

STRATEGY

With its innovative solutions in the field of 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 sanitary and piping systems for transporting water in buildings, as well as bathroom ceramics and furniture. 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 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 the markets 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. The company always adheres strictly to the existing high standards in terms of quality and profitability.
4. **Continuous optimisation of business processes:** efficient processes will help to establish a leading and competitive cost structure on a long-term basis. Process optimisation will be 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 → **sustainability-oriented** business management philosophy
- a stable management team
- a lean, functional organisation with clear responsibilities
- a result- and customer-oriented, partnership-based and down-to-earth corporate culture

MEDIUM-TERM GOALS

Geberit has set itself the goal of establishing new standards for sanitary products, continually developing these standards 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 growth in 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 is expected to reach 25 percent in the medium term.

To achieve the Geberit Group's expected growth and be prepared for upcoming major projects, greater investments are currently being made in property, plant and equipment – around CHF 180 million in 2019; in the medium term it will be around 5% of sales.

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 sanitary industry (wholesalers, plumbers and sanitary engineers, architects, general contractors, investors, showroom operators)
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 initiative**, to further expand the shower toilet category in Europe as well as Geberit's market position in this category
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 (220 employees) 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" (ROIC). 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 are approved only if strict criteria are met. In this context, it is imperative that an investment return be achieved that exceeds the cost of capital plus a premium.

In the interests of value-oriented management, important investment projects are tracked over the long term following project completion, and the achievement of objectives is evaluated annually by the Group Executive Board.

RISK MANAGEMENT

For information on risk management, see also → **Corporate Governance, 3.7 Information and control instruments vis-à-vis the Group Executive Board, third paragraph.**

As part of the process of risk identification, risk analysis and risk management, the following risks have been rated as significant for the Geberit Group:

PERFORMANCE OF THE EUROPEAN BUILDING CONSTRUCTION INDUSTRY

Renovations, which are less cyclical, account for a significant share of total sales. Consequently, the Geberit Group is well protected against fluctuations in construction activity. Given that modern sanitary technology still has relatively low levels of penetration in many markets, there is also a considerable degree of long-term potential for sales growth – regardless of the economic climate.

AVAILABILITY OF RAW MATERIALS

Professional, institutionalised purchase processes and systematic dual sourcing help to ensure that raw materials are available.

CHANGES IN THE COMPETITIVE ENVIRONMENT

Innovative products as well as the comprehensive range of products in place since the integration of the ceramics business ensure that the Geberit Group is able to maintain its leading market position. The company's partnership with the craft sector and its constructive collaboration with wholesalers also play a key role as part of the three-stage sales model.

INFORMATION TECHNOLOGY

The Geberit Group is continually working to improve the security of its IT infrastructure. This includes taking defensive measures against cyberthreats as well as detecting and dealing with any cyberattacks efficiently. Extensive measures have been established in the interests of business continuity.

In the reporting year, the company's IT systems underwent a comprehensive and detailed security check involving the input of an external specialist. This check confirmed that the company's IT systems have an adequate level of security.

COMPLIANCE WITH LAWS

The Geberit Group is exposed to various legal risks that arise from normal business activity. Comprehensive → **compliance processes** are in place for the purpose of preventing violations of the law or regulations.

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. As a consequence of the natural hedging strategy, currency fluctuations have no significant impact on operating 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:

- Sales: +/-9%
- EBITDA: +/-9%
- EBITDA margin: +/-0 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.**

MARKET ENVIRONMENT

STABLE BUSINESS CLIMATE

As in previous years, the construction industry in 2018 was shaped by developments that varied by region. In the year-on-year comparison, the market environment was characterised by slightly lower growth.

In November 2018, Euroconstruct forecasted an increase in building construction for **Europe** in 2018 of +2.3% – identical to the estimate from mid-2018. A comparison with older forecasts confirms the stable outlook: at the end of 2017, Euroconstruct also expected building construction to increase by +2.3% in 2018. At +3.8%, new construction reported much stronger growth in 2018 than renovations (+1.0%). However, the volume for new buildings still lagged a long way behind the record highs of 2007/2008 in 2018. In contrast, renovation volumes were almost on a par again with the level seen at that time – or even slightly above in the case of residential construction. At +2.8%, residential construction was the growth driver for building construction in 2018. According to Euroconstruct, the following countries that are important to Geberit in terms of sales did well in 2018: the Netherlands (+6.1%), France (+2.6%), Austria (+2.4%), Italy (+1.6%), Germany (+1.4%) and Switzerland (+1.0%). However, growth weakened overall compared to 2017.

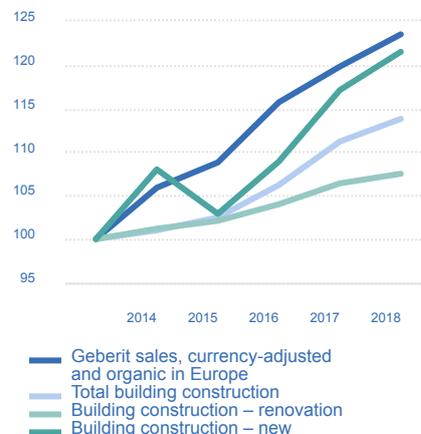
Of the total European construction volume of EUR 1,563 billion in 2018, 80% was generated by building construction. The ratio of residential to non-residential building construction remained the same at around 60 to 40 percent. In spite of stronger growth, new construction as a share of total building construction continued to lag behind the renovation business in 2018.

In the **US**, gross domestic product (GDP) rose by +2.9%, and the economy grew faster than in 2017 (+2.3%). Investments in building construction increased by +3.9% according to figures as of end of November, 2018 for the U.S. construction industry as published by the U.S. Department of Commerce, United States Census Bureau. Within building construction, investments in non-residential construction increased by +3.8%, which was more than in the previous year (+1.2%). This development was supported by the hotel and office buildings sectors. The healthcare/hospitals and schools/universities segments, which are important for Geberit, developed with +2.6% slightly stronger compared to the previous year (+2.0%). Residential construction in the reporting year performed better than in the previous year; however, the number of building permits for new private residential units only increased by +2.8% after the previous year's performance of +6.2%.

In the **Far East/Pacific** region, economic growth amounted to +4.6% – slightly down on the previous year (+4.8%) but significantly higher than global economic growth (+3.0%). At 53%, 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 60% to the growth of this region. The Chinese residential construction sector continued to grow moderately in both tier one and tier two cities (aforementioned figures covering the world economy and the performance of the Far East/Pacific were published in the October 2018 edition of the IMF World Economic Outlook).

Construction output and Geberit sales in Europe 2014–2018

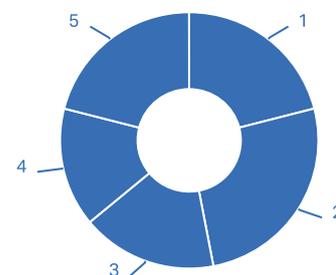
(Index: 2013 = 100)



Source: 86th Euroconstruct conference in Paris (FR), November 2018, and 85th Euroconstruct conference in Helsinki (FI), June 2018

Total construction output Europe 2018

(EUR 1,563 billion)



- 1 Residential – new (21%)
- 2 Residential – renovation (26%)
- 3 Non-residential – new (17%)
- 4 Non-residential – renovation (15%)
- 5 Civil engineering (21%)

Source: 86th Euroconstruct conference in Paris (FR), November 2018

SALES

SOLID SALES DEVELOPMENT

Consolidated sales in 2018 increased by 5.9% to CHF 3,081 million. Total growth comprised growth in local currencies of +3.1% and a foreign currency effect of +2.8%. Geberit was able to gain further market shares, particularly in those European countries in which Geberit technology is still under-represented.

The currency gains contained in sales amounted to CHF 83 million. In 2018, 63% of sales were generated in euros, 9% in Swiss francs, 5% in US dollars, 4% in British pounds and 19% in other currencies.

The following changes in sales in the markets and product areas are currency-adjusted.

DIFFERENT PERFORMANCES IN THE MARKETS

In 2018 as a whole, sales in **Europe** rose by 2.8%. The Iberian Peninsula (+9.5%) and Central/Eastern Europe (+9.0%) made strong gains, with the Benelux Countries (+4.6%), Germany (+3.1%), Italy (+2.7%), Austria (+1.8%), France (+1.6%) and Switzerland (+1.5%) also recording increases. However, sales were down in the United Kingdom/Ireland (-1.7%) and in the Nordic Countries (-1.9%). Double-digit sales growth was posted in the **Far East/Pacific** region (+13.9%). **America** (+3.5%) and **Middle East/Africa** (+1.4%) also recorded sales growth.

STRONGEST GROWTH IN INSTALLATION AND FLUSHING SYSTEMS

Sales for the **Installation and Flushing Systems** product area amounted to CHF 1,133 million, corresponding to growth of 4.9%. Two factors drove this above-average increase. Firstly, Installation and Flushing Systems saw accelerated growth in the European expansion markets as a result of synergies from the integration of the ceramics business. Secondly, Geberit was also able to gain market shares in Central European markets through the sale of higher-added-value products.

Sales for the **Piping Systems** product area increased by 4.3% to CHF 928 million. The launch of various innovative products within the Building Drainage Systems product line in recent years made a major contribution to this growth, as did the solid performance of the Supply Systems product line.

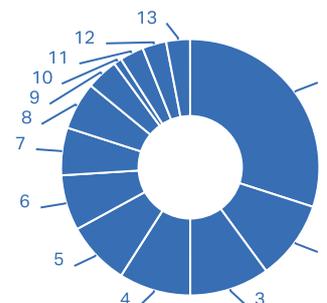
The **Bathroom Systems** product area posted sales of CHF 1,020 million, remaining around the previous year's performance (+0.1%). The shower toilet business continued to perform strongly. A poor market environment in the Nordic Countries – a very important market for this area – and the closure of two ceramics plants in France had a negative impact in this product area.

Sales development 2009–2018

(in CHF million)

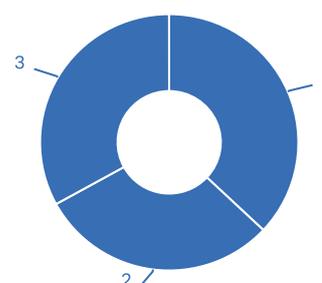


Sales by markets/regions 2018



- 1 Germany (30%)
- 2 Nordic Countries (10%)
- 3 Central/Eastern Europe (10%)
- 4 Switzerland (9%)
- 5 Benelux (8%)
- 6 Italy (7%)
- 7 France (6%)
- 8 Austria (6%)
- 9 United Kingdom/Ireland (4%)
- 10 Iberian Peninsula (1%)
- 11 America (3%)
- 12 Far East/Pacific (3%)
- 13 Middle East/Africa (3%)

Sales by product areas 2018



- 1 Installation and Flushing Systems (37%)
- 2 Piping Systems (30%)
- 3 Bathroom Systems (33%)

RESULTS

PROFITABILITY STILL AT A HIGH LEVEL

In comparison with previous years, the operating cashflow (EBITDA) was no longer impacted in 2018 by one-off costs related to the Sanitec acquisition. Adjusted figures are only shown for operating profit and net income, as well as for earnings per share. These adjusted figures are shown for the last time in the reporting year.

The operating cashflow (EBITDA) rose by 5.7% to CHF 868 million, its highest ever level in Geberit's history. As in the previous year, the EBITDA margin came to 28.2%. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. In terms of the operating margins, currency fluctuations only had a marginally negative impact due to the natural hedging.

The adjusted operating profit (adj. EBIT) rose by 5.4% to CHF 744 million, and the adjusted EBIT margin reached 24.2% (previous year 24.3%). Adjusted net income rose by 3.7% to CHF 626 million, which led to an adjusted return on sales of 20.3% (previous year 20.8%). The below-average growth when compared with the operating results was due to a negative development of the financial result as a consequence of negative foreign currency effects, which could only be compensated in part through a lower tax rate. The adjusted earnings per share were up by 4.7% to CHF 17.21 (previous year CHF 16.43).

OPERATING EXPENSES UNDER CONTROL

The cost of materials increased by 7.6% to CHF 893 million, representing a higher share of sales at 29.0%, compared to 28.5% in the previous year. The higher cost of materials was driven by rises in the first three quarters in the price of industrial metals on the one hand and plastics on the other. Personnel expenses fell by 0.4% to CHF 744 million, which equates to 24.2% of sales (previous year 25.7%). This slight decrease in absolute terms was due to positive effects from the costs incurred in the previous year connected to the closure of two ceramics plants in France, and also to synergies and efficiency-improving measures. These factors were partly offset by tariff-related salary increases as well as the higher personnel expenses needed for handling greater volumes, see also → **Business and financial review, employees**. Depreciation came to CHF 105 million, which was around the previous year's figure. The adjusted amortisation of intangible assets rose to CHF 19 million (previous year CHF 10 million) due to amortisation related to the ceramics brands that are being discontinued in 2019 and 2020. Other operating expenses increased by 2.8% to CHF 576 million.

The net financial result came to CHF -20 million, which was below the previous year's performance (CHF -9 million). Tax expenses grew from CHF 85 million to CHF 90 million. This resulted in a tax rate of 13.1% (previous year 13.9%).

ACQUISITION AND INTEGRATION COSTS NOW ONLY HAVING A MARGINALLY NEGATIVE IMPACT ON THE INCOME STATEMENT

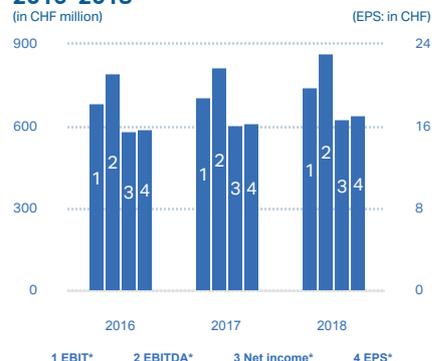
One-off costs arising from the Sanitec acquisition/integration amounted to CHF 36 million as regards EBIT and CHF 29 million as regards net income. These costs are reported here for the last time and are well below the level of previous years. The non-adjusted figures were CHF 708 million for EBIT, CHF 597 million for net income, and CHF 16.40 for earnings per share.

SIGNIFICANT INCREASE IN FREE CASHFLOW

The higher operating cashflow, lower investments in net working capital compared to the previous year, and lower cash tax payments had a positive impact on cashflow. However, the payments during the reporting year in relation to the closure of two ceramics plants in France in the previous year had a negative effect. With investments in property, plant and equipment remaining at the previous year's level, free cashflow increased by 22.2% to CHF 582 million (see also → **Financial Statements of the Geberit Group**,

EBIT, EBITDA, Net income, Earnings per share (EPS)

2016-2018

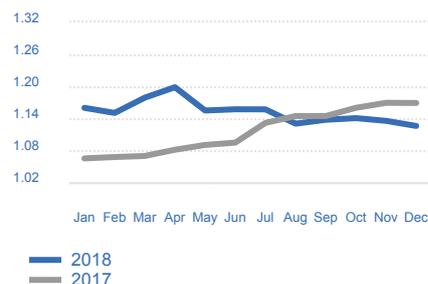


* Adjusted for costs in connection with the Sanitec acquisition and integration (EBITDA 2018 not adjusted)

EUR/CHF exchange rates

2017/2018

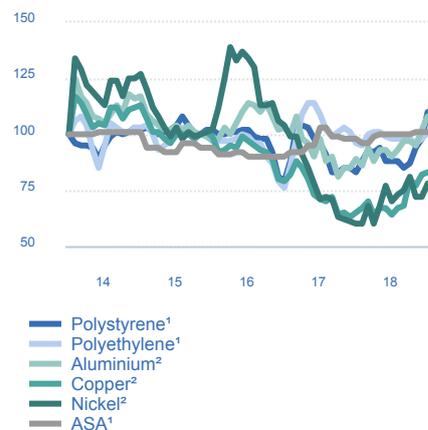
(Period-end exchange rates)



Raw material price development

2014-2018

(Market price; index: December 2013 = 100)



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Notes to the Consolidated Financial Statements, 28. Cashflow figures).

CHF 566 million, or 97.3% of the free cashflow, was distributed to shareholders during the reporting year as part of the dividend payment and the share buyback programme.

Acquisition and integration related costs

(in CHF million)

	2017	2018
Integration costs	49	0
Total cost on EBITDA level	49	0
Depreciation and amortisation	35	36
Total cost on EBIT level	84	36
Tax effect	-7	-7
Total cost on net income level	77	29

FINANCIAL STRUCTURE

SOUND FINANCIAL FOUNDATION

Once again, the strong 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 fell from CHF 3,743 million to CHF 3,502 million. Liquid funds decreased from CHF 413 million to CHF 282 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 384 million. Debts were reduced to CHF 837 million (previous year CHF 895 million). Overall, this resulted in an increase in net debt of CHF 73 million to CHF 555 million at the end of 2018.

Net working capital increased by CHF 33 million year-on-year to CHF 206 million. Property, plant and equipment increased from CHF 813 million to CHF 829 million, while goodwill and intangible assets fell from CHF 1,749 million to CHF 1,652 million as a result of amortisation as well as currency effects.

The ratio of net debt to equity (gearing) increased from 26.3% in the previous year to 31.8%. The equity ratio reached a very solid 49.8% (previous year 49.1%). Based on average equity, the adjusted return on equity (ROE) was 34.5% (previous year 35.2%); the non-adjusted value of this ratio was 32.9% (previous year 30.7%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,823 million at the end of 2018 (previous year CHF 2,696 million). The adjusted return on invested capital (ROIC) rose to 22.6% (previous year 22.4%); the non-adjusted value of this ratio was 21.6% (previous year 19.5%). 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 999,182 treasury shares on 31 December 2018, which equals 2.7% of the shares entered in the Commercial Register. Of these, 650,801 (1.8% of the shares entered in the Commercial Register) originate from the ongoing share buyback programme, while the remaining 348,381 are mostly earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares.

The aforementioned share buyback programme began on 6 June 2017. As part of this programme, shares to the value of up to CHF 450 million are to be repurchased, less withholding tax, over a maximum period of three years. The shares will be repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2018, 650,801 shares had been acquired at a sum of CHF 276 million. The average purchase price per share was CHF 424.80. During the reporting year, 445,551 shares were acquired as part of the programme at a sum of CHF 185 million.

Debt

(in CHF million; as of 31 December)

	2016	2017	2018
Long-term debt	967	891	683
Total debt	971	895	837
Liquid funds	510	413	282
Net debt	461	482	555

INVESTMENTS

HIGHER INVESTMENTS

In 2018, investments in property, plant and equipment and intangible assets amounted to CHF 162 million – CHF 3 million or 1.9% more than in the previous year. As a percentage of sales, the investment ratio was 5.3% (previous year 5.5%). All larger investment projects were carried out as planned.

The bulk of investments went toward building conversions and new building projects, machinery, and the procurement of tools and moulds for new products. The biggest individual undertakings were conversion and new-build projects – including capacity expansions – at the sites in → **Langenfeld (DE)**, → **Pfullendorf (DE)**, Ozorków (PL) and Slavuta (UA). Additionally, investments were made in important development projects and the optimisation of production processes.

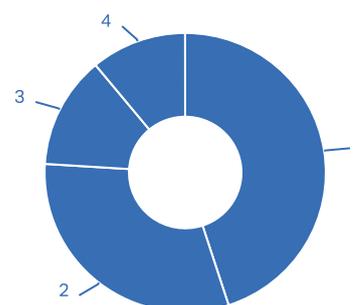
In 2018, 45% of total investments, or CHF 73 million, went towards expanding capacity, 31% or CHF 50 million was invested in the modernisation of property, plant and equipment, 13% or CHF 21 million was used for rationalisation measures relating to property, plant and equipment, while 11% or CHF 18 million was used to acquire tools and equipment for new product developments.

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

	2014	2015	2016	2017	2018
	105	147	139	159	162
In % of sales	5.0	5.7	5.0	5.5	5.3

Investments by purpose 2018



- 1 Capacity expansion (45%)
- 2 Modernisation (31%)
- 3 Rationalisation (13%)
- 4 New products (11%)

EMPLOYEES

NUMBER OF EMPLOYEES DOWN SLIGHTLY

At the end of 2018, the Geberit Group employed 11,630 staff worldwide, which is 79 employees or 0.7% less than in the previous year. The drop is due to a reduction in production. In addition to synergies and efficiency-improving measures, the main reason for this was the termination of individual employment relationships – which mostly took place in the final quarter of 2018 – as part of the closure of two ceramics plants in France in the previous year. However, this drop was mitigated by specific initiatives at various sales companies.

Based on the average headcount of 11,803, sales per employee amounted to TCHF 261, or 5.2% more than in the previous year.

Broken down by business process, staff numbers were as follows: marketing and sales employed 25% of the staff members. 61% worked in production. Additionally 8% of the employees worked in administration, and 4% in research and development. The share of apprentices was 2%.

CONTINUED DIGITALISATION OF THE EMPLOYER BRAND

Committed, well-skilled employees are a key prerequisite to the company's future success. With this in mind, efforts continued in 2018 to position Geberit on the job market as a progressive employer with an open corporate culture and international development opportunities at the interface between craft, engineering and sales. The new appearance of the company's employer brand was implemented in job advertisements in print and, above all, digital media. In general, focus is switching more to digital media, with the use of videos and other footage playing an increasingly prominent role. For example, the company launched a new video during the reporting year to promote apprenticeships. Other videos for target groups in the sales and engineering sectors are to follow. In addition, Geberit intensified its campus recruitment activities in 2018 by appearing at fairs and increased its digital presence, working here in close collaboration with a number of renowned universities.

In 2018, personnel expenses amounted to CHF 744 million. Once again, the employees were also able to 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 women and men are embedded in the corporate philosophy. The proportion of female employees at the end of 2018 was 24% (previous year 23%), and for senior management this figure was 9% (previous year 8%). The six-member Board of Directors has one female member.

INCREASED FOCUS ON EDUCATION AND FURTHER TRAINING

Geberit employed 247 apprentices at the end of 2018 (previous year 235). The transfer rate to a permanent employment relationship was 89% (previous year 83%). All apprentices should essentially have the opportunity 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 have the option of working abroad for a period of six months on completion of their apprenticeship.

A two-stage Potentials Management Programme aims to identify talents throughout the company and support them along their path to middle or senior management. The issues investigated in project work as part of the programme are geared towards strategic tasks of relevance to Geberit and provide the decision-makers involved with concrete bases for action. During the reporting year, part of the programme was further developed and carried out for the first time in collaboration with the University of St. Gallen (CH). The Potentials programme is intended to help fill at least half of all vacant managerial positions with internal candidates. In 2018, this was achieved for 57% of all Group management vacancies (previous year 76%).

Employees by countries

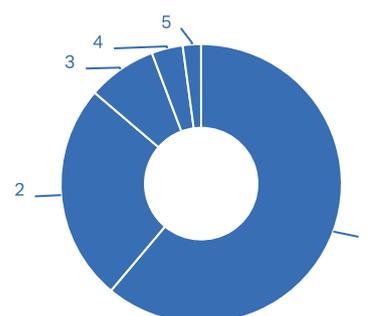
(as of 31 December)

	2017	Share in %	2018	Share in %
Germany	3,329	28	3,282	28
Poland	1,603	14	1,655	14
Switzerland	1,362	12	1,395	12
Ukraine	638	5	660	6
Austria	551	5	557	5
China	565	5	530	5
Italy	509	4	520	4
France	539	5	431	4
Others	2,613	22	2,600	22
Total	11,709	100	11,630	100

Employees by business processes

2018

(as of 31 December)



- 1 Production (61%)
- 2 Marketing and Sales (25%)
- 3 Administration (8%)
- 4 Research and Development (4%)
- 5 Apprentices (2%)

In 2018, the ceramics plants in Germany, Poland and Ukraine saw the implementation of an initiative aimed at improving leadership skills at various hierarchical levels. This initiative was planned at Group level, adapted to local requirements and put into practice in multi-day workshops involving local coaches.

During the reporting year, a programme targeting the development of managerial staff was implemented within the sales organisations in the European countries. The aim of these courses was to strengthen the leadership skills of regional sales managers on one hand and, on the other, to standardise the role of these managers in order to drive the sales entity as a whole.

TRANSPARENT APPRAISAL

A standard Performance assessment, Development and Compensation (PDC) process has been in place since 2012. PDC is about reinforcing the performance culture, increasing transparency, and recognising and promoting talent more effectively in order to make the organisation future-proof. Except for the employees who work directly in production at the plants, all employees have been incorporated into the PDC process. In 2018, the competence model on which the appraisal process is based was revised and re-structured in the interests of user friendliness.

PROMOTING THE CORPORATE CULTURE

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → **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 → **Code of Conduct** for employees serve as the applicable guidelines. During the reporting year, work began on digitalising both these important employee tools so that new and existing employees can access them in the form of an e-learning course in future.

In connection with the integration of various ceramics brands under the Geberit brand umbrella – which is scheduled to begin in 2019 – a total of 42 moderated workshops took place in spring 2018, involving around 6,100 employees. Apart from presenting information about the new brand world, these events provided participants with an entertaining insight into the company's values as well as an opportunity to discuss these values together.

PRIORITISING OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety continues to have highest priority within the Geberit Group. 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 also 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). In 2018, the accident frequency went down to 9.7 (previous year 10.3), a decline of 5.8%. The accident severity decreased by 10.9% to 181.5 in the same period (previous year 203.8).

29 of the 30 production plants are certified in accordance with OHSAS 18001. The Geberit Safety System (GSS) defines occupational health and safety principles as well as processes that are applicable throughout the Group. All production plants and the logistics centre have a safety manager. Since the beginning of 2017, a "Geberit Safety Team" has also been playing an active role in addressing the issue of occupational health and safety. In terms of occupational safety, special attention is paid to changes in behaviour, as the majority of occupational accidents and time lost are still attributable to carelessness.

To promote the health of every individual, employees at a total of 13 production and sales sites can participate in a vitality programme consisting of sports and preventive healthcare. At the sites in Rapperswil-Jona (CH), Pfullendorf (DE), Pottenbrunn (AT), Ruše (SI), Kolo and Wloclawek (both PL) – which account for around 40% of Geberit employees – a comprehensive occupational healthcare management is established.

CUSTOMERS

STRONG PARTNERSHIP WITH WHOLESALERS

Through its own sales team, Geberit assists its wholesale partners in their activities by offering them comprehensive printed and electronic marketing materials as well as efficient order and delivery processes, which are becoming increasingly common in electronic form. This is to ensure that Geberit products are as widely available on the market as possible and that new products are well marketed. The aim is to work with wholesalers to ensure that the craft sector as well as end users receive professional support.

A RELIABLE PARTNER WITHIN THE SANITARY INDUSTRY

A significant share of the company's varied marketing activities is targeted at plumbers and sanitary engineers. This especially applies to the ongoing, personalised and frequently project-related support given to installation companies and engineering offices by Geberit sales representatives in the form of → **digital tools**, technical documentation, catalogues, brochures, magazines, and a range of training courses unrivalled within the industry.

DESIGN MEETS FUNCTION – MORE THAN JUST WORDS

As part of the integration of the ceramics business, dialogue with showroom operators – who belong to the wholesale sector in many countries – took on greater importance. The individual countries each have a dedicated sales team for this target group. There was also increased contact with architects and interior designers. With the "Design Meets Function" credo, Geberit wants to emphasise that it offers products in front of the wall that have both a timeless design and clever functions.

As the sponsor of an exhibition dedicated to the design pioneer Victor Papanek at the prestigious Vitra Design Museum, Geberit invited some 700 architects, interior designers and other market partners to Weil am Rhein (DE) at the end of 2018 and beginning of 2019. These partners not only gained a new insight into Papanek's ideas, but were also able to view a range of innovative Geberit bathroom solutions.

WIDE RANGE OF TRAINING AVAILABLE AND ATTENDED

During the reporting year, around 35,000 professionals were provided with training on Geberit products, tools and software tools at 29 Geberit information centres in Europe and overseas. New showrooms were set up for this purpose at numerous locations, such as Barcelona (ES), Gaeta (IT), Zagreb (HR) and Shanghai (CN). Furthermore, plumbers, architects and sanitary engineers were supported via webinars on fire protection and sound insulation, drinking water hygiene and other issues. Around 90,000 additional customers also became more familiar with Geberit know-how and products at external training events, many of which were organised in cooperation with local wholesale partners.

SIMPLIFYING THE BRAND PORTFOLIO

2019 will be an important milestone of the new brand strategy to be implemented. In key markets such as Germany, Switzerland and Austria, ceramic products and bathroom series will only be offered under the Geberit brand in future, while established brands such as Keramag will be discontinued. A number of other markets or brands respectively, will implement these changes in 2020. During the reporting year, Geberit prepared carefully for this streamlining of the brand portfolio. After all, this is a step that affects almost all areas of the company – including production, logistics, product data, marketing, and the sales organisations. Customers – particularly wholesalers and numerous showroom operators – were also informed of these measures in advance.

ONE BILLION METAL PIPE FITTINGS

In spring 2018, the billionth metal pipe fitting left the production plant in Langenfeld (DE). A high-profile international campaign helped to mark this milestone, also attracting a wide response on social media. The successful "Geberit On Tour" campaign was repeated for the eighth time in the reporting year. Specially fitted-out mobile showrooms visited local and regional wholesalers, offering plumbers the opportunity to assess Geberit innovations and solutions directly on site.

STRONG TRADE FAIR PRESENCE CONTINUES

In 2018, numerous trade fairs were once again used as platforms to foster and enlarge the network of contacts in the market and to demonstrate Geberit's innovative strength. The trade fair concept, which had already proven its worth in the preceding years, ensured a high-end presentation of ceramic appliances and bathroom furniture in addition to the regular, more technical product range. Consequently, Geberit not only optimised the exhibition space that was needed, but also improved the scope for cross-selling. During the reporting year, Geberit showcased its current product range at events such as Swissbau in Basel (CH), SHK in Essen (DE), IHK in Nuremberg (DE), Finbuild in Helsinki (FI), Nordbygg in Stockholm (SE), Kitchen & Bath China in Shanghai (CN), and MosBuild in Moscow (RU). Architects and designers were specifically targeted at the Salone del Mobile and Mostra Convegno during Design Week in Milan (IT).

NEW ADVERTISING CAMPAIGN FOR SHOWER TOILETS

To support further growth of Geberit AquaClean shower toilets, Geberit launched a new advertising campaign in 15 European markets, putting emphasis on the advantages that this product offers. In the advertisements, people of different ages and backgrounds sit on an artist's impression of a shower toilet and sum up in one concise sentence why they no longer want to do without "that freshly showered feeling".

As in previous years, the AquaClean truck went on a major tour again in 2018, this time to Germany, Poland, Belgium, the Netherlands, France, Denmark, Sweden and Norway. 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.

Geberit also gave end users in other markets numerous opportunities to try out a shower toilet for themselves. Mobile AquaClean WC lounges were made available to the public at selected major events such as concerts and sporting events. In Switzerland and Germany, Geberit went one step further by offering potential customers the chance to try out a shower toilet at home for free. In most cases, the interested parties wanted to keep their installed Geberit AquaClean beyond the agreed trial period.

The international sales initiative for mid-range and high-end hotels also made encouraging progress. More hotel projects were acquired in the reporting year, including → **Hotel TwentySeven in Amsterdam (NL)** and → **Hotel Lutetia in Paris (FR)**. The number of four- and five-star hotels equipped with AquaClean shower toilets in Europe has now risen to over 400.

CONSISTENT FURTHER DEVELOPMENT OF DIGITAL SOLUTIONS

Geberit substantially expanded personnel and skills within the Digital team at Group level, with the aim of developing and launching digital tools faster and according to the needs of the respective target groups.

The reporting year saw the launch and further development of various digital tools designed to respond to the needs of end users as effectively as possible. An "inspiration app" for end users, which was already piloted in the previous year, is now in use in Switzerland and France. A 3D planning tool was also developed, providing a creative platform for end users to design their future bathroom. A new CRM system piloted in the United Kingdom allows Geberit to digitally tailor its offer to the requirements of potential end users who are interested in sanitary products.

Geberit set up its online catalogue for craftsmen on a new high-performance platform. Information relating to products and spare parts will now be available from a single source and can be displayed on various devices. Information searches are intuitive, also enabling easy navigation on mobile devices at the construction site.

Building Information Modelling (BIM) is an interdisciplinary planning method for optimising the entire planning and building process. Architects, sanitary engineers and building owners use BIM to share information efficiently. This helps them to avoid planning errors and improve productivity. For a number of years now, Geberit has been providing BIM users with support in the form of product data and calculation modules. During the reporting year, a specialised in-house team of BIM experts that was established in the previous year laid the groundwork for future BIM data processing.

INNOVATION

HIGH LEVEL OF INVESTMENT AS THE BASIS FOR FUTURE GROWTH

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 78 million (previous year CHF 78 million) – or 2.5% of 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 46 patents – which is well above the long-term average. This is mainly attributable to the development of → **Geberit ONE** – a pioneering complete solution for the bathroom. In the last five years, Geberit has applied for a total of 154 patents.

The scientists and engineers at Geberit have the very latest equipment at their disposal for their development projects. For example, they use several highly productive, state-of-the-art 3D printers for making prototypes. In addition, a CT scanner installed during the reporting year allows them to measure all workpieces in a non-destructive, extremely precise manner, and to check these workpieces for any material defects. Compared to conventional measuring techniques, this saves a lot of time.

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.

NEW PRODUCTS FOR SOPHISTICATED MARKETS

The following key products were newly launched on the market in 2018:

- The compact shower toilet → **Geberit AquaClean Tuma Classic** complements the shower toilet range as a perfect entry-level model. This basic model offers the basic functions of a shower toilet, including WhirlSpray shower technology and a fully automatic descaling programme. It is offered as a complete solution with a rimless WC ceramic appliance or as a WC enhancement solution.
- The **energy retaining valve** is mounted on ventilation pipes which protrude from the roofs of many buildings and ensures pressure compensation in the discharge pipes. It opens only when pressure compensation is required. The rest of the time, it keeps the heat within the building and thereby saves a significant amount of energy.
- The manually adjustable → **sanitary flush unit Rapid** flushes unused water pipes automatically and regularly. This prevents water from stagnating in a pipe over a longer period, which can lead to health risks.
- The → **VariForm washbasin range** adds a more systematic approach and diversity to the range for public and private washbasin areas. The washbasins stand out due to their generous basin depth and high-quality ceramics. They are available in the four basic shapes round, oval, elliptic and rectangular, with a lay-on, countertop and under-countertop model available for each shape.

For more details on new products in 2018, see → **the magazine Facts & Figures 2018**.

Several new product launches are planned for 2019. These will include the following:

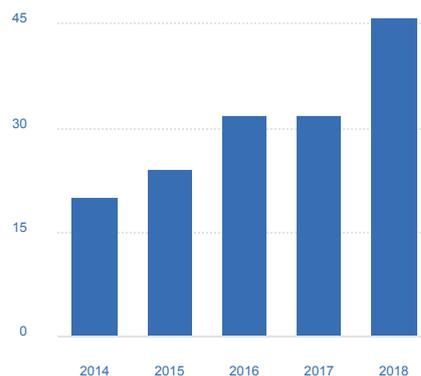
- The shower, washbasin area and toilet – the main areas in the bathroom – have a new common denominator: → **Geberit ONE**. Geberit ONE combines Geberit's know-how in sanitary technology and design expertise, and offers pioneering, fully integrated solutions for the entire bathroom. For end users, this results in more space and flexibility as well as less cleaning work. Geberit ONE also offers plumbers numerous benefits.

R&D expenditures

(in CHF million)

	2014	2015	2016	2017	2018
	56	63	72	78	78
In % of sales	2.7	2.4	2.6	2.7	2.5

Number of new patents



- With the launch of → **SuperTube technology**, Geberit is offering a sophisticated alternative to the conventional discharge stack layout in high-rise buildings. Newly developed fittings prevent discharge pipes from filling up completely and generating unwanted suction effects as a result, even when subject to heavy use. This helps to save space as special ventilation pipes are then no longer required.
- A completely new → **AquaClean Sela shower toilet** is to be brought to market six years after its original launch, offering features such as WhirlSpray shower technology, a discreet orientation light, and a newly developed continuous flow heater with an automatic descaling function. Thanks to rimless TurboFlush technology, the flushing of the ceramic appliance is not just very quiet, but also extremely thorough.
- The → **Smyle bathroom series**, situated in the middle price segment, has been redesigned and now has an even more filigree and modern look. The design of the washbasins and furniture is coordinated in such a way that individual combinations are possible. Thanks to its square design language, the new wall-hung WC combines perfectly with the washbasins. It is very easy to clean on account of its rimless inner geometry and fully shrouded outer shape.

For more details on new products in 2019, see → **the magazine Facts & Figures 2019**.

PRODUCTION

ONE ENTITY WITH MANY PARTS

The Geberit Group operated 30 plants in the reporting year, 24 of which are located in Europe, three in the US, two in China and one in India. The plants now fall into the following three categories depending on the materials used:

- Ceramics
- Plastics & Metal
- Composites & Metal

The plant in Weilheim (DE) was closed at the end of 2018. An amicable solution was found with the plant's 40 employees and the works council.

THE "FLOWING" FACTORY

All Geberit plants display an outstanding capability for renewal. Despite the variety of production technologies used, the approach is determined uniformly – both investments in property, plant and equipment and everyday improvement measures are consistently geared towards the principle of flow production. Maximum efficiency and flexibility targeted in this way, which is reflected in the reliable, timely supply of products to customers and savings in important resources such as working time and materials. The benchmarks of flow production are set out in the Geberit Production System (GPS 2.0). GPS 2.0 is viewed as a guideline for production in which the principles for process optimisation are presented.

Numerous measures pertaining to GPS 2.0 were initiated, promoted or brought to a conclusion in the reporting year. This enabled substantial efficiency gains to be achieved, particularly in the area of ceramics production. Prime examples of this are the ceramics plants in Gaeta (IT) and Limoges (FR), where productivity was increased significantly. The principles of GPS 2.0 also formed the basis of all investments made in the entire production network. In the reporting year, these comprised in particular the completion of factory buildings in → **Pfullendorf (DE)**, → **Langenfeld (DE)** and **Ozorkow (PL)**, as well as new buildings for logistics and technical product development in Slavuta (UA).

A capability for renewal requires all involved employees to display a willingness to embrace change. The alignment of processes in ceramics production to GPS 2.0 and broad acceptance of this transition was a significant success factor when integrating the ceramics business.

STANDARDISATION OF IT SYSTEMS

The integration of the former Sanitec plants into the Geberit ERP environment continued in 2018. IT systems and processes are being adjusted to the Group standard in the "OneERP" project. As planned, the project was prepared in the reporting year and implemented successfully on 1 January 2019 at the Scandinavian production sites in Ekenäs (FI), Bromölla and Mörrum (both SE). At the same time, preparations were carried out for converting the German sites in Haldensleben, Wesel and the logistics in Ratingen-Lintorf in a further step.

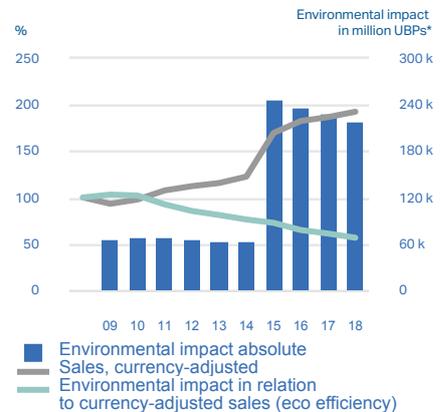
ENVIRONMENTAL MANAGEMENT IN PRODUCTION

The integration of the ceramics plants into the production network in 2015 had a considerable impact on Geberit's ecological footprint. Because of the processes involved, the manufacture of ceramic sanitary appliances is very energy-intensive. One example of an important measure in 2018 within the framework of consistent energy management was the retrofitting of three further kilns to the energy-efficient firing technology Enervit. As a result, the ten ceramics plants now have eleven such kilns at their disposal.

The absolute environmental impact of the entire Geberit Group decreased by 4.4%, even though currency-adjusted sales increased by 3.1% in the same period. The environmental impact in relation to currency-adjusted sales (eco-

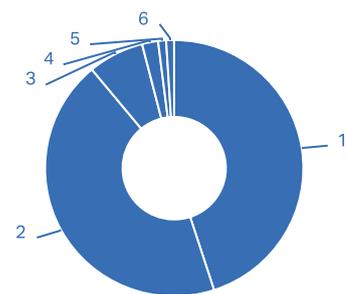
Environmental impact 2009–2018

(Index: 2008 = 100)



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

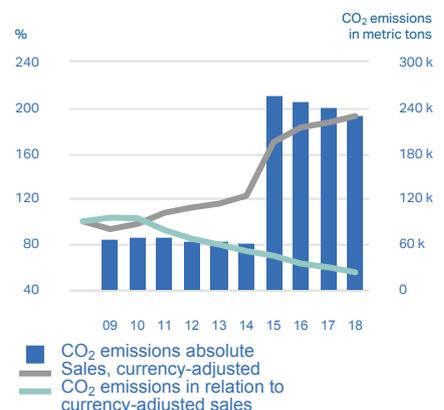
Distribution environmental impact 2018



- 1 Combustibles (45%)
- 2 Electricity (44%)
- 3 Fuels (7%)
- 4 Disposal (2%)
- 5 Water/waste water (1%)
- 6 Solvents (1%)

CO₂ emissions 2009–2018

(Index: 2008 = 100)



efficiency) decreased by 7.3%. As regards the long-term target, which is based on an average annual decrease of 5% per year, Geberit therefore remains on course.

CO₂ emissions were reduced in 2018 by 4.7% to 231,484 tonnes. In relation to currency-adjusted sales, emissions decreased by 7.5%. 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 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. Eco-efficiency and relative CO₂ emissions are to be improved by 5% per year (see also → **Sustainability Strategy 2019-2021**). 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 2019, all ceramics plants are to be integrated into this system. At the end of the reporting year, all 30 production plants were already certified to ISO 14001 and 29 to OHSAS 18001. Certification according to ISO 50001 (energy management) is taking place for selected sites.

LOGISTICS AND PROCUREMENT

HARMONISATION OF IT SYSTEMS IN CERAMICS LOGISTICS

At the end of 2018, Group logistics comprised the central logistics centre for sanitary and piping systems in Pfullendorf (DE) as well as a decentralised network of 13 European distribution sites for the ceramics business.

The integration of the ceramics business into Group logistics was largely completed in 2018. For this purpose, the Geberit Logistics Operation System (GLOS) was established at all ceramics plants. GLOS is the standard system for logistics and is used to continuously improve business processes. It aims to bring about a sustained increase in competitiveness.

In connection with the → **OneERP project**, the storage management system SAP EWM has already been successfully launched at the Pfullendorf site and in Poland. The preparatory work then followed in the reporting year for implementation at the production plants in Bromölla and Mörrum (both SE) and Ekenäs (FI). Commissioning took place as planned on 1 January 2019.

CENTRAL ORDER PROCESSING FROM PFULLENDORF

The logistics centre in Pfullendorf (DE) is the global hub for products from Geberit's Sanitary Systems and Piping Systems areas. The expanded logistics centre was commissioned in the first quarter of 2017. The associated relocation of distribution of the Mapress piping range from the production plant in Langenfeld (DE) to Pfullendorf was successfully completed in 2018. Since the expanded logistics centre was commissioned, the logistics processes have stabilised at a high level. Fine-tuning of the technical facilities and processes has brought about a further increase in both productivity and quality. The targets set out in the project planning for operation of the expanded logistics centre have been met in all areas.

USING TRANSPORT MANAGEMENT SYNERGIES

Great importance is attached to central transport management as the interface between suppliers, production plants, wholesalers and transport service providers in order to enable cost- and resource-optimised transport solutions. Customers generally receive orders of sanitary technology products in a single truck delivery. This not only reduces the number of empty kilometres, it also increases truck capacity utilisation and reduces CO₂ emissions (see also → **Strategy Green Logistics**). Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions. 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.

CODE OF CONDUCT FOR SUPPLIERS

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. Besides minimising risks of downtime as well as costs, the primary purpose of comprehensive supplier management is to safeguard supplies.

All business partners and suppliers are obligated to comply with → **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 available in 15 languages. By the end of the reporting year, 1,470 suppliers had signed the Code. This represents over 90% of the Geberit Group's purchasing volume.

Corporate Purchasing and Sustainability jointly ensure that these standards are upheld by conducting regular audits. The number of audits made and their content are selected with the help of a risk matrix. The goal of these audits is to check compliance with the respective national legislation and regulations in the areas of environmental protection and occupational health and safety. The audits are carried out by an independent third-party company. Appropriate measures are initiated where required. During the reporting year, five supplier audits on EHS (Environment, Health and Safety) were carried out in the area of procurement.

SUPPLIER INTEGRITY LINE

Launched in 2017, the “Supplier Integrity Line” has now become established. The service allows suppliers to anonymously report any violations of the guidelines set out in the Code of Conduct for Suppliers by Geberit employees and by competitors. The free hotline is operated by an independent service company and is available in a total of eleven languages. Violations can also be reported online at any time via an external URL. No violations of the guidelines set out in the Code of Conduct for Suppliers were reported in 2018.

SUSTAINABILITY

PURSUING GLOBAL TARGETS

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. The goal calling for equitable access to clean drinking water and basic sanitation for all people worldwide is of the utmost importance to Geberit. The company also focuses on the goal of "Sustainable Cities and Communities". With its sanitary technology, Geberit makes an important contribution towards developing robust infrastructures and promoting sustainable industrialisation.

Sparing, careful use of water as a valuable resource is one of Geberit's core areas of focus. 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.

WATER FOOTPRINT THROUGHOUT THE VALUE CHAIN IN 2018

PROVISION OF RAW MATERIALS

0.15% of the total amount of water is required in the manufacture of raw materials for products.



0.15%
(6.6 million m³)

MANUFACTURING

A mere 0.02% of the water is used in the manufacture of products in 2018.



0.02%
(1.0 million m³)

USE

The greatest water consumption by far occurs during the use of products manufactured in 2018 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.83%
(4,450 million m³)

DISPOSAL

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



< 0.01%
(0.2 million m³)

DIGITALISATION WITH GREEN BUILDING IN MIND

Green building is becoming ever more important. 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 and high transparency regarding their products. Geberit meets this demand with water-saving, energy-saving, low-noise and durable products on the one hand, and the promotion of digitalisation with regard to environmental product information on the other.

CONTRIBUTION TO THE CIRCULAR ECONOMY

The purpose of the circular economy is to minimise the use of resources and materials and close material cycles. Geberit sets great store by developing and marketing products with a long service life, offering guaranteed spare parts availability of 25 years whenever possible and ensuring the backwards compatibility of new products in order to increase product longevity. The aim of production is to establish closed cycles to the greatest possible extent. The ceramics plants seek to close internal material cycles and recycle waste externally. High-quality plastics are used at the plastics processing plants and the share of regranulate is constantly increased.

LONG-TERM VALUE ADDED

For decades, sustainability has been part of Geberit's corporate culture. The binding → **Sustainability strategy** – which is closely linked to the company's values and core areas of focus as well as the → **Sustainable Development Goals** of the United Nations – ensures that the objectives are measurable and that a significant contribution

to the success of the company is thus guaranteed. A total of twelve sustainability modules form the basis of this strategy. Among these are occupational health and safety, social responsibility, energy and CO₂ reduction, eco-design, green procurement and green logistics.

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). In 2018, this was carried out for the first time according to the new GRI Standards. The information disclosed within the scope of this report has been compiled in accordance with the "Comprehensive" option contained in the GRI Standards. The sustainability reporting has been subjected to and has successfully completed the GRI Materiality Disclosures Service, see → **GRI label and formal GRI Content Index**. All aspects of the GRI Standards can be found in the → **Sustainability Performance Report** for 2018. The → **materiality analysis** reviewed by an → **external stakeholder panel** in the reporting year as well as the sustainability strategy have been further developed.

Since 2008, Geberit has been a member of the United Nations (UN) 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 anti-corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The → **Code of Conduct for Employees** and the → **Code of Conduct for Suppliers** further incorporate the topic of sustainability. Continuously improved → **compliance processes** ensure compliance with guidelines and 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 → **Risk management**.

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 STOXX Europe Sustainability Index and the FTSE4Good 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.

HOLISTIC VIEW OF DEVELOPMENT PROCESSES

Sustainability is an integral part of the technology and innovation processes at Geberit. 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. An example of this is the → **energy retaining valve**, which closes the openings of sanitary ventilation pipes – which are usually built into the roof – without causing any loss of function. Measurements by the Lucerne University of Applied Sciences and Arts have revealed that the heat loss via the ventilation pipe can be reduced by 98% using this valve. This is equivalent to an annual quantity of around 50 litres of heating oil.

The environmental product declarations (EPD) in accordance with the European standard EN 15804 are an important decision-making aid in the building process and can also be used directly for green building standards such as LEED. EPDs present relevant, comparable and verified information about a product's environmental performance in a transparent manner. A total of four EPDs for discharge pipes were newly compiled in the reporting year.

COMPLIANCE

FOCUS ON DATA PROTECTION

So far, the key focus of compliance was on the topics of antitrust legislation, corruption, product liability, environment/occupational safety and fundamental employee rights. The introduction of the GDPR in the EU on 25 May 2018 heralded a significant tightening of the legal requirements placed on the data protection concepts of companies. Comprehensive measures for implementation of the GDPR were carried out in the reporting year under the leadership of the Group's legal department. An external data protection officer was appointed for the entire Group, who has already conducted initial audits at the companies in Switzerland, Austria, Poland, the Benelux Countries, the UK and Sweden. In-house data protection coordinators have been appointed and trained at all Geberit companies. In addition, all processes have been documented in which personal data is processed. Furthermore, a Data Protection Guideline has been passed that in turn serves as the basis for privacy policies for various applications such as websites or mobile apps. Finally, technical and organisational measures concerning compliance with data protection regulations and a concept for reporting data breaches have been drawn up.

PRODUCT LIABILITY: NOZZLE CLEANER DAMAGE CASE

The older shower toilet models Geberit AquaClean 8000plus and Geberit Balena 8000 were liable to develop a leakage if a certain nozzle cleaner was used over a prolonged period. In the worst case, this could have led to a smouldering fire. Three such cases of smouldering fires occurred in 2017 that caused only material damage. Comprehensive measures were implemented in 2018 to rule out this risk for all other owners of the corresponding shower toilet models. Sales of the nozzle cleaner that caused the problem were discontinued immediately. In addition, appropriate market information was promptly drawn up and sent to all wholesalers, plumbers and, to the extent known, potentially affected end users. Owing to the large number of devices concerned, not only the local Geberit companies and their service providers but also external service providers had to be called on for the required service assignments. The assignments were largely concluded by the end of 2018. Apart from the aforementioned incidents, there were no further damage cases.

LEGAL ADVICE AND REPORTING

Regular antitrust legislation audits were carried out in the Adriatic sales region as well as in Finland, Norway and Switzerland as part of the ordinary internal audit, but did not reveal any significant breaches. Furthermore, the Group's legal department dealt with the usual enquiries from Geberit markets concerning the permissibility of marketing and sales campaigns.

SOCIAL RESPONSIBILITY

SOCIAL PROJECTS RELATED TO THE CORE BUSINESS

Innovative sanitary technology continuously improves the quality of people's lives. This mission is at the heart of Geberit's social responsibility. The guideline for Geberit employees, the → **Compass**, sets out and explains this.

Besides improving quality of life through innovative sanitary products, Geberit takes its social responsibilities seriously – which is why it has undertaken social projects involving its own apprentices since 2008. The projects exhibit a relationship to the topic of water and to the company's core competencies. Apart from being involved in the projects on site, the young people who take part acquire new intercultural, linguistic and professional competencies. 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 2018, the → **apprentices travelled to Morocco**. During the first step, the local Geberit office in close cooperation with a local non-governmental organisation (NGO) identified several schools in the Marrakesh region where the toilets were in a desolate condition. The sanitary facilities of these schools were then replaced over a two-week period in October 2018.

GLOBALLY ENGAGED

Geberit continued its partnership with the Swiss development organisation Helvetas with a series of initiatives and supported the new Helvetas campaign with a substantial sum of money. Sanitary expertise adapted to the local conditions was passed on in a knowledge transfer project that took two Geberit employees to Mozambique and another two to Nepal in autumn 2018. The "Change of Perspective" project was also implemented again, as two Swiss plumbers travelled to Nepal in November 2018, working there for a week with two Nepalese colleagues. These projects are set to continue in 2019. A major donation was also made to support Helvetas-run water projects around the world.

The Geberit Group's activities in the area of social responsibility are rounded off by a multitude of other initiatives and fundraising campaigns at a 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 NGOs, including 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 are neutral from a party political point of view. 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

There were no significant changes to the legal structure of the Geberit Group (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure** and → **33. Group companies as of 31 December 2018**).

OUTLOOK

SLOWER GROWTH IN THE CONSTRUCTION INDUSTRY

2019 will be challenging due to a general increase in volatility and the slowdown of construction activity in individual markets. However, the individual regions and sectors will perform differently. The assessment of construction activity in **Europe** remains positive as a whole. Despite healthy demand, growth potential in Germany is likely to remain limited due to capacity constraints of installers. A favourable market environment is emerging in Austria and the Benelux Countries, although with weaker growth momentum. A stagnating market environment is expected in France. The construction industry in Switzerland is set to decline slightly. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with the market predicted to stagnate in the best case. The Eastern European markets are also predicted to perform differently, with a positive environment expected in Poland, for example. Italy is assessed more cautiously due to political circumstances, while a downward trend is foreseeable in the United Kingdom as a result of the uncertainty in relation to Brexit. In **North America**, a moderate recovery is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with a decrease in residential construction. In the **Far East/Pacific** region, the Chinese residential construction sector should continue to perform positively; the construction industry in Australia is expected to decline, while the situation in India is viewed positively. In the **Middle East/Africa** region, the outlook for the Gulf States is considered uncertain and the construction market in South Africa is stagnating.

Fluctuations in the Swiss franc 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). Currency fluctuations generally have no significant impact on operating margins due to natural currency hedging. Natural currency hedging entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. 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. Uncertainties related to raw material markets have increased and make an outlook difficult. After a declining environment in the first quarter of 2019, raw material prices are expected to increase again in the second quarter.

GEBERIT

The objective is to perform strongly across the entire product range and 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. Markets in which Geberit products or technologies are still under-represented will be intensely cultivated, and the shower toilet business will be expanded further. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes and high margins shall be continued to be achieved in 2019. A focus will be placed on implementing the digitalisation strategy.

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 continue to 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 the market partners in both commerce and trade, and the Group's continued solid financial foundation are vital to its future success.