)

During the reporting year, the Geberit Production System (GPS 2.0) was implemented at all plants of the former Sanitec Group. All managers were trained in its "lean manufacturing" principles. These courses are now being expanded to all employees. The clearly defined and central objective of GPS 2.0 is the change in production philosophy from the workshop principle of step-by-step manufacturing to a comprehensive system of continuous flow production aimed at maximising efficiency and resource conservation.

In spite of the diversity of production technologies, efforts to further standardise and optimise the processes progressed well in the reporting year. The "OneERP" project to harmonise the IT systems and standardise the business processes has been implemented at the Polish production sites at the beginning of 2017. The project will be progressively implemented at all former Sanitec plants in the coming years.

Interdisciplinary support

A key condition for achieving efficiency gains with innovative processes in the plants is the establishment of a centre of expertise for each production area. The future course for this was set at the ceramics plant in Haldensleben (DE): Haldensleben is ready, both in terms of infrastructure and staff, to assume its future role as the Group's lead ceramics plant and to test new processes before these are implemented at its sister plants.

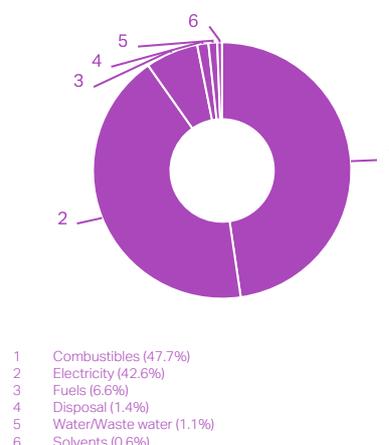
Environmental management in production

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 ceramic sanitary appliances is very energy-intensive. For this reason, the Group's energy consumption increased fivefold in 2015. Its environmental impact and CO₂ emissions also increased significantly. The environmental impact was reduced in the reporting year. The absolute environmental impact decreased by 4.0%, even though currency-adjusted net sales increased by 7.6% in the same period. Thereby, the absolute environmental impact of the former Sanitec plants decreased. The environmental impact in relation to currency-adjusted net sales (eco-efficiency) decreased by 10.8%. As regards the long-term target, which is based on a decrease of 5% per year, Geberit therefore remains on course.

CO₂ emissions were reduced in 2016 by 3.0% to 250,108 tonnes. In relation to currency-adjusted net sales, emissions decreased by 9.9%. This enabled the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions** to be met. In addition to relative targets, this strategy now also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption. The second pillar relates to increasing efficiency and the third pillar comprises the selective purchasing of high-quality, renewable energy. The detailed → **CO₂ balance sheet** and all measures taken to reduce CO₂ emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

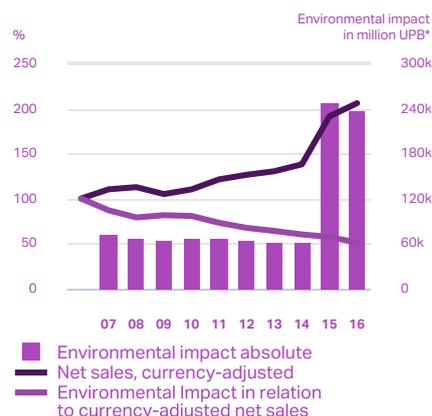
Geberit aims to further reinforce its position as industry leader in the area of sustainability. Thus the ambitious reduction targets formulated in 2006 continue to apply: eco-efficiency and relative CO₂ emissions should be improved by 5% per year (see also → **Sustainability Strategy 2017-2019**). One of the

Distribution environmental impact 2016



Environmental impact 2007 – 2016

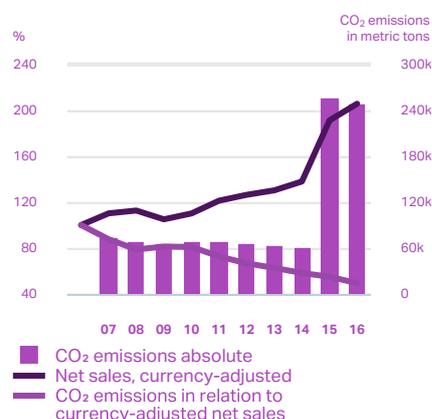
(Index: 2006 = 100)



* UPB = Ecopoints in accordance with the Swiss Ecological Scarcity Method (upgraded version 2013)

CO₂ emissions 2007 – 2016

(Index: 2006 = 100)



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 former Sanitec sites are to be integrated into this system and will accordingly comply with the requirements of the standards → **ISO 9001 (quality)**, → **ISO 14001 (environmental management)** and → **OHSAS 18001 (health and safety protection)**. Adding certification according to ISO 50001 (energy management) will be on the agenda for selected sites. A number of certifications were successfully completed in the reporting year.

Logistics and procurement

Uniform IT standards for Group logistics

The integration of the ceramics business into Group logistics continued in 2016, with efforts focusing on a full integration of reporting activities and the introduction of the Geberit Logistics Operation System (G-LOS). At the end of 2016, the logistics infrastructure of the ceramics business comprised 14 distribution sites of varying sizes across Europe.

At the Pfullendorf logistics centre – the central logistics centre of the original Geberit – SAP EWM, a new storage management system, was introduced in January 2016 and defined as the new standard for IT systems in Group logistics.

Logistics centre expansion project on track

The logistics centre in Pfullendorf in south Germany is the logistics hub for almost all Geberit sanitary technology products. With a view to future growth and the continued optimisation of existing logistics processes, the decision was made in 2014 to further expand the capacities of this centre and invest around EUR 40 million by 2017. In January 2016, only nine months after the groundbreaking ceremony, the topping-out ceremony for the new 19,200-square-metre logistics space took place and the installation of extensive and complex storage and conveyor technology began. In the last quarter of the reporting year, employees received training on the new systems and all necessary test runs were completed. The project is on track both in terms of timing and finances, with commissioning scheduled for spring 2017.

Continued optimisation of transport management

Since the introduction of integrated Group logistics in 2010, central transport management has played an important role as the interface between plants, markets and transport service providers, enabling cost- and resource-efficient transport solutions in the process. Transport between the company's own production plants, for instance, is combined with customer deliveries. This reduces the number of empty kilometres and increases truck capacity utilisation → **Strategy Green Logistics**. In the reporting year, the implementation of Geberit processes and standards also continued in relation to transport service providers for ceramic products and bathroom furniture. Furthermore, Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions.

Ceramics business suppliers integrated

Structured like a network, the Corporate Purchasing department is responsible worldwide (except in the USA) for procuring raw materials, semi-finished and finished products, commercial products, and services.

In the reporting year, an uninterrupted supply of raw materials and semi-finished products to all plants was largely guaranteed. Temporary bottlenecks only arose in relation to externally purchased sanitary ceramics appliances and a number of actuator plates made of metal.

Beside minimising lost working time as well as costs, the primary purpose of comprehensive supplier management is to safeguard supplies.

All business partners and suppliers are obligated to maintain → **comprehensive standards**. This applies to quality, socially responsible and healthy working conditions, environmental protection and the commitment to fair business practices. The basis for 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 to the ceramics business acquired in the previous year are also required to abide by these standards. By the end of 2016 more than 80% of the most important 250 suppliers to the former Sanitec had signed the Code, bringing the number of suppliers that had signed the Code in total to 1084 by the end of the reporting year. This represents over 90% of the Geberit Group's purchasing volume.

In 2017, a "Supplier Integrity Line" is to be launched, thus allowing suppliers to anonymously report via a third party any violations of the Code of Conduct for Suppliers by Geberit employees.

Sustainability

Sustainability – a guiding element of corporate culture

For decades, sustainability has been an integral part of Geberit's corporate culture. A firmly established sustainability strategy ensures that key objectives are measurable, making a valuable contribution to the corporate culture in the process. As part of the integration of Sanitec, the Group's high sustainability standards were rolled out to apply to the new units. The focus of sustainable business management is on water-saving and durable products, resource-saving and environmentally friendly production, procurement and logistics with high environmental and ethical standards, and on good, safe working conditions for all employees worldwide. Geberit exercises its social responsibility just as consistently, through the continuance of its own social projects as well as its partnership with the Swiss development organisation Helvetas. Furthermore, numerous awards are proof of the company's distinctly sustainable approach.

Water management is a global challenge

Approved by the United Nations in 2015, the Sustainable Development Goals comprise 17 specific targets and indicators which countries are required to implement by 2030. The business world plays a pivotal role in implementing these targets and indicators. Goal number 6, which calls for equitable access to clean drinking water and basic sanitation for all people worldwide, is of particular importance to Geberit. Intelligent, sustainable water management is crucial to achieving this goal. A growing world population, migration, urbanisation, climate change and natural disasters mean that even regions that are currently well supplied with water are not immune to their situation deteriorating. Sanitary technology must take these global developments into account, with water-saving, resource-efficient products set to become increasingly important in future.

Ecolabels for environmentally friendly sanitary products are now standard within the EU. The industry also has its own voluntary labels that relate to the water efficiency of products. For example, the WELL label (Water Efficiency Label) of the European umbrella organisation for valve manufacturers EUnited, which was introduced in 2011, serves as an information and orientation aid. Of a total of eleven Geberit product groups that have already been certified – corresponding to just under 700 sales products – ten are represented in the highest class, accounting overall for 18% of Group sales.

A Geberit value chain analysis in the form of a water footprint shows that nearly 100% of water consumption is attributable to the product usage phase. Sparing, careful use of water as a valuable resource is one of Geberit's core areas of focus.

Water footprint throughout the value chain in 2016*

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%
(6.3 million m³)

Manufacturing

A mere 0.03% of the water is used in the manufacture of products at Geberit in 2016.



0.03%
(1.1 million m³)

Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2016 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.76%
(3,425 million m³)

Disposal

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



0.01%
(0.2 million m³)

* Geberit organic

Well equipped for green building

Green building is becoming ever more important in both the public and private construction sector, with European standards that define the use of sustainable products and systems in buildings gaining in significance. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie or BREEAM. Consequently, there is demand among investors, project developers, owners and tenants for system providers with comprehensive know-how in green building which will enable the relevant standards to be met. Geberit is addressing this demand with water and energy-saving, low-noise and durable products, thereby positioning itself in the front line with regard to green building, as numerous green building reference projects prove. For example, the reporting year saw the inauguration of the → **Port House** – a BREEAM-certified building designed by Zaha Hadid Architects, located in the heart of the docklands of the Belgian city of Antwerp. → **Oasia Downtown** in Singapore is a 27-storey high rise that meets the Green Mark Certified standard, and a perfect example of the concept of the “minicity” – a new approach to addressing the problem of high-density living. Another example to underscore the importance of green building is the “NEST” modular research and innovation house that has been opened in Switzerland. Equipped with various Geberit products, the building offers innovative companies a unique opportunity to test new technologies, materials and systems in real-life conditions.

Sustainability means long-term value added

Geberit is committed to a binding sustainability strategy that is closely linked to the company's core areas of focus and also applies to the company's newly added sites.

A total of eleven sustainability modules continue to form the basis of this strategy. Among these are → **green procurement**, → **green logistics**, → **environmental management in production**, → **occupational safety**, → **eco-design in product development** or → **social responsibility**.

Sustainability strategy



Since 2007, a sustainability performance review of the Geberit Group has been prepared annually in accordance with the guidelines of the Global Reporting Initiative (GRI). An internal process to define the essential aspects of sustainability at Geberit was the key starting point for introducing the current GRI G4 guidelines. In 2016, for the third time an → **external stakeholder panel** was convened for the purpose of reviewing the → **materiality analysis** along with the sustainability strategy and related communication. Reporting on the 2016 financial year already takes key input from the stakeholder panel into account.

All aspects of the GRI G4 guidelines can be found in the → **Sustainability Performance Report** for 2016. The information disclosed within the scope of this report fulfils the “comprehensive” transparency grade set out in the GRI G4 guidelines, as 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 → **Code of Conduct** and the → **Code of Conduct for Suppliers** further incorporate the topic of sustainability. Continuously improved → **compliance processes** ensure compliance with directives. In addition, a 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, 3.7 Information and Control Instruments vis-à-vis the Group Executive Board**.

The activities 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. For example, the share is a component of the Dow Jones Sustainability Europe Index (DJSI Europe), the STOXX Europe Sustainability Index and the FTSE EO 100 Index series. Renowned sustainability funds also hold the shares in their portfolios. Geberit wants to continue to play a pivotal role in the “Sustainability” and “Water” investment segments, which are still gaining in importance.

Technology, innovation – and sustainability

At Geberit, technology and innovation go hand in hand with sustainability. This is why the eco-design approach has been consistently applied since 2007 as part of the Group’s innovation and development process. All environmental aspects are examined, from the selection of raw materials right through to disposal. Every new product must be better than its predecessor from an ecological perspective. The new → **electronic tap system**, which may be equipped with a self-sustaining power supply, is an example of this.

Product life cycle assessments are important decision-making tools for the development processes, providing arguments for the use of resource-efficient products. Geberit has produced detailed life cycle assessments for various important products. The environmental product declarations (EPDs) in accordance with the Euro-

European standard EN 15804 are also becoming increasingly important and can also be used directly for green building standards such as LEED. EPDs present relevant, comparable and verified information about products' environmental performance in a transparent manner. In 2016, an EPD was drawn up for the Piave washbasin tap.

Compliance

Compliance provides clarity

In the reporting year, there was a repeat of the Group-wide survey on correct practice regarding donations. The survey showed that the giving of donations to business partners continues to be very moderate in nature, normally taking the form of non-critical customer invitations to sporting or other events, as well as free material or tool consignments in connection with sales activities. Any local Geberit companies carrying out incentive programmes for their customers first consulted the legal department. All managing directors subsequently gave explicit confirmation that no donations were made to public officials or to business partners in connection with ongoing projects.

The reporting year also saw the completion of risk assessment in relation to agents, which involved all local sales companies being surveyed on their collaboration with agents. It was established that only a small number of companies work with agents and that there is no exposure to risk. An adapted code of conduct for agents – based on → **Geberit's Code of Conduct** – was nevertheless drawn up, with its contents communicated to agents accordingly.

Raising awareness through training and reporting

Geberit's Code of Conduct, drawn up in 2008, and of which a new version has been available since the start of 2015, focuses on antitrust legislation and corruption – fields with their own dedicated guidelines which are accessible to relevant employees. A range of training events on antitrust legislation were held for the managing directors of the European sales companies on the one hand and members of the sales teams in Scandinavia on the other. In addition, the sales employees of the European sales companies and members of the Group management again attended an eLearning course on antitrust legislation. A repeat of the antitrust legislation eLearning course is also planned for 2017 at the non-European sales companies, while supplementary face-to-face training will take place at more European sales companies. Furthermore, the theme of antitrust legislation will be integrated as a standard element in the internal audit team's audit programme.

The Geberit Integrity Line, which was established in 2013 and has also been available to employees of the former Sanitec Group since 2015, recorded a number of cases during the reporting year that were subsequently investigated. One of these cases resulted in the discovery of shortcomings at a local company, which ultimately led to changes in personnel.

Social responsibility

Water matters

Innovative sanitary technology continuously improves the quality of people's lives. Geberit rigorously pursues this mission. The guideline for employees, the → **Geberit Compass**, sets this out.

Besides improving quality of life through innovative sanitary products, Geberit takes its social responsibilities seriously – which is why it has for many years undertaken social projects involving its own apprentices. These projects always exhibit a relationship to the topic of water and to the company's core competencies. Apart from being involved in the projects, the young people who take part become familiar with other cultures and acquire new social, linguistic and professional competencies – experiences that will aid their personal and professional development. Furthermore, these social projects make a tangible contribution to the Sustainable Development Goals of the United Nations, which include giving all humans access to clean drinking water and basic sanitation by 2030.

In 2016, the apprentices travelled to Warsaw (PL). Employees of Geberit Poland had become aware of a school in the Warsaw district of Wola with sanitary installations that were in urgent need of renovation. The 300 or so children at → **Żwirki i Wigury primary school** were being educated in a building constructed in 1949. With the school unable to afford renovations, the bathrooms, toilets and showers were in poor condition. In stepped the local Geberit sales company with a plan to renovate and expand the school's existing toilet facilities and common rooms. In October 2016, a Geberit team comprising ten apprentices, a technical manager and a coach spent two weeks at the school installing the sanitary facilities. In addition, various activities involving the schoolchildren were organised during this time. Geberit Poland also prepared a number of interactions with the pupils following completion of the project. These related to the theme of water, giving the children a playful and interesting take on how to conserve this valuable resource.

Global commitments

Geberit continued its extensive partnership with the Swiss development organisation Helvetas, supporting the new Helvetas campaign with a substantial sum of money. The "Change of Perspective" project was also implemented, as two Swiss plumbers travelled to Nepal in the autumn for the first time, working there for a week with two Nepalese colleagues. Their Nepalese counterparts returned the compliment a short time later, visiting and working with the Swiss plumbers in their home country for a week. The "Change of Perspective" project is set to continue in 2017. In addition, 17 Geberit employees visited Nepal for a voluntary two-week deployment in November 2016, helping a village community in western Nepal to construct a water pipeline. Geberit also made a major donation to support Helvetas-run water projects in Nepal.

In partnership with the Swiss Cooperation Office in Ukraine and the Ukraine education ministry, and with technical assistance from Geberit, a vocational school for plumbers was opened in 2016 in the Ukrainian city of Odessa. As the sixth establishment of its kind to be supported by Geberit in Ukraine, the school will provide apprentices with a professional, contemporary training in plumbing.

The cooperation with the non-profit organisation Swiss Water Partnership was continued. This platform seeks 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 other initiatives and collection campaigns at a local level round off the Geberit Group's social responsibilities. 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), even after completion of the projects in question. For an overview of donations and financial contributions, see → **Investments in infrastructure and services primarily for public benefit**. All 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

Due to limited synergies with the core business, the Koralle Group was sold to AFG Arbonia-Forster-Holding AG on 1 July 2016 for EUR 33.0 million plus cash. Geberit took over Koralle as part of the Sanitec acquisition in 2015. Employing 240 people, the supplier of shower enclosures operated mainly in the Swiss, German and Austrian markets. In the first half of 2016, Koralle contributed CHF 22.6 million to net sales, CHF 2.1 million to EBIT and CHF 1.7 million to net income of the Geberit Group.

In addition, there were various changes to the legal structure of the Geberit Group, mainly in connection with the integration of the Sanitec Group. Please see also the [→ Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure.](#)

Outlook

Construction industry looking more positive

The construction industry should develop favourably in 2017. However, the individual regions/markets and construction sectors will carry on performing very differently. In **Europe**, the recovery that began in the previous year should continue. Overall, a favourable market environment is expected for Germany, the Nordic Countries, Switzerland, Austria, France, the Benelux Countries and the countries of Eastern Europe. The situation in Italy should stabilise, while the uncertainty in the United Kingdom will continue as a result of Brexit. In **North America**, stagnation is predicted in the public sector construction industry, which is important to Geberit's business in the USA, along with moderate growth in residential construction. In the **Far East/Pacific** region, the Chinese residential construction sector should stabilise, while the business climate in Australia and India is expected to be positive. In terms of the **Middle East/Africa** region, the outlook in South Africa remains sound, whereas the construction industry in the Gulf countries will continue to see low activity due to the depressed oil price.

Fluctuations in the Swiss francs compared to other important currencies used by the Geberit Group will continue to affect sales and earnings. Gains and losses result mainly from the translation of local results into Swiss francs (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 influence of currency fluctuations on operating profit margins is relatively small due to the natural hedging strategy. 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 2017, raw material prices are likely to exceed their prior-year level – driven mainly by higher prices for industrial metals and, to a lesser extent, for plastics.

Geberit

The Geberit Group's 2017 financial year will see further progress with the integration of the ceramics business. A focus will be on continuing to consolidate the sales teams in the countries; another emphasis will be on the further harmonisation of systems and processes, further development of the product range, and continuous improvements in the ceramics manufacturing. However, Geberit will pay just as much attention to its daily business. The objective will be to perform strongly in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years, focusing on greater penetration of markets in which Geberit products or technologies are still under-represented, and on further expansion of 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 are vital to our future success.