

hansgrohe

AXOR | PHARO

Hansgrohe Group Sustainability Report



2005

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Foreword

Innovation has always been a priority at Hansgrohe. This not only refers to the development of new products and technologies but also to the design of new or improved manufacturing technologies and processes. The Hansgrohe Group was one of the first to actively protect natural resources and to use renewable forms of energy. It is with good reason that our company has received several awards for its exemplary commitment to the environment. At all of our production locations, we continually look for new ways to optimize our use of energy, for instance by means of systematic heat recovery, which allows us to save an annual total of 2,700,000 kWh of energy at our mixer factory in Schiltach. This alone reduces the CO₂ emissions in our Axor factory by some 540 tons every year.

Thanks to an environmental management system that has been implemented resolutely for years, the Hansgrohe Group plays an active role in reducing the carbon dioxide emissions that are damaging the climate. And did so many years before climate change became headline news.

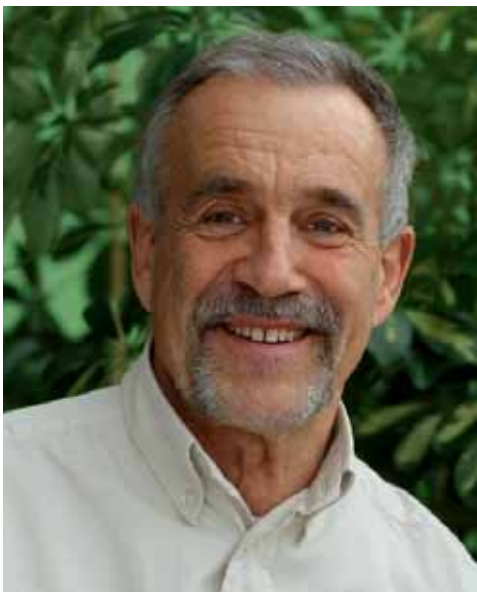
Our passion for the element of water is what drives our constant search for new, progressive solutions again and again. Our main priority is to use water more efficiently – without sacrificing comfort – and to make people aware of the value of this scarce resource. Particularly with our AquaCycle technology, which allows water to be used twice, our designs promote an ecologically and economically sustainable approach to using life-giving water.

The second issue of the Hansgrohe Sustainability Report documents our responsibility towards our employees, our customers and suppliers, our financiers and investors, and our local communities, both in Germany and abroad. Based on the specifications of the internationally recognized Global Reporting Initiative, it gives extensive information on the activities of the Hansgrohe Group from an economic, social and environmental perspective.

Here at Hansgrohe, our “green” image is the product of a long history of caring for the environment. In the German mixer industry, there is still a real need for extensive publications of this nature.

I would like to take this opportunity to express my sincere thanks to all those who contacted us with feedback on the first issue of the Hansgrohe Sustainability Report. Your suggestions and criticisms are reflected in the current issue. For this reason, I would be delighted if we could continue to communicate in this way. Accordingly, please feel free to send any opinions, comments or suggestions to: sustainability@hansgrohe.com.

Klaus Grohe
Chairman of the Executive Board





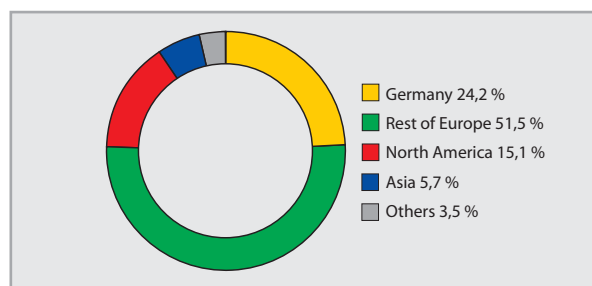
Hansgrohe Group

The Hansgrohe Group, with headquarters in Schiltach, Germany in the Black Forest, is a global player in the world of sanitary engineering and manufactures innovative products which are sold under the well-known brand names Hansgrohe, Axor, Pharo and Pontos. Founded in 1901, the Company employs 2,799 people (December 31, 2005) worldwide, with sales of 476 million euros in 2005.

Products are manufactured at five plants in Germany and the Company also operates production sites in France, the Netherlands, the USA and China. With manufacturing plants spread over three continents, as well as sales offices and subsidiaries in 24 countries, the Hansgrohe Group is one of the few global players in the sanitary sector.

The Hansgrohe Group is a non-listed public limited company with shares held by Masco Corporation in Taylor, Michigan, USA, (64.35 percent) and the Klaus Grohe family and others in Schiltach (35.65 percent).

Foreign markets accounted for approximately 76 percent of the Hansgrohe Group's sales in 2005, the majority of these being in Europe. Growth in the non-European markets is above-average, particularly in Asia and North America, which are increasing their contribution towards the Company's success. Germany continues to be the Company's largest individual market. In 2005, in spite of the difficult economic environment, the Hansgrohe Group defied the trend within the sector, and was not only able to increase its sales again, but also expanded its share in the market.



Sales according to region 2005

The main objectives of the Hansgrohe Group are to achieve profitable growth on a long-term basis, increase the value of the Company and continuously improve its earning power. To this end, the Group has adopted a strategy of increasing innovative depth and speed in order to further improve international competitiveness and increase its share in the market, while resolutely advancing the Company's internationalization.

In order to achieve these goals, the Hansgrohe Group orients all of its activities to the needs and wants of its customers, offering plumbers, interior designers, and end users, a wide range of innovative products that conform to market trends. The supporting pillars for the Group's product philosophy are a passion for the enigmatic element water, constant endeavors to continuously improve product quality by means of innovative technology and design, and the interaction of performance and leadership. The activities of the Hansgrohe Group are always focused on its key areas of competence, which are the development, production and marketing of sanitary products.

Hansgrohe Mixers, showerheads and waste systems	Pharo Shower temples and panels, whirlpools and steam showers
Axor Designer collections for individual bathroom solutions	Pontos Intelligent water recycling

The four brands of the Hansgrohe Group



Products from the Hansgrohe, Axor, Pharo and Pontos brands (from top)

Management

Management structure

Hansgrohe AG is a non-listed public limited company, managed by the six members of the Supervisory Board and five members of the Executive Board. The Supervisory Board is composed of a Personnel Committee and an Accounting Committee. The Personnel Committee assesses certain activities and decisions of the Supervisory Board. The Accounting Committee discusses the annual financial statements with the auditor and recommends these for consideration and authorization to the Supervisory Board. The Supervisory Board and the Executive Board are separate entities. Simultaneous membership of both is not possible.

The Executive Board is responsible for operations of the Company within the Innovation, Finance, Engineering and Sales and Marketing divisions. These specifically include research and development, design management, personnel, accounting, controlling, business processes, information technologies, production, industrial engineering, logistics, purchasing, quality management and marketing functions, as well as press and public relations. Furthermore, the organizational structure of the Executive Board also covers the four strategic business segments – Axor, Hansgrohe, Pharo and Pontos – and various market regions.



Supervisory Board of Hansgrohe AG
From left to right: Alfred Chini,
Thomas Voss, Stefan Krischak,
Lau Frandsen, Graham Balls,
Manfred Hübner

Supervisory Board

- **Graham Balls**, Steinheim/Germany, Vice President Controlling, European Operations of Masco Corporation
- **Alfred Chini**, Freudenstadt/Germany, CEO of A. Chini GmbH & Co.
- **Lau Frandsen**, Munsbach/Luxembourg, Chairman of the Supervisory Board, President Europe of Masco Corporation
- **Manfred Hübner**, Schiltach/Germany, Chairman of the Works Council (employees' elected representative)
- **Stefan Krischak**, Wolfach/Germany, Deputy Chairman of the Works Council (employees' elected representative)
- **Thomas Voss**, Munsbach/Luxembourg, Executive Vice President Europe of Masco Corporation

Management Board

- **Klaus Grohe**, Schiltach/Germany, Chairman, Axor and Hansgrohe Strategic Business Segments, Innovation Division (design management, research and development, Marketing)
- **Siegfried Gänßlen**, Alpirsbach/Germany, Deputy Chairman, Finance Division (personnel, accounting, controlling, business processes and information technologies)
- **Karl-Heinz Hammann**, Schiltach/Germany, Engineering Division (production, industrial engineering, logistics, purchasing and quality management)
- **Otto Schinle**, Schiltach/Germany, Pontos Strategic Business Segment, Sales & Marketing Division (press and public relations)
- **Dr. Nicholas Matten**, Offenburg/Germany, Deputy Member, Pharo Strategic Business Segment



Company founder Hans Grohe

Executive Board of Hansgrohe AG
From left to right: Richard Grohe (since 1.1.2006), Otto Schinle, "Hans Grohe", Klaus Grohe, Dr. Nicholas Matten, Karl-Heinz Hammann, Siegfried Gänßlen

Business Ethics

The Hansgrohe Group attaches great importance to ethical conduct in the business world. The cornerstones of the Group's company philosophy consist of:



Integrity

Acting honestly and with integrity is the responsibility and duty of every single staff member. In addition to this, executive personnel are under obligation to ensure that their staff unreservedly comply with this rule of conduct.



Compliance with statutory and regulatory requirements

Adherence to laws and other legal stipulations constitutes the basis for all business activities within the Hansgrohe Group and is mandatory for every staff member.



Elimination of conflicting interests

Conflicts between the interests of the Company and the business interests of individual staff members must be categorically prevented. Conflicting interests could arise, for example, if an employee were to accept a gift from a (potential) customer or supplier. The same applies to any situation in which the specific interests of a staff member or a close relative could detrimentally affect the objectivity or efficiency needed to perform his/her work. Furthermore, company information or resources must never be used for private purposes or personal benefit.



Confidentiality

Every staff member is under obligation to treat private information belonging to the Hansgrohe Group and to the Group's customers or suppliers in confidence.



Fairness

A fair attitude when dealing with customers, suppliers, competitors and stakeholders has always constituted an integral element of the Hansgrohe Group's company philosophy. Employees are also encouraged to deal with one another fairly and openly. The Hansgrohe Group does not tolerate discrimination in any form, and imposes a commitment on itself and its staff to exercise respect and tolerance. The Group, therefore, undertakes an obligation not to take improper advantage of confidential information, intentional deception, manipulation or any other unfair business practices.



Sustainability

The Hansgrohe Group regards itself as being bound by an obligation to take on social responsibility in accordance with the tradition established by the Company founder, Hans Grohe. A commitment to ecological and social issues has been embedded in the Group's philosophy for many years and is practiced at all levels throughout the Company. This second Sustainability Report provides evidence of this, primarily aiming to provide a general overview of the Company's current situation. However, the road to sustainable development still lacks a systematic approach to the relevant guidelines and an organizational basis. A working group is currently developing the appropriate guidelines and objectives and preparing their integration with the existing management system. The next Sustainability Report will contain information on the progress made in these areas and until then, the guidelines will include those outlined below:

The Hansgrohe Group actively supports internationally acknowledged human rights. The maxims of equal opportunities apply throughout the Company. The Hansgrohe Group regards job safety and protection of health at the workplace as being important issues everywhere and these are assured by means of suitable facilities and specific areas of responsibility in management.

Well-trained employees with good qualifications are essential for the success of a company. The Hansgrohe Group, therefore, attaches great importance to ensuring good working conditions, appropriate opportunities for development and a supportive corporate culture.

Social commitment and social responsibility are regarded as an integral element of corporate activity. This is reflected in the extensive support for social and cultural projects provided by the Group, particularly in the local communities at its various locations, with whom the Group has been affiliated for many years.

Keeping the environmental impact of its production processes and products as low as possible is an essential part of the Hansgrohe Group's corporate policy. This is assured by an environmental management system, extensive precautionary measures and a systematic concept for determination of ecological effects.

Economy

«Long-term economic success is the foundation of the Hansgrohe Group's activities. Only by building on this foundation can we take on social responsibility on a lasting and sustainable basis.»

Klaus Grohe
Chairman of the Executive Board



Continuous Growth

Throughout the 100-year history of the Company, the Hansgrohe Group has evolved into a successful, global company. Its development can be primarily attributed to two main factors: constant efforts to continuously improve product quality by means of innovative technology and design – in fact, most of our sales are from products that were introduced in the last three years – and the systematic internationalization of our sales and marketing structures to improve sales opportunities and competitiveness.

The Group attaches great importance to strategic planning and to sound financial and risk management. The growth and development of the Group and its international subsidiaries is constantly monitored by means of performance planning, continuous controlling and effective audits. The bank rankings have been excellent for many years, with ratings of A and better.

The Hansgrohe Group is continuously working towards optimizing all business processes and increasing productivity and economic efficiency in all divisions, whereby the internal "Profit Improvement Program +21" is proving to be a successful means of maximizing efficiency of production, sales and also administrative processes. The savings achieved in 2005 were significantly more than the original targets.

An important element is the integration of shared IT platforms for all sales companies in the Group, in order to closely coordinate processes and make them more effective. This also applies to all material flow processes for which the entire delivery chain was tested systematically from supplier to customer as part of the "Logistics 2010" project launched in 2005.

Against this background, the Hansgrohe Group increased sales in 2005. The Company recorded sales of 476 million euros, an increase of 11 percent compared to the previous year, which means that the Company's sales have doubled over the last ten years.

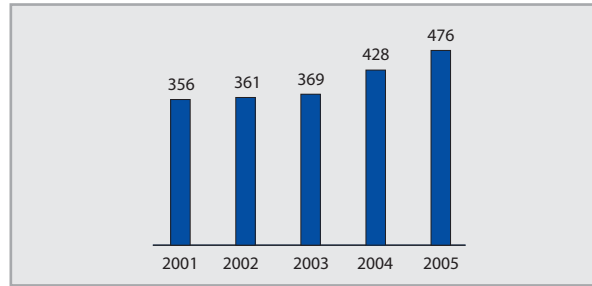


Plants in Schiltach Ave,
Schiltach West, Offenburg/Germany

Economy



Plants in Atlanta (Georgia), USA and in Shanghai, China



Sales revenue in million euros

Thanks to the continued efficiency drive, operating results also improved. At approximately 86 million euros, the earnings before interest, taxes, depreciation and amortization (EBITDA) were ten percent higher than the previous year's level of 77.7 million euros. Despite the adverse affect of raw materials costs and the strong euro, the EBITDA margin remained at the same level as the previous year, at 18 percent. At 69 million euros, the 2005 operating result is also significantly over the EBIT for the previous year of 61 million euros.

Furthermore, the positive business trend was one of the deciding factors that led to the expansion of the Hansgrohe Group's workforce to a total of 2,799 employees worldwide in 2005 (2,672 in 2004). New jobs were also created in Germany, where an additional 63 people were hired, bringing the total number of employees to 1,652. They were supplemented by 122 trainees in the German locations, as well as 31 part-time employees and students gaining work experience. According to a survey carried out by the business magazine "Wirtschaftswoche", the Hansgrohe Group is, once again, the only company in the sanitary sector to be included in the "Top 100 Job Creators" in Germany in 2005.

International Orientation

Internationalization is a long-established tradition within the Group. Company founder Hans Grohe dispatched the first products to the Netherlands in 1907 and began exporting to Switzerland, Denmark and Italy shortly afterwards. This relatively broad international basis helped the Company to remain stable during the hyperinflation of the early 1920s following World War I. Since then, business outside national borders has been regarded as an important supplement to national sales. The trend was driven forward to a greater extent in the 1970s, when subsidiaries were established in other countries. The "Global Speed" plan added a powerful impetus to the systematic expansion of international sales and distribution structures and the development of new markets, adding considerable growth of the Hansgrohe Group outside Germany.

Today, approximately one-third of the Group's employees are working abroad, and exports account for over three quarters of the Company's turnover. Due to international production at sites in the growth regions of Europe, North America and Asia, the Hansgrohe Group is able to meet the ever-increasing demand for delivery across the world market. The Group is also capable of responding to the demands of regional markets and design preferences with country-specific products.

In order to take advantage of the growth opportunities offered by the emerging markets in the Far East, Eastern Europe and the Middle East, the Company is forming new sales regions with an eye to the future and is expanding its marketing and distribution structures accordingly. For this reason, the Hansgrohe Group established a subsidiary in Cyprus in 2005, which will provide support throughout the dynamic Middle Eastern region from Turkey to India.

Production facilities

Germany	Schiltach Aue
	Schiltach West
	Offenburg (two plants)
	Alpirsbach
France	Wasselonne
Netherlands	Westknollendam
USA	Atlanta (Georgia)
China	Shanghai

Sales companies and representative offices

Europe	Austria, Belgium, Czech Republic, Denmark, France, Germany, Great Britain, Hungary, Italy, Netherlands, Norway, Poland, Russia, Spain, Sweden, Switzerland, Ukraine	
	America	USA
	Middle East and Africa	Cyprus (regional hub), Dubai
		Asia / Pacific



The office of Hansgrohe Middle East & Africa Ltd. in Nicosia, Cyprus; customers from the Middle East visiting Schiltach



Concealed iModule system;
design study by
Jean-Marie Massaud for Axor;
Axor Waterdream 2005 von
Patricia Urquiola

Advancing Innovations

The main competitive advantage of the Hansgrohe Group is its well-developed innovation capacity. The Group has introduced a constant stream of new products into the bathroom sector: the first automatic tub drainage and overflow fixture, the first wall bar, hand showers with various adjustable jet modes, pre-installed shower systems, AIR technology and water recycling systems are just a few of the innovative concepts which represent the technological advances of the Hansgrohe Group. In 2005 alone, the Company registered 32 patents, 205 design patents and 39 trademarks.

The Hansgrohe Development division with its jet, testing and measuring laboratories is among the most comprehensive in the trade. The quality of the products is assured by state-of-the-art manufacturing facilities with special tools developed by the Group's own tool construction department and specially qualified personnel. The outstanding innovation capacity and short "time to market" achieved by the exceptionally well coordinated team is the foundation of the Company.

The Hansgrohe Group continues to invest in the fields of production, research and development and facility management in order to further expand its competitive advantage, investing 31 million euros for these activities during 2005. Twenty million euros were invested in the German plants alone, further underlying the Company's commitment to domestic locations.



The commitment is paying off: Innovative concepts like the Raindance Shower Range with patented aerated water jets are bestsellers. The conversion of all Raindance products to AIR technology in 2005 and the resulting shower quality ensured that the Company would have another unique selling point. Another growth driver is the concealed iBox universal system, which was enhanced with the new iModule in 2005.

This system is fully prefabricated in the plant and simplifies and accelerates assembly at the construction site, giving the installer the assurance that his/her installation will be operational and watertight. Products such as these strengthen the Company's reputation with trade workers as a leading innovator that understands their needs from practical experience.

With over two dozen innovations successfully introduced to the international market during 2005, the Hansgrohe Group has proven its innovative strength once again. The Company's performance has been further recognized by the awarding of first prize in the "innovation marketing" category of the "TOP 100 Innovators in German Medium-sized Companies" (by the former Prime Minister of Baden Württemberg, Lothar Späth), as well as an acknowledgement in the competition for the "Innovation Prize for German Business".



At the same time, innovations in production technology and logistics ensure greater efficiency and provide competitive advantages. After almost a year of preparation, in 2005, the Company introduced a new metal coating procedure to production at the Offenburg shower manufacturing plant. This procedure not only increased the product quality, but also guarantees a significant ecological and economic added value. It also prevents the release of nickel in the internal parts of hand showers that come into contact with drinking water, setting new quality standards in showerhead production. The Hansgrohe Group holds numerous patents in the coating sector. With the development of new techniques and processes, the Company has repeatedly provided new processes in the field of electroplating and contributed to the propagation of environmentally compatible technologies.

Extensive quality management ensures adherence to the high standards set by the Group; eight manufacturing plants have been certified in accordance with ISO 9001: 2000.



Axor Waterdream 2005 by Jean-Marie Massaud; showerhead test-rig in the Hansgrohe water jet lab

The high level of production and products makes the plants and subsidiaries of the Hansgrohe Group attractive destinations. In 2005, approximately 25,000 people visited the German locations alone. Many came as part of the comprehensive training program of the Hansgrohe Aquademie in Schiltach, the Hansgrohe Group's central customer information and training center. A variety of programs ranging from technical training to business knowledge transfer and design workshops are mainly attended by craftsmen, architects, designers and retailers, as well as advanced students. To meet increased demand, the Company has expanded the on-campus training facilities.

Good Design – Part of the Strategy

Perfection in design is an important element of the corporate strategy for the Hansgrohe Group. However, product design is by no means regarded as being an end in itself or the sole factor ensuring success. On the contrary, a masterly design emerges from an interaction with the technological characteristics of a product and the intended emotionality and functionality in order to achieve the maximum possible benefits for the user. Good design is an expression of innovative strength, creativity and quality, and is capable of both setting trends in the market and influencing purchasing decisions.

Through 2005, the Hansgrohe Group's design strategy has resulted in more than 200 design and innovation awards for bathroom mixers, shower-heads, shower and wellness systems. Twenty-six awards were received by the Hansgrohe Group in 2005. These results can be attributed to productive and ambitious cooperative ventures with such internationally acclaimed designers as Philippe Starck, Antonio Citterio, Jean-Marie Massaud and Phoenix Design. By the end of the 1960s, the Hansgrohe Group was already attaching importance to attractive appearance and functional quality and was one of the first companies in the plumbing sector to do so. It also led the way with its decision to cooperate exclusively with external designers.



Having adopted this strategic understanding of design, the Company is able to actively pursue up-and-coming trends in bathroom concepts and the attitude to water in architecture and society. The Axor designer brand, for example, seeks to promote regular creative and open exchange with designers and architects with its Axor WaterDream project. In 2005, in cooperation with the internationally acclaimed designers Jean-Marie Massaud, Patricia Urquiola and brothers Erwan and Ronan Bouroullec, three novel product and spatial concepts, each with different approaches to the bathing theme, were created.

The varied results were presented by the Axor brand in the "Furiosalone" program of the International Furniture Fair in Milan and at the 100% Design trade fair in Tokyo. The fair program in the Japanese metropolis also included a design seminar with Jean-Marie Massaud, at which the 60 Japanese participants discussed the ways in which the bathroom would develop in the future. At the center of the discussion was the "Human-Nature Approach" of the French designer, who believes bathroom design should be a search for natural symbiosis with water.

The Hansgrohe Group's international examination of different approaches in architecture and product design helps to ensure that the Company is always broadening its horizons and remains innovative and future oriented. This approach is further emphasized by the Company's 2005 exhibition at the Hansgrohe Aquademie in Singapore where architecture and design students from the city state's National University presented their bathroom designs. The "Vodoparad" (water parade) exhibition at the head office in Schiltach included 25 exceptional design concepts from the Ukraine on the topic of water and bathrooms. The prize-winning works represent the results of the design competition of the same name that is held every year with the support of Hansgrohe in Charkow/Ukraine.



Masters of Design: Tom Schönherr, Andreas Dimitriadis and Andreas Haug from Phoenix Design; Philippe Starck; Antonio Citterio



Design event in Japan;
one of the contributions at the
"Vodoparad" design competition



Society

«We deliberately invest in our employees. We do this because we believe that social responsibility means that the Company should grow along with its employees, not at their expense.»

Siegfried Gänßlen
Deputy Chairman of the Executive Board



Employees



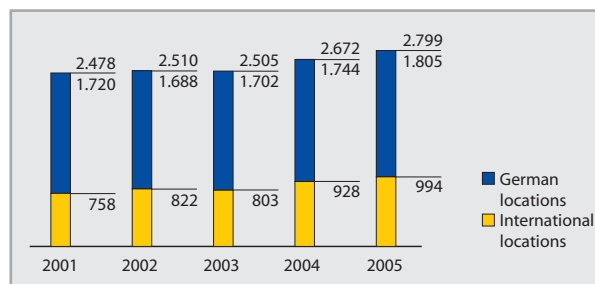
Qualified, motivated employees are essential for the success of the Hansgrohe Group. A company that continually seeks innovation and high-quality workmanship and that is constantly working to cultivate its position as a global player, is particularly reliant on competent employees who are ambitious and willing to assume responsibility for what they do.

Planned for the long-term, the personnel strategy of the Hansgrohe Group pursues clearly defined objectives: (a) to attract highly qualified, talented people to the Company and establish lasting working relationships with them; (b) to systematically develop employees so that they can contribute towards achieving the Company's objectives; (c) and to pay the staff fairly for the work performed. By supporting and accompanying its employees through this process, the Company contributes to the creation of added value.

The positive structuring of social relationships is regarded as essential. The Hansgrohe Group attaches great importance to team work, as well as an open, fair attitude and mutual respect when dealing with one another, and encourages this by means of joint social activities and open communication between all areas of the Company. This aspect of corporate culture provides each staff member at every level with a means of obtaining satisfaction from the work assigned to him and of identifying himself with the Company. A low turnover rate of 2.3 percent in 2005 is a reflection of the Company's attractiveness as an employer.

■ **Creating jobs**

At the end of 2005, 2,799 people were employed by the Hansgrohe Group. Our growth enabled the Company to increase the number of its employees by 4.9 percent compared with the previous year. Defying the general trend in the labor market, 63 new jobs were also created in Germany, bringing the total workforce there to 1,652, an increase of more than 4 percent. With trainees, BA students, part-time employees and student interns, a total of 1,805 people were employed in Germany.



Human resources
Hansgrohe Group

Employee in the Research and Development department

■ Focus on training

On September 1, 2005, the Hansgrohe Group employed 132 trainees. Trainees represent 7.7 percent of Hansgrohe's workforce, significantly higher than the average for the metalworking industry. Forward-looking personnel planning ensures qualified future employees. Once again, in 2005, all trainees who completed their course found jobs in the area they had studied.

The importance attached to training is also evident in the number of apprenticed professions and study courses offered by the Company. In Germany, the professions and courses offered in cooperation with vocational schools, universities of cooperative education and universities of applied sciences include the following:

Apprenticed professions

Business sector

- Industrial clerk
- Industrial clerk with supplementary qualification in international business management with foreign languages
- IT clerk

Study at the vocational academy

- Bachelors (B.A.) Industry
- Bachelors (B.A.) International business
- Bachelors (B.Sc.) Business IT

Industrial-technical sector

- Industrial mechanic
- Tool mechanic
- Process mechanic (plastic and rubber engineering)
- Surface coating technician (electroplater)
- Foundry mechanic
- Mechatronics technician
- Electronics technician
- Machine and plant supervisor
- Draftsman

Study at the vocational academy

- Bachelors (B.Sc.) Industrial engineering and management
- Bachelors (B.Sc.) Mechanical engineering

Study at the technical college

- Study plus: Mechanical engineering or mechatronics with integrated training as industrial mechanic

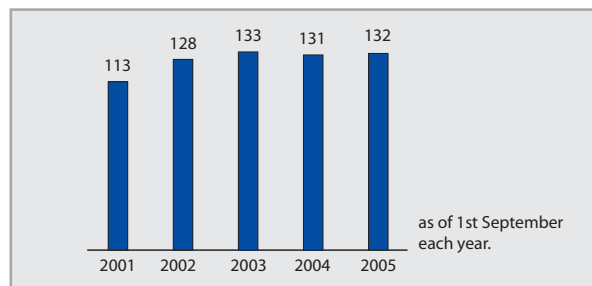


Trainee in Schiltach; students on a work experience day



■ In-project learning

The Hansgrohe Group attaches great importance to comprehensive, practical training. In addition to specific knowledge, trainees and students also receive coaching in methodical, social and personality skills as key qualifications within the framework of projects. Trainees and students at the Company are frequently successful in national competitions in mechatronics and foreign languages.



Trainees at plants in Germany

These extremely diverse projects are not only a source of enjoyment for the trainees; they also learn to develop ideas and assess their feasibility, as well as how to handle resources, time and social dynamics. These skills are very important to the corporate culture of the Hansgrohe Group – not least because the Company's growth and competitive capability are a direct result of this innovative strength.



■ Individual encouragement

2005 saw the launch of an individual support program targeted at trainees. The concept includes seminars on topics such as "Focus on Personality" and "Aggression and Conflict", in order to promote the development of younger people and to provide them with orientation for the everyday work environment.

Training projects help develop key skills; Hansgrohe Group trainees with head of personnel Thomas Egenter

International Orientation

The Company's strategy ensures that its courses also include an international element. The Hansgrohe training center in Schiltach furthers foreign language skills in trainees. After leaving vocational school, they continue to learn English within the Company – some apprentices even attend crash courses to ensure that they are well equipped for assignments at production sites outside Germany either during training or in their subsequent working lives. As another element of training, all students from vocational academies and some of the business trainees must complete placements and projects at one of the 23 foreign subsidiaries of the Hansgrohe Group.

Close cooperation with schools, colleges and universities

The Hansgrohe Group is regarded as being an attractive employer for those interested in an apprentice position. Training fairs, vocational information days such as "Girls' Day" and close cooperation with selected schools are all part of a targeted training marketing campaign intended to find suitable applicants. In 2005, 107 students entered the training program at the Hansgrohe Group through plant placements, at the same time gaining practical experience in the world of work. Partner schools also hold some of their engineering classes in the Hansgrohe Group's training center.

The Hansgrohe Group also works closely with colleges and universities. The Company has a good network of contacts at colleges and universities in the region, and is regularly present at industry contacts exhibitions. In 2005, 44 students took the opportunity to gain practical experience at the Hansgrohe Group, including 13 who were studying for a diploma. Five of them were taken on as employees after they had successfully completed their courses.



Team discussion in the water jet lab;
training in the Hansgrohe Aquademie

Personnel Development

■ **Cultivating knowledge and passing it on**

The long-term success of a company depends on the skills, competence and performance of its staff. The Hansgrohe Group aims to create a working environment in which all employees can develop their full potential. The Group, therefore, advances the skills of its employees through a wide range of training programs.

In 2005, 143 employees attended 105 external continuation training courses while over 1,600 internal courses were attended by 17,000 employees. The personnel department recorded 5,466 days of continuation training courses attended, making an average of 3.2 further training days per employee.

■ **Qualitative personnel planning**

Through personnel development and management, the Hansgrohe Group is ensuring qualitative human resources planning. Job and requirement profiles are updated at regular intervals through one-on-one interviews. The interviews not only constitute the basis for further training activities that are personalized to the needs of the individual employee, but also for the systematic preparation of education and training histories for career planning. The Company identifies and encourages employees with management potential. This puts the Group in a good position in the growing competition for high potential employees.

■ **Strengthening executive personnel**

The coaching of management-level employees is a permanent focal point of the Group's training activities. For example, employees in the "Management and Cooperation" program meet in moderated case study groups. Oriented to the specific requirements of respective target groups, such discussions using real examples offer a means of supporting executive personnel in their day-to-day work. In 2005, 130 people took part in this program in twelve groups. The program included each of the twelve groups meeting with members of the Executive Board for informal discussions. Based on the experiences of the previous year, the groups were brought back together in 2005 in order to further develop managers.



Development department worker

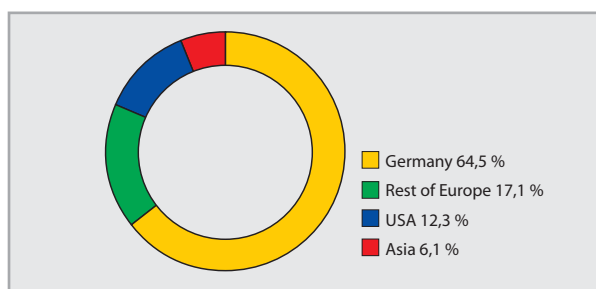
■ Appreciation of older employees

The Company has started its own initiative in response to the demographic developments in Europe, with its wide-ranging consequences for the world of work. 2005 saw the further development of the "MUMM50" program, started the previous year. It is now an integral element of the personnel department's activities and is intended to assist employees close to retirement and to prepare the Company structurally for the demographic change.

The goals of "MUMM50": are – collective and motivated participation of those employees over 50 years of age – and include adjusting physically demanding jobs according to greater age and targeting further training for older employees. The program, a collaboration of employees and management, expresses the appreciation of the knowledge and experience of older employees within the Company and it promotes the exchange of experience between older and younger colleagues.

■ Global perspectives

A worldwide exchange of employees is conducive to the Group's internationalization. People working for the parent company are assigned to subsidiary companies in other countries on a regular basis in order to set up production sites and support management structures, for example, or to prepare themselves for higher qualified positions within the Hansgrohe Group. During their orientation phase, international employees have the opportunity to experience Company culture at the main office and get to know their contacts in person. Regular international meetings lead to the exchange of experiences and further training measures.



Employees by region 2005

■ Personnel structure

The age structure at the Hansgrohe Group is well-balanced, with a substantial portion of employees falling in the 26 to 50 year age group. In 2005, the average employee age was 39 years, which represents hardly any change from the previous year. The average period of service with the Company was 11.6 years.

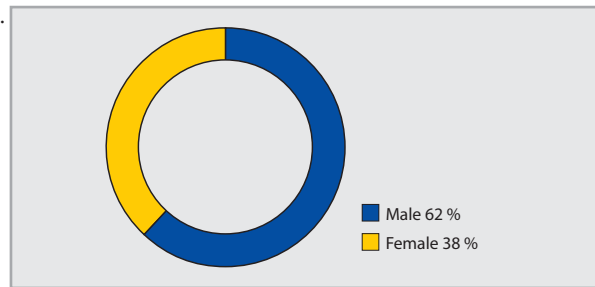


Female employee in the production department



Logistics Center staff member

With 38 percent, the proportion of female employees was above the general level throughout the metalworking industry. Aiming to increase the number of women in the Company to an even greater extent, the personnel department pays particular attention to suitable female candidates, especially with respect to the engineering side of the business and executive positions. The personnel policy provides for the integration of disabled people into the working process and they accounted for 5.3 percent of the Group's employees in 2005



Male and female employees 2005

■ Employee-elected representatives

The Hansgrohe Group respects the participatory rights of its employees. There are employee-elected representatives in all German manufacturing plants. Some of the foreign subsidiaries also have employee-elected representatives. The Company leaves the election of these representatives to the discretion of the employees. Regular meetings held between the management and the work council improve mutual understanding and provide a good basis for a relationship founded on a spirit of partnership.

■ Internal communications

The Hansgrohe Group attaches great importance to active, open communication structures which augment the transparency within the Company. Apart from the intranet and the Company magazine, employees have numerous opportunities to meet top executives in person at both formal and informal events. Flat hierarchical structures and open doors are integral elements of the Hansgrohe Group's corporate culture.

■ Payment based on performance

Performance orientation demands appropriate remuneration and the Group has, therefore, continued to extend variable, performance-linked systems of payment. Apart from good wages and salaries, which also include profit-based and special bonuses, employees also enjoy numerous

supplementary benefits, such as an employer-funded employee pension plan and the so-called "Job Ticket", which allows employees to use public transport to and from work free of charge. Employees also have free access to the Company's own fitness center in Schiltach, meal allowances, Christmas activities, field days and free offers within the framework of the Company health management system. Hansgrohe AG charters a train especially to take its employees to the biannual ISH, an international sanitary trade fair in Frankfurt.

Flexible working hours

Production equipment and facilities with high capacity utilization rates reduce the costs per unit output, improve the economic efficiency of the Company and safeguard jobs. The Hansgrohe Group has, therefore, developed flexible working time regulations, for example, a rotating shift pattern with 17 different shifts in basic brass manufacturing. Production capacity can be extended for short periods to satisfy increased demand. Employees have working hour accounts that ensure that extra hours are compensated.

Based on an employer/employee agreement on teleworking, it was possible to reach further agreements that allow better balance between professional and private life. The Company has also demonstrated its commitment to families in another area: After the maternity period, the Company has offered many female employees the opportunity to rejoin professional life with reduced working hours. Measures such as these make the Hansgrohe Group even more attractive as an employer.

Employees' health comes first

The well-being and good health of personnel are held in high esteem within the Hansgrohe Group. Their promotion and protection are regarded as being integral parts of corporate responsibility and are managed by various units within the Company. This not only includes medical care, but also ergonomic workplace layout, internal company health management, as well as counseling and training activities.

Working groups are permanently assigned to ensuring continuous improvement of occupational health and safety, environmental protection and plant safety at all production sites. These groups analyze risks, implement precautionary measures and review their success.



An element of health management: employees exercising



The plant in Atlanta, USA, has management systems for environmental protection and work safety that have been certified according to ISO 14.001 and OHSAS 18.001. The plant in Shanghai was still under construction in 2005. A comprehensive safety, security and environmental information system is available for the German plants and can be accessed by the employees via the intranet. The international production locations are being brought into a group-wide system step by step.

A total of 35 reportable work accidents occurred across all the production sites of the Hansgrohe Group in 2005 and 383 working days were lost as a consequence of these injuries. Despite the trend of decreasing injury rates, 2005 did unfortunately see a fatality in the production department, which was the second in the Company's 100-year history.

■ Emphasis on prevention

For years now, the Hansgrohe Group has been relying on an efficient health management system at its German plants to promote the health, capability and job satisfaction of the employees. This system includes a diverse range of activities, beginning with preventive measures and extending from health and advisory services to comprehensive training courses. The program includes influenza vaccinations and fitness training. Ten staff members, appropriately trained as exercise coaches in cooperation with a local health insurance company, demonstrate exercises and not only make them loosen up but also bring an element of fun to the workplace.

Defibrillators have been acquired for all manufacturing plants in Germany and first-aid providers have received instruction on their use to enable resuscitation in the event of ventricular fibrillation.

The Group also looks after its employees in other countries. The USA subsidiary pays the health insurance contributions for all employees and their families. Personnel at the plant in Atlanta are able to visit a fitness center free of charge. Apart from other benefits, staff members can also look forward to neck and shoulder massages on the premises every two months.

Social Responsibility

■ Supporting charitable initiatives

The social commitment of the Hansgrohe Group goes beyond the boundaries of the manufacturing plants at their various locations. Support for local communities is traditionally very important and relationships have been well established for many years. The Company also makes substantial donations of money and equipment to local schools, colleges, universities, museums, art clubs and cultural projects, nature conservation foundations, retirement and nursing homes and numerous societies and initiatives.

Other examples of the Group's social commitment include donations to blood services, to Third World relief organizations, the Red Cross and other non-profit-institutions. This also applies to the group's international locations. The subsidiary in Atlanta, USA, supports local charitable organizations such as the "Cystic Fibrosis Foundation". It is also a member of the "Business for Social Responsibility" organization. The Hansgrohe Group subsidiary in Estonia supports a children's hospital, for example, and the sales subsidiary in South Africa supports a "Life Saving" Program which rescue swimmers on dangerous beaches.

In total, the social commitment of Hansgrohe AG approximated 150,000 euros in 2005. The Hansgrohe Group has always pursued the policy that neither political parties, their organizations and institutions nor candidates for political offices should be supported by means of donations or other financial contributions.

■ Staff lend a helping hand

The Hansgrohe Group encourages its employees to be involved in voluntary activities, including the voluntary fire brigades in local communities, for example, or in charitable organizations. The Group encourages and promotes such voluntary commitment to the greatest extent possible. Employees also promote their charitable causes at work and motivate their colleagues to join in – e.g. blood donations and classification drives (to determine potential donors of blood stem cells and bone marrow). These activities are generally supported both financially and logistically by the Company.



School for street children in Cambodia



We should also note that employees have made their own contributions to charitable causes. For example, in 2005, the winners of the internal audit's "Clean and Tidy" prize – the Offenburg plant and its shower head assembly team – gave their prize to the children's cancer clinic in Freiburg, Germany, and the aid organization KALEB e.V., which works for street children in Cambodia.

The core of the social commitment by the Hansgrohe Group and its employees in 2005, however, was assistance in rebuilding in Sri Lanka after the devastating Tsunami catastrophe in December, 2004. The staff donated overtime from their flextime accounts and vacation days to the value of 120,000 Euro. The Executive Board increased the contribution to a total of 200,000 euros. The money was used to support carefully selected individual projects on the island country. The philosophy behind the aid was "help them to help themselves", so it was used to support initiatives that enabled those affected to start rebuilding the foundations of their lives. All of the projects will be closely followed to completion by Hansgrohe AG in close contact with partners in Sri Lanka. The aid projects supported include the construction of "Boyshome", an orphanage and education center for 30 boys in Wattala, the financing of schooling for 50 children in the form of a six-year adoption, and the repairing of fishing boats that were damaged by the flood.

Fisherman Indika in Sri Lanka with
new boat;
Construction of the «Boyshome»
orphanage in Sri Lanka



For its endeavors, Hansgrohe AG received the RegioCharityAward from the corporate consultancy company Kienbaum. The prize of 2,500 euros went towards the construction of the orphanage in Sri Lanka.

Product Responsibility

The Hansgrohe Group makes every effort to guarantee the safety and durability of the products that it makes and sells, as well as ensuring compliance with health and environmental standards and optimizing form and function. Apart from quality management systems at all manufacturing plants, adherence to stringent quality requirements is primarily assured by experienced development engineers, extensive application tests, a lime laboratory, jet research, various testing and measuring laboratories at the Schiltach headquarters and clearly defined specifications in product development. Test certificates issued by independent institutes attest to the quality and general safety of the products. The Company's own product safety standards usually go well beyond the trade requirements.

Health protection for hand showers and whirlpools

In the course of the hand shower development process, our engineers used computers to examine their break resistance when subjected to extremely high water pressure. The way in which the water flows through the shower is also simulated in order to optimize component contours and eliminate from the design unnecessary hollow cavities or areas that are not watertight. Only high-quality, mutually compatible materials and high-tech plastics, which have proven their ability to withstand temperature fluctuations, water pressure and detergents etc. during extended time tests,



The RegioCharityAward is presented by Clemens Weick, partner of Kienbaum Executive Consultants GmbH, to the deputy chairman of the Works Council of Hansgrohe AG, Stefan Krischak, and the Head of Human Resources, Thomas Egenter (from left)

Inside a Hansgrohe shower head



are used. All of these aspects contribute towards safety and consumer protection, because without such diligence and conscientiousness, stress cracks could occur and drops of water could get into hollow cavities, providing a perfect breeding ground for germs and bacteria.

The Whirlpool technology of Pharo products is optimized in the same way. Specially shaped pipes prevent the water from remaining in the fittings, ensuring that it always flows out. Product details like this contribute directly to hygiene and also simplify maintenance of the whirlpools.

■ **Product safety for thermostats**

Hansgrohe thermostats include an exact temperature control that ensures that the water flowing out is never hotter than 38° C. This scald protection feature is always active unless it has been deactivated by deliberately pressing a button provided for this purpose. Furthermore, the hot water is routed through the thermostat in such a way that the user never comes in contact with any hot metal components.

Apart from product development, the production department is also primarily responsible for product safety. One example of the measures that have been implemented is a sophisticated electroplating process, which ensures that an extremely thin but robust metal coating is applied to showerheads and fittings. The high-quality manufacturing process prevents sharp-edged pieces of the coating flaking away and possibly causing injury when the products are in use.

■ **Products for barrier-free living**

Developed for barrier-free living, the Mistral Care hand shower demonstrates another form of product responsibility. It has an ergonomically shaped handle and an easy-to-use jet selection ring. All exposed parts are covered with a soft coating, which makes the shower robust and prevents it from being damaged if dropped. The Talis S Care mixer with the long grip also makes handling much easier. These products offer disabled and elderly people a means of managing in the bathroom without outside assistance.

Product safety:
Hansgrohe thermostats have a scald
protection feature;
easier to use for the elderly and
handicapped:
The grip on the Talis S Care is
a little longer



Environment

«For us, being innovative above all means developing and manufacturing products that will be safe, not harmful to our health and environmentally friendly throughout their entire life cycle.»

Karl-Heinz Hammann
Executive Manager of the Engineering Division





"Solar Tower" visitor's building in
Offenburg/Germany

Corporate Environmental Protection

Environmental protection has constituted an integral element of the Hansgrohe Group's philosophy for many years and is perceived by the staff as being part of their daily working lives. It includes the continuous optimization of products and manufacturing facilities, as well as maintenance and updating of the management system.

A consistent environmental policy provides the framework for this:

- Our manufacturing plants, our production processes and our products should make the minimum possible impact on the environment.
- We implement precautionary measures by ensuring that research, development and production take the environmental compatibility of new processes into consideration early in the development phase.
- We register and analyze our environmental impact systematically in order to reduce it to the greatest extent possible.

Longstanding commitment

The "Company and Environment" working group was established in 1988 and was followed by the creation of an Environmental Officer position a year later. The Offenburg plant went into service at the beginning of the 1990s, equipped with state-of-the-art building management and electroplating installations and, at that time, Germany's largest roof-integrated photovoltaic power plant. In 1993, the solar tower – a building that is still regarded as being ecologically exemplary today – was built next to the Offenburg shower manufacturing plant as a striking symbol of the Company's environmental commitment.

The Group's efforts have been rewarded by several environmental awards. The Hansgrohe Group was the first industrial company to receive the award for environmental excellence presented by the federal state of Baden-Württemberg in 1995. The Company established an environmental management system in accordance with the EMAS Eco-Management and Audit Scheme in every large manufacturing plant and became a member of the ecologically oriented trade association future e.V. The Fraunhofer Institute for Manufacturing Engineering and Automation in Stuttgart developed the first life cycle analysis for a bathroom mixer. With the multi-award-winning Axor Steel Collection, the Hansgrohe Group launched an innovatively produced stainless steel mixer with outstanding ecological key data.

Key figures were introduced for environmental management and control in 2000 following a pilot project with the State Institute for Environmental

Protection Baden-Württemberg (Landesanstalt für Umweltschutz, LfU) in Karlsruhe. The Company built the most up-to-date plastic electroplating installation in Europe, developed an environmental information system for all production sites in 2002 and carried out environmental inspections at all international manufacturing plants. A research project conducted with the LfU proved helpful with respect to material flow management in 2003. In 2004, the emphasis was on developing new environmentally and user-friendly surfaces for sanitary products. In 2005, it was on the optimization of building services.

■ Environmental management

The environmental management system established at all German and international locations stipulates clearly defined areas of responsibility for environmental protection at the plants. The system has a centralized structure. The Environmental Officer reports directly to the Executive Manager of the Engineering Division and the plant managers at the various locations are responsible for implementing the ecological specifications. The Environmental Officer trains and advises the executive personnel, develops measures and reviews their implementation. His duties include preparing detailed documents for plant managers and foremen on the production line for the identification of hazardous goods in transit, for example, or on recycling channels.

With responsibility organized along these lines, everyone within the Company is aware of their own area of expertise. Furthermore, both employees and stakeholders in the local authorities are sensitized to ecological issues within the framework of internal and external communications. Plant environmental protection is also firmly anchored in training programs.

The most important German production sites in ecological terms – the Schiltach West and Offenburg plants – and the manufacturing plant in Atlanta/USA, were initially certified in accordance with EMAS Eco-Management and Audit Scheme and ISO 14.001. Exemplary ecological performance continues to be assured by means of clearly structured environmental management with internal audits and management reviews carried out at regular intervals.

The environmental impact of the Wasselonne site in France and the Westknollendam plant in the Netherlands are classified at a lower level as a consequence of the specific system engineering and working processes at these production sites. The environmental management system at the manufacturing plant in Shanghai/China, is being gradually implemented in the course of the plant's expansion.



Shower head production

■ **Plant safety and fire prevention**

Environmental management is closely related to health and safety at the workplace. Firmly established working groups are concerned with continuously improving protection, particularly against fire. Internal risks are examined systematically and precautionary measures implemented. In addition to this, the responsible staff members regularly ask independent experts to accompany them on their inspections.

Prevention has many facets. It not only applies to the delivery, handling and storage of materials, but also to avoiding the use of combustible substances. It involves the installation of fire detectors, sprinkler systems and other similar facilities. All critical switchgear cabinets are equipped with incipient fire detection systems and are inspected with heat-sensitive cameras every year.

Other safety measures include regular inspections with the local fire department. As far as water pollution control is concerned, collecting tanks have been installed for individual systems and fire water retaining basins have also been set up.

A sophisticated software program supports safety management at the German locations. It registers all systems requiring inspection and testing in the large manufacturing plants and provides assistance with respect to the checking, maintenance and servicing of 230 fire doors, 275 fire shutters and extensive ventilation facilities.

■ **International perspectives**

The Hansgrohe Group is aiming at implementing a high standard of environmental, health and work safety at all its international plants. In 2005, safety analyses were created as a part of the Masco Compliance Audits at the German locations, as well as in France, the Netherlands and China. At the same time, experts checked whether legal requirements for environmental, health and working safety had been met.

The points highlighted by the report were minor at the European plants and could be corrected quickly. At the German locations, this was done within the framework of standard routine work. In the French and Dutch plants, organizational and documentation improvements were the main focus. In France, it was mainly organizational aspects that optimized work safety. At the same time, the fire security, for example, was increased by the addition of an extra fire wall. In the Netherlands, a waste management system is under construction. Also, the company in the Netherlands created energy balances and improved work safety by introducing several smaller measures.

In China, the analysis was performed on the old production location. The results went directly into planning and construction of the new plant, especially any technical and construction aspects. During the reorganization of the location, the areas of environment and health security, work and plant safety were integrated with a cross-organizational structure.

In this way, improvements were identified and continuous improvements were made during 2005 and can continue to be made in the future. Over recent years, the plant in Atlanta, USA, has introduced the management systems for environmental protection according to ISO 14.001, work safety according to OHSAS 18.001 and quality assurance according to ISO 9001:2000. The systems were certified in 2005.

Production

Plastics processing and metalworking are at the heart of the shower and mixer manufacturing processes. In the first stage of making hand showers, plastic granules are heated up and the molten plastic is then shaped into showerhead half-shells, nozzles etc. by injection molding machines. Some plastics run through electroplating units which cover them with a protective chrome layer. Up to 50 individual components are then put together by hand in the final assembly stage of the shower production process.

Bathroom mixers are made by pouring molten brass into molds at a temperature of 800° C. When the castings have cooled down, they are turned, milled, drilled, ground and polished by computer-controlled machines. Very delicate, complex parts are also worked by hand. During the next stage, electroplating units apply a protective layer of chrome to the brass component. The plastic parts of the mixer – such as components of the hot/cold water mixing system or water saving aerators – are produced by injection molding machines in parallel. The basic fittings, mixing systems, handles and other components are then assembled by hand and are ready for dispatch to the customer.



Sanding a mixer; electroplating facility with the latest environmental technology

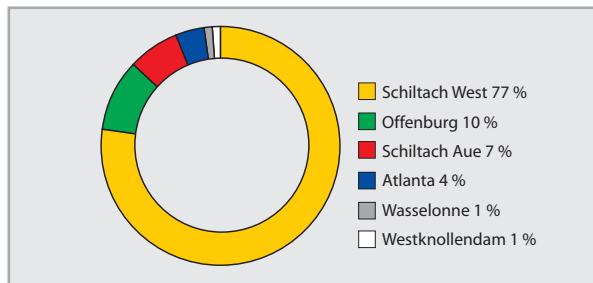


Environmental impact

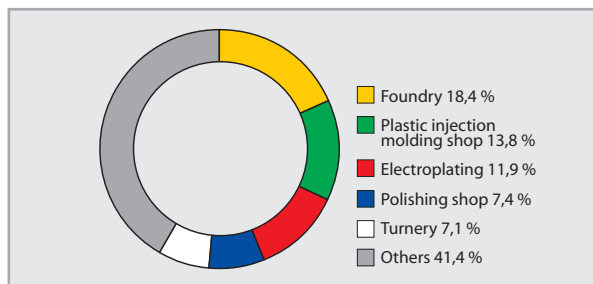
An in-depth analysis of the main manufacturing processes was carried out by the Hansgrohe Group, with some external assistance provided by universities and research centers, in order to assess their impact on the environment. It is clearly evident that the surface electroplating process has the greatest relevance in ecological terms, primarily because of its energy and water consumption and the use of chemicals. The electroplating systems constitute the most significant focal point when it comes to the continuous optimization of production processes.

The second most ecologically relevant process is the injection molding of plastic components, where energy consumption is relatively high. The majority of injection molding machines are situated in the Offenburg plant and these account for almost one third of their total electricity consumption, compared with just under 14 percent at the Schiltach West plant. The casting of mixers is the third main process affecting the environment. The sand used for this process makes up around 30 percent of the waste produced at the Schiltach West plant. The fourth focus of environmental protection is building services and energy management.

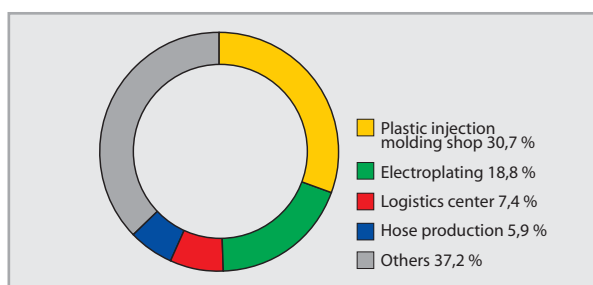
Energy consumption at the Hansgrohe Group in 2005



* not including China (under construction)



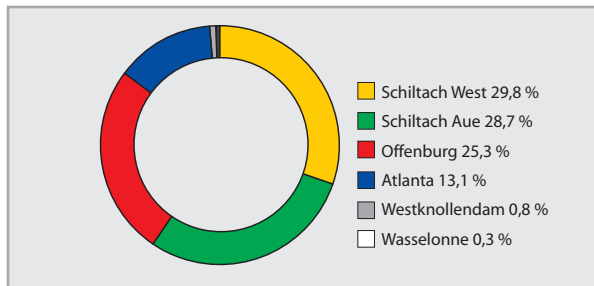
Energy consumption at Schiltach West plant 17,999 MWh



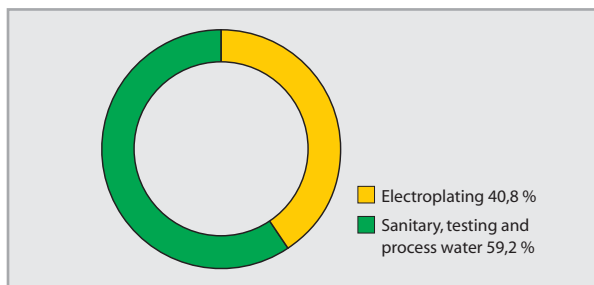
Energy consumption at Offenburg plant 8,203 MWh

Arc load in the PVD facility for metallic surface coating

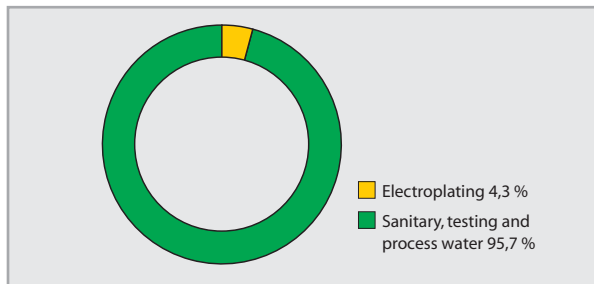
Water consumption at the Hansgrohe Group in 2005



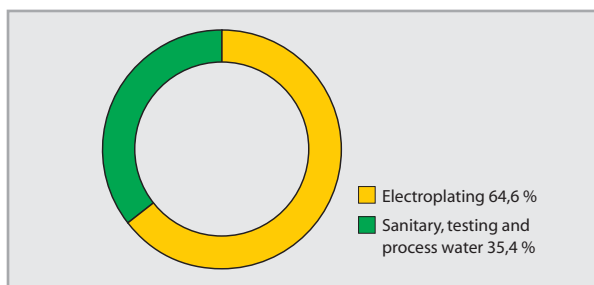
* not including China (under construction)



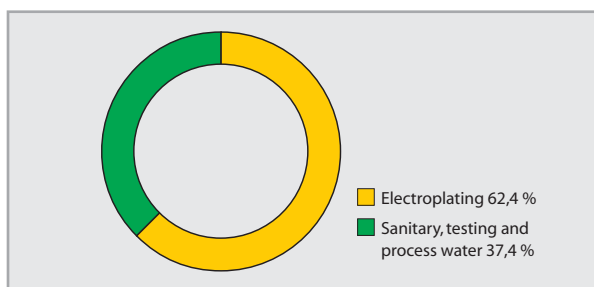
Schiltach West plant
48.730 m³



Schiltach Aue plant
45.356 m³



Offenburg plant
39.758 m³



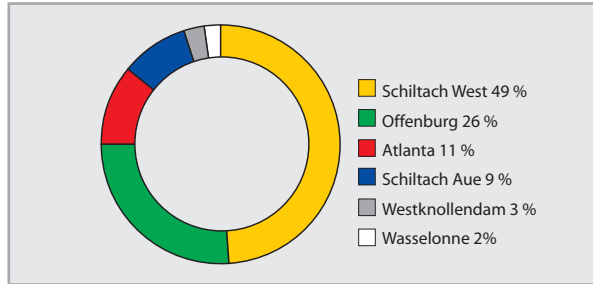
Atlanta plant
20.479 m³



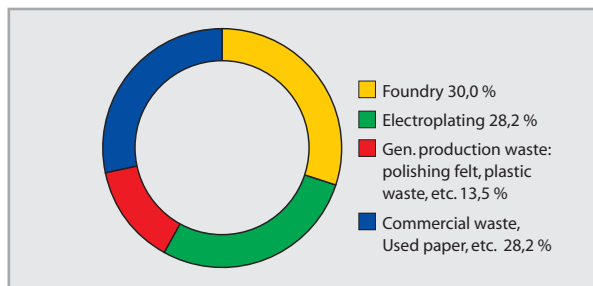
Automatic sanding of a mixer



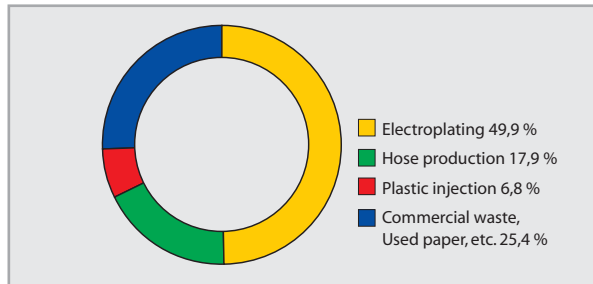
Waste produced at the Hansgrohe Group in 2005



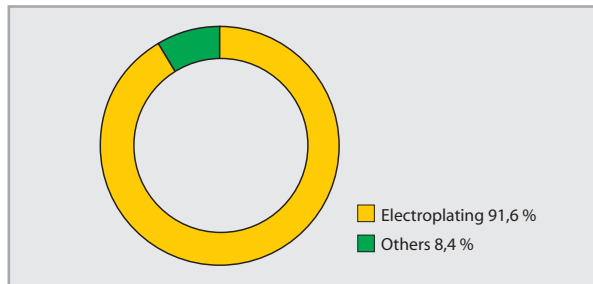
* not including China (under construction)



Schiltach West plant
2.179,9 t



Offenburg plant
1.018,4 t



Atlanta plant
471,6 t

Chrome-plated plastic waste is recycled

Input 2005*		Output 2005*	
Raw materials		products	
Plastics	2.259,5 t	Finished goods and components	134,9 Mio. units
Metals	1.731,4 t		
Chemicals (electroplating facility)	1.299,2 t	Waste for recycling	
Energy		Electroplating	1.117,0 t
Electrical current	36.973,2 MWh	Packaging materials, Used paper, etc.	922,0 t
Natural gas	102.398,8 MWh	Commercial waste	655,0 t
Heating oil	4.783,2 MWh	Production waste gen. ¹	1.017,5 t
Water		Production waste Plastics	178,1 t
Water	154.850,0 m ³	Waste for removal	
		Electroplating	444,0 t
		Production waste gen. ²	11,9 t

* All plants without the China location (under construction) ¹ Core sand, polishing felt, emulsions, used oil etc.
² Primarily empty, contaminated plastic containers

From the analysis of the production processes, it is possible to derive clear environmental objectives for the individual process steps to be developed together with the individual departments and in particular the facility management. It is virtually impossible for the Company to reduce the electricity consumption of the actual injection molding machines, however; the externally purchased machines are state of the art in terms of energy efficiency, but the Company can make use of its leeway when it comes to the necessary mold cooling process. The Engineering Division developed a three-stage cooling system, using sprinkler tanks, air coolers and fountains, which provided a means of reducing the current consumption of the cooling process.

■ Creating reutilization concepts

The Hansgrohe Group is always inventing new individual solutions for the utilization of waste material: sludge containing nickel from the electroplating process goes to an external firm, which recovers the nickel; brass dust from the grinding shop is collected via filters in extraction systems and is melted down again by a brass works; flash from the plastic injection molding process is pulverized and mixed in with the primary granules, etc. When it comes to chrome-plated plastic waste – normally a difficult material to reuse – the Hansgrohe Group joined forces with a recycling company to develop a new method of segregating the constituent materials. These are examples of how the conservation of resources is being put into practice. The waste utilization rate in 2005 amounted to 90 percent.



Shower hose Isiflex



■ The heart of the matter: coating the products

The electroplating installations constitute the most important focal point of in-plant environmental protection. Over the years, the Company has been able to substantially reduce the consumption of water and chemicals to the same extent as the amount of waste produced. Continuous system optimization has many aspects: encapsulated bath systems reduce energy consumption and pollutant emissions. The systematic segregation of waste water from up to 80 electroplating baths enables extensive conditioning and salvage of raw materials. The development of a UV treatment for the organic impurities produced during one stage in the process reduces the resulting waste and extends the useful lives of the baths. These have been supplemented by many customized solutions to individual problems, a changeover to more environmentally compatible chemicals.

The Hansgrohe Group holds numerous patents relating to coating technology and frequently plays a pioneering role without being restricted by the boundaries of the trade. In 2005, the Company introduced a completely new metallization process for plastics. This process had been developed in the previous year at a cost of three million euros. This procedure has demonstrated significant environmental benefits at the Offenburger plant: it dispenses with chemical nickel plating and significantly reduces emissions in air and water as well as energy consumption. Furthermore, the chemical composition of the electroplating equipment's copper bath has been changed. The advantage here is predominantly in reduced use of chemicals.



At the Schiltach West plant, which is responsible for the manufacture of special surfaces, the process for high-grade brass coating has been changed. The metallic surface is no longer created using electroplating equipment, but with an arc load in a vacuum chamber. This has reduced the use of chemicals, energy consumption and the amount of waste created.

The Hansgrohe Group is constantly optimizing the efficiency of the production and logistics processes, and it values its own innovations from the core areas of production. Apart from the direct economic and ecological benefits, they help to maintain the Company's lead over its competitors.

■ **Optimizing building services**

Building services make up another focal point of environmental protection in the plant, particularly with respect to heating the building and the manufacturing processes. Approximately half of the total energy consumption of a large production site can be attributed to these two areas. Special attention was therefore given to planning energy flow and installing heat recovery systems when the plants were built. Recuperated energy covers around 20 percent of the energy requirement of the Schiltach West plant, saving 2.7 million kWh – and 540 metric tons of CO₂ emissions – every year. In addition to this, saving potential is determined systematically by a sophisticated energy management concept, which also reviews the effects of energy-saving measures.

As new machines and installations are put into service, changing the energy balance sheet of the sites concerned, the Company reviews its energy systems at regular intervals. In 2005, an analysis at the Schiltach West plant led to the development of a new energy concept for cooling. The planned measures have led to CFC-free operation of the facilities and a saving of approximate 50 percent of electrical energy used to provide cooling for the foundry and electroplating facilities.

A full assessment of building services at the Offenburg plant and all heating equipment was also done. The analysis showed the high standard of the facility technology. Therefore, the plans made in 2005 first aimed to achieve potential savings in the area of control technology.

In the Schiltach Aue plant, the main focus was on switching the heating system from heating oil to gas. The measures planned in 2005 will, however, only take effect in the subsequent year. This should result in energy savings of around 10 percent. Another component is optimization of the plant ventilation systems.



Solar power plant at the Offenburg location

■ Using solar energy

The efforts of the Hansgrohe Group are not only focused on energy efficiency, but also on the use of regenerative energy. The Company has been using solar current generated on the roof of the Offenburg plant since 1993. The solar power plant was upgraded yet again in 2005, increasing its output on this occasion by 9 kW. The 1,450 m² plant now generates around 147,000 kWh of electricity every year – enough to supply power to 45 single-family houses. The power plant reduces emissions of the greenhouse gas CO₂ by over 100 metric tons per year.



■ Trade fair construction

Environmental protection runs through all divisions and departments of the Company, including the trade fair construction department. Designers and trade fair construction experts have developed a modular presentation concept for numerous national and international trade fairs and for the Hansgrohe Aquademy showrooms. In this way, construction elements used for trade fair construction can be reused over and over again. The concept also includes the selection of environmentally compatible materials, conserving resources and facilitating disposal. The customized, high-quality construction of the trade fair stand was awarded the innovation prize of "Best ISH trade fair stand" by the trade magazine "Market Intern".



Assembly of a Hansgrohe trade fair stand

Products

■ **Saving water without any loss of comfort.**

A company that has become as deeply involved with the element water as the Hansgrohe Group undertakes a special responsibility to Nature. This is reflected in the development of products which conserve resources as well. They must be durable, made of environmentally compatible materials and easily recyclable. As the utilization phase is usually crucial for the life cycle assessment of a sanitary product, the Hansgrohe Group has developed water-saving techniques for all significant product groups. In spite of low consumption, they enable comfortable use of water in the bathroom and kitchen.

As far as hand showers are concerned, water consumption can be reduced by up to 50 % using Waterdim or Ecostop. There are flow restrictors available for products without these functions. They are supplied with the product as standard and may be easily fitted by the customer.

Aerators in basin mixers automatically restrict the water flow to 7.2 l/min, irrespective of the prevailing water pressure. Thermostats noticeably reduce energy consumption with the Ecostop button and the latest cartridge technology. Electronic mixers use infrared sensors to control water consumption according to the current need.

■ **Making double use of water**

Double use of high-quality, expensive drinking water has been standard practice in industrial concerns for a long time now. Compact water recycling systems are now available for the public and private sector with AquaCycle, which has been developed and produced by Pontos, the youngest subsidiary of Hansgrohe AG. The product spectrum includes systems with a reprocessing capacity of between 600 and 18,000 liters of water per day. The AquaCycle systems can therefore be adapted to the needs of the most varied projects and to differing consumption patterns: in detached houses and apartment blocks to the same extent as in residential homes, hotels and business enterprises. The roughly cabinet-sized basic model cleans shower and bathwater naturally. The hygienically clean clarified water can then be used to do the laundry, water the garden, clean the house and flush the toilet. The water quality complies with the requirements of the EU Directive 76/160/EWG on bathing water.



Ecostop function in thermostats; water saving aerators in mixers

Environment



As an example, Hamburg's sanitation department has been recycling shower water at its facility at Neuländer Kamp since 2005 in order to use it for cleaning streets and pedestrian areas, while also saving water used to wash vehicles. In this way, it saves over one million liters of drinking water per year. This also reduces waste water by the same amount, doubling the organization's ecological handling of water while also proving profitable.

Pontos GmbH is committed to creating awareness for the need to use water resources sustainably. The Pontos environment prize is awarded by the company, but the winner is decided by an independent jury. In 2005, it was awarded to innovative construction projects in Germany and Spain that implemented excellent solutions for the economical use of water as part of a well developed and comprehensive ecological architectural concept.



With these widely diversified products, the Hansgrohe Group offers a large number of end users a means of contributing towards the conservation of precious water resources.

"Stadtreinigung Hamburg"
Cleaning Services uses recycled
water; AquaCycle facility at the
Neuländer Kamp site



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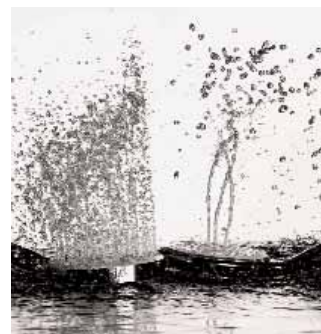
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Your feedback to the Sustainability Report is important to the Hansgrohe Group. Please send us an e-mail with your comments and remarks to: sustainability@hansgrohe.com

This report is available online at www.hansgrohe.com. It will be updated and expanded annually.

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