Ludwig Mies van der Rohe
Architect and Designer, 1886 – 1969

“Form is not the aim, but only the result.”
Dear Readers,

In this report, we look back proudly on 2017 and on a new sales record. Therefore, we would like to thank our employees and their striking dedication.

Design, or rather, our affinity for design — the focal point of this year’s annual report — is crucial for this success. Products by our two brands, AXOR and hansgrohe, continue to set new industry standards. Our sixth place in the 2017 worldwide company ranking published by the International Forum Design (iF) is impressive proof: for the first time ever, we are the highest ranking German company. Our ability to integrate new technologies quickly, and our determination to think ahead and invest in the future are also factors that contribute to our success.

2018, too, will be an exciting year full of new goals, designs and challenges. For now, I look forward to working together with the new members of our expanded Executive Board: Christophe Gourlan, Hans Jürgen Kalmbach and Reinhard Mayer. Thanks to the changes in the Board and its strong focus on marketing and sales, we will be able to pursue our growth strategy even more consistently in the future.

In 2018, we will continue our work towards achieving our goal of making AXOR and hansgrohe the number one consumer brands for the bathroom and kitchen — in Germany, in Europe, and around the world.

“We are the original”.

Yours,

Thorsten Klapproth
Chairman of the Executive Board
Hansgrohe fuses form and function into iconic designs — and has been doing so since 1901. For the Hansgrohe Group, design is about more than the way things look — it is a mindset; it is what enables us to create products that go down in history and appeal to people around the world — and that are as functional as they are beautiful, in the bathroom as well as the kitchen.
From the first handheld shower with adjustable spray modes to designer bathroom collections and our revolutionary "Select" operating system: what we conceive, develop, and design in our research center in the Black Forest has inspired the international sanitation industry for more than 115 years. Many of our innovations went on to become classics, and have made bathroom, and even cultural history.

Since 1993, our brand AXOR has consistently fascinated with individual designer collections and exceptional bathroom and interior design concepts. Now, in the 21st century, we are also setting standards in the kitchen — with products that are as innovative and beautifully designed as they are functional. Even if these days, 80 percent of our turnover is generated abroad: more than 70 percent of our manufacturing takes place at our German plants near our headquarters in the Black Forest region.
The 2016 company ranking of the International Forum Design (iF) rated us the best company in the sanitation sector. And in the current 2017 ranking, for the first time ever, the Hansgrohe Group is the top ranking German company. Internationally, we rank 6th out of 2,000 reputable companies from around the world — this means that compared to the previous year, we have moved up four places, ahead of famous-name, design-oriented brands such as Apple, Daimler and Nike. This ranking and more than 500 design prizes since 1974 show that the quality of our design is as highly valued by professionals as it is by our customers.
How individual can a bathroom be? How emotive can water be? What do people want and need? In collaboration with renowned architects and designers from around the world, we explore new concepts in water. Bathrooms and kitchens continue to evolve: they have long become living spaces; demand for convenience and stylish design is growing. Visionary and future-oriented ideas are called for. We at Hansgrohe intend to actively contribute to shaping this future.
Studies have repeatedly shown that design-conscious companies are more successful financially — the Hansgrohe Group with its record results in the 2017 fiscal year is once again a prime example. How important is design for Hansgrohe? And what exactly is good design? In the following interview, Thorsten Klapproth, Chairman of the Executive Board talks about this and many other topics that were important to Hansgrohe in 2017.
“For us it is impossible to separate design from function. Design is part of the highly emotional experience that people have when using our products.”
What part did design play in Hansgrohe’s latest record-breaking results?

This is undoubtedly one of the reasons for our continuing success and the renewed growth in sales (adjusted for currency effects) of about six percent. We have been growing continuously and thereby highly profitable — for this, I want to sincerely thank all our staff. Hence, our sales of about 1,077 billion euros confirmed our strategy. In this design has a crucial role because design shapes the image that people have of our products and brands. Delivering good design has been something that we for decades have considered a top priority: “Beauty is a point of honor” is one of our mottos. But for us, good design goes far beyond aesthetics. Design is deeply rooted in our company’s DNA. This doesn’t just apply to the design of our products, but also to the deep commitment to design embraced by all our employees around the world.

In the company design ranking of the International Forum Design (iF) published in 2017, Hansgrohe moved up four spots to 6th place and now ranks as best German company ahead of Audi. Hansgrohe even outperformed world-famous brands, such as Apple, BMW and Siemens, and left all its competitors in the sanitation sector behind. How important is this distinction to you?

We’re definitely very proud of the fact that for the very first time, we’re not only the best company in our industry, but the best German company — period. The value or importance of an award is open to debate, but the iF ranking, which takes into account the number of points received by a company for each iF award over the past three years, carries weight and relevance. This is, of course, something that helps us in our communication with our retail and trade partners as well as consumers: our statements regarding the quality of our design are thus validated by an independent, internationally renowned institution.

With AXOR and hansgrohe, the Hansgrohe Group has two strong brands in its portfolio. What role does design play in brand management?

Design is important in clearly positioning and differentiating our brands. This applies to the design of the two brands’ products; hansgrohe has a classic design language, while AXOR is more experimental and avant-garde. Design is also a particularly important factor in communicating and creating a brand image; since the relaunch of the two brand worlds in 2016, they have been clearly distinguished by different colors; white for hansgrohe and black for AXOR. This was very impressively staged at the 2017 ISH in Frankfurt am Main, where for the first time, we presented both brand worlds under one roof, each visually distinct from the other. This allowed us to communicate to visitors what each brand represents. A total of 60,800 people visited us at the fair — in other words, one out of every three visitors to the world’s most important sanitation trade show visited our booth at least once. A great success, which certainly provided inspiration and lots of incentive for our business activities in 2017 and beyond.

What exactly is good design?

This is a question we could discuss and speculate on endlessly. Criteria for “good design” do exist. The hansgrohe brand in particular, is certainly rooted in the Bauhaus tradition. We pursue a minimalist, timeless design language, merging design and functionality. For us it is impossible to separate design from function. Design is part of the highly emotional experience that people have when using our products...
in the bathroom and kitchen. So ultimately, it's not about designing products, it's about designing experiences. What's more, although we don't follow short-lived trends, design is subject to constant change. New materials and novel technologies constantly provide us with new possibilities for the design of products. Digitization also influences design: smartphones and apps change the way people interact with technology. That of course also has an effect on our products, both technically and aesthetically. How do you ensure design quality in the development of new products?

The most important thing, of course, is collaborating with outstanding designers. The Phoenix design studio has been instrumental in shaping the hansgrohe brand for decades. But, we also bring in other distinguished designers for fresh input — these include prominent international designers, such as Philippe Starck, Antonio Citterio, Jean-Marie Massaud, Front, Patricia Urquiola, Nendo and the design duo Edward Barber and Jay Osgerby. In developing products, we work closely together with others in interdisciplinary teams made up of external creatives and our own engineers, product managers and even marketing people: everybody can contribute their expertise and ideas in design workshops and strategy meetings. It takes mixed teams like these to bring forth completely new ideas. At the end of the process, we have a product that is aesthetically and technically perfect — and that can be manufactured reliably in the desired quality and quantity at a competitive cost.

Strong growth is surely a challenge, even for a company like Hansgrohe. How do you deal with it?

We invest heavily in the future. After having already expanded our Offenburg logistics center at a cost of approximately 30 million euros, we are now investing another 30 million euros in a new plastic electroplating facility, also in Offenburg. It will more than double our capacity in the finishing of plastic products. This investment is also a further commitment to our German sites and our roots. But we don’t just invest in buildings and technology, more than anything, we invest in people: in 2017, we reached a record number of employees — specifically with a view to future growth. How do you manage to find and retain the skilled people you need in spite of the current shortage of skilled labor?

Our success depends on the expertise and dedication of our staff. That’s why employee satisfaction is at the top of our agenda. We want people who work at Hansgrohe to feel at home and valued — and we want them to see a future here, both in terms of their work and private life. We do a lot to achieve this, and evidently, we’ve been quite successful, as our 2017 staff survey showed. Compared to the previous survey three years ago, there has been improvement in all areas — be it company loyalty, social benefits, motivation or image. The great majority of our staff are extremely satisfied with Hansgrohe as an employer as well as with our products and services. What role does the new Hansgrohe Campus play in your company?

It’s a very new and important building block for our future. Innovation cycles are becoming shorter and shorter, not just in general, but also in our industry — so it’s all the more important to keep your expertise and skills up to date. By establishing our campus, we have created a teaching and learning platform that makes it possible for all our employees to broaden their knowledge, acquire new skills, and net-
work — and all that during working hours. With the campus, we have created a space where it’s completely natural for us to learn from each other, teach each other — and above all grow together. We strongly encourage our employees to acquire knowledge and network outside their own areas of expertise. For our success, it’s important that all the different divisions in our company work together in the best possible way. And this works best when we develop a greater understanding for each other — for example, when someone from marketing understands how someone from sales thinks and vice versa. In addition, the campus is a very important instrument in attracting and fostering new talent. Millennials, that is, people born after 1980, are interested in more than just job titles and pay; they’re also interested in opportunities for personal and professional development — in an environment that encourages and enables them to pursue these goals.

What are your goals for 2018?

Naturally, we want to continue to grow profitably in 2018. We want to continue to grow at least twice as fast as the market, as has been the case in the previous years. And again, our focus will be on the kitchen, a direction that we clearly highlighted at the LivingKitchen trade show in Cologne last year. We still see a lot of potential in the kitchen market. What’s important for us is that growth is also profitable. Currently, we are focusing on organic growth: we have laid the foundations for this by investing in our logistics center and plastic electroplating facility, as well as in new employees. I’m absolutely confident that with our excellent and motivated teams at all our Hansgrohe Group locations, we will be successful and be able to report record results again next year.

“Our success depends on the expertise and dedication of our staff. We want people who work at Hansgrohe to feel at home and valued.”
Design, innovation, quality: this triad of values distinguishes not only our products, but also the way we think and act. For over 115 years, our consistent pursuit of these values has made us what we are today — a globally renowned manufacturer of long-lasting, quality products that merge exceptional design with user-friendliness and intelligent functionality.
Design

Anyone who judges design exclusively by its appearance, fails to appreciate its core. We at Hansgrohe see design as a mindset whose limits should be constantly explored. That is exactly what we strive to do in collaboration with the world’s most prestigious designers, including Antonio Citterio, Patricia Urquiola, Philippe Starck, Jean-Marie Massaud, Front, Phoenix Design, Nendo and the design duo Edward Barber and Jay Osgerby.

In dialog with ever-expanding technological possibilities, we develop innovations of radically new aesthetic and functional quality. In this way, we create products that not only look good, but also offer noticeably more — and this is precisely why their popularity is growing among design aficionados and discerning customers around the world.
Innovation

What do people want and need in the bathroom and kitchen? What materials and technologies open up new possibilities? How can the flow of water find a new shape? These are the questions we address on a daily basis — and we always find new answers. Inventive genius has always been the driving force behind Hansgrohe. When developing new products, our guiding principle is: tailor products to people — not the other way around. This enables us to create successful new products that generate 25 to 30 percent of our annual sales.

Innovations like the first shower bar, the first handheld showerhead with multiple spray modes and the first kitchen faucet with a pull-out spray set benchmarks for the competition. We carry on this tradition of innovation with our “Select” technology, which regulates the flow of water at the touch of a button, and many other pioneering solutions.
“The highest quality in form and function”: this is the standard of excellence we share with our customers. By means of process-oriented manufacturing, we ensure that only safe, robust and sustainable products, designed for durability, leave our plants, in Germany and abroad. Our integrated management systems are regularly audited by internationally recognized certification authorities. Products made by Hansgrohe are “Designed for life” — in terms of functionality and aesthetics, resulting in timeless classics that never lose their appeal.
Two brands, two brand worlds, one promise: Hansgrohe’s core values — quality, innovation and design — are reflected in every single AXOR and hansgrohe product. However, as regards design and communication, each of our two brands has its own individual focus. Precise positioning allows them to hone in on their respective target audience.
Form Follows Perfection

Our AXOR brand is synonymous with luxury in the bathroom and kitchen. Together with leading architects and designers of international renown, we have for 25 years been developing groundbreaking design objects — some of them have become important icons of bathroom design. “Form Follows Perfection” is our guiding principle: the development process ends only when there is nothing more to add or remove. This is how avant-garde, unique products and complete collections of the highest aesthetic and technical quality are created.
Individuality to Perfection

From classic to modern: AXOR is continually redefining aesthetics, water design and functionality. Our award-winning mixers, showers and accessories are inspirations for bathroom design. They set new standards for individuality and exclusivity in the project business, for discerning consumers, bathroom planners and interior designers alike.
Meet the Beauty of Water

hansgrohe is our premium brand of showerheads, shower systems and bathroom and kitchen faucets. An affinity for design, pioneering spirit and the German art of engineering result in products whose excellent design is not their only impressive feature: they offer noticeably more benefits thanks to their outstanding ease of use and intelligent functions. With our many award-winning products, we shape the flow of water in the kitchen and bathroom.
Bathrooms and kitchens are evolving. Spaces that used to be predominantly functional are becoming places for emotional wellbeing where we can leave the world behind — to relax and recharge our batteries, and to experience precious moments that bring us closer to our loved ones. In all this, water plays a central role — and with it, so do hansgrohe products. Our aim is to make our daily interactions with water new and refreshing — with pioneering solutions that combine form and function in previously unknown ways.
The following pages offer a brief overview of the most important financial information of the past fiscal year. Please refer below to the Business Review 2017 for more detailed information.
Revenues in 2017

€ 1,076,700,000

↑ 5.8 %
Sales growth adjusted for currency effects

Breakdown of Revenues

- Germany: 23%
- Europe (without Germany): 39%
- Rest of world: 38%
### Sales Development

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>5.4%</td>
<td>€ 805.5 m</td>
</tr>
<tr>
<td>2012</td>
<td>4.5%</td>
<td>€ 841.4 m</td>
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<tr>
<td>2013</td>
<td>3.9%</td>
<td>€ 874.1 m</td>
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<tr>
<td>2014</td>
<td>10.3%</td>
<td>€ 964.0 m</td>
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<tr>
<td>2015</td>
<td>6.7%</td>
<td>€ 1,029.0 m</td>
</tr>
<tr>
<td>2016</td>
<td>4.6%</td>
<td>€ 1,076.7 m</td>
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EBITDA

2015
3.3 %
€ 186.8 m

2016
10.3 %
€ 206.1 m

2017
4.4 %
€ 215.2 m

Breakdown of Employees

● Germany
2,862

● Rest of world
2,100

● Worldwide
4,962
Employees Worldwide

4,962
Assets

- Current assets: €637,048,000
- Fixed assets: €178,746,000

Total Equity and Liabilities

- Shareholder’s equity: €554,659,000
- Liabilities: €140,664,000
- Accruals: €131,222,000

Total: €826,647,000
Strong communities are united by shared ideas. What is important is that this philosophy is alive. This is why, together with our staff, we have defined the values that unite us. They guide the way we think and act on a daily basis. They shape the way we work together at Hansgrohe — and ultimately shape our products, our services and our relationships with our partners and customers.
Appreciation

“We are respectful and fair to each other and give constructive feedback. We state our opinions and acknowledge the actions and achievements of others. This creates mutual trust and forms the basis of our teamwork.”

In 2017, our employee survey provided us with constructive and honest feedback. Compared to the previous survey from 2014, last year’s survey shows improvement in all areas. Satisfaction with Hansgrohe as an employer is high; our staff is highly motivated and would like to continue working here in the long term. Our employees are also very satisfied with our products, social benefits and the company’s image. Of course, there was also criticism: we take this very seriously and are working at furthering improvement in these areas as well. We strongly believe that acting on feedback is an important way of showing respect for our workforce.

Passion

“We are proud to be part of Hansgrohe and pursue our work with passion and enthusiasm. Our extraordinary passion for water, innovation and design, helps us to create exceptional products. We inspire our customers, partners and each other.”

Passion and enthusiasm for our work and for our common achievements are the driving force at Hansgrohe — not only in Germany, but also at our international locations. The very specific skills and talents of 4,962 people contribute to our growing success. In 2017, we welcomed 177 new staff members — now, they too feel like part of the international Hansgrohe family and are a valuable asset to our community.

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Team Work

“We approach each other openly and show mutual interest; we give and take. Together we challenge and support one another. In teams, we develop innovative and exceptional solutions that reflect the sum of our ideas. We are proud of our achievements and are ready to actively take on the opportunities and challenges of the future.”

The way we work together is the key to our success because in modern companies everything is interconnected. At Hansgrohe, we cultivate cooperation, not only at specific locations, but throughout the entire company.

Trust

“We do what we say and carry out decisions together. With our reliable and professional behavior, we establish mutual trust and empowerment, which encourage us to act independently.”

In 2017, Hansgrohe opened its own learning center, the Hansgrohe Campus, with departments covering Strategy & Innovation, Brand, Sales Efficiency, and Employee & Leadership. This is an example of the kind of freedom we at Hansgrohe offer to encourage our staff to take ownership. All staff members are invited to take advantage of this opportunity. They are free to visit the campus during working hours to broaden their knowledge, or pass on their own knowledge and skills. The formats are as varied as the curricula, from informal exchanges at breakfast to lectures. There are no obligations, everyone can decide for themselves where they want to participate. We trust that our employees know what additional training they need. Success speaks for itself: in the first six months, more than 1,200 people attended more than 60 events.
“In 2018, I again look forward to working towards our common goal: to inspire people around the world with original products by the AXOR and hansgrohe brands.”

Klaus F. Jaenecke
Chairman of the Supervisory Board
Dear Ladies and Gentlemen,

Customers and Partners,

Originality is increasingly becoming the key factor in the success of companies, brands and products. Thanks to its ability to be original, the Hansgrohe Group, with its clearly positioned AXOR and hansgrohe brands, today stands out more than ever before and has succeeded in winning over a growing number of customers around the globe.

This is reflected in the results of the 2017 fiscal year: with a new sales record of more than one billion euros, we were able to continue our success story in an impressive way. Also on behalf of my colleagues on the Supervisory Board, I would like to express my heartfelt thanks to all employees of the Hansgrohe Group, whose impressive performance has made this possible.

Our growth program, which we embarked upon in 2015, gained momentum last year. Recruiting a total number of 177 new employees, opening the Hansgrohe Campus with a view to passing on skills for the future, and laying the cornerstone of the new plastic electroplating facility in Offenburg are just some examples of how we take our future into our hands.

To continue to grow and remain competitive in the long term, we take a proactive approach and implement necessary change — this also applies to the company’s corporate organization. At its meeting on 21 September 2017, the Supervisory Board decided to strengthen the Executive Board, thereby increasing its focus on core areas.

Marketing and sales, the cornerstone of the company’s growth strategy, are now more strongly represented within the Executive Board. The wants and needs of our international customers sometimes differ significantly from those of our European customers.

Since 1 January 2018, all European sales operations have been bundled into one area of management headed by Christophe Gourlan, who was formerly Vice President of Sales Europe. Another Hansgrohe sales expert, Hans Jürgen Kalmbach, is now responsible for international sales — he most recently held the position of Vice President of Sales Asia Pacific.

In addition, the Supervisory Board appointed a new Chief Financial Officer, Reinhard Mayer, who took up his position on 1 October 2017. Frank Schnatz remains responsible for product development, production and quality management. Frank Semling continues to be Labor Director, responsible for supply chain management and services. Thorsten Klapproth retains his position as Chairman of the Executive Board.

In 2018, I again look forward to working together with the management team and our highly committed employees towards our common goal: to inspire people around the world with original products by the AXOR and hansgrohe brands. With products that turn our daily interaction with water into a fresh and unique experience.

Yours sincerely,
Klaus F. Jaenecke
Chairman of the Supervisory Board