

Geberit Group 2015

Integrated
Annual Report

Busi- ness Report

Geberit Group 2015

Highlights business year



A time of integration

The acquisition of Sanitec is effected in February, making Geberit the leading manufacturer of sanitary products in Europe. The first step sees the corporate cultures merged, processes standardised and the sales structures adapted.



Groundbreaking ceremony in Pfullendorf

The groundbreaking ceremony for the expansion of the Geberit Logistics Centre takes place in Pfullendorf on 17 April 2015. The building project, which is expected to be completed in spring 2017, costs about EUR 40 million. With this expansion, Geberit is optimising its existing logistics processes and gearing up for the future.



Is there enough for everyone?

At Expo Milano, the Swiss pavilion – which is co-sponsored by Geberit – focuses on the topic of resource scarcity. The pavilion's towers contain food. As the food is consumed, the platforms on which the visitors stand are lowered, creating an impression of emptiness.



Efficient cleaning with water

The new premium shower toilet Geberit AquaClean Mera is packed to the brim with technical know-how, such as an intelligent hybrid hot water system, the patented WhirlSpray shower technology and the virtually noiseless TurboFlush flush technology.



A neat solution

The new Geberit shower channel Clean-Line combines design and functionality. Both plumbers and private customers are won over by the individual installation options, the fact that the channel is easy to clean, the optimal discharge capacity and the installation process that has been carefully thought out down to the last detail.



A gem along the Spree

A modern 14-storey apartment block that is home to 56 freehold flats has been built on the banks of the Spree in Berlin. In addition to offering a spectacular view, the building also features impressive bathrooms that were designed according to the customers' specific requirements, thanks to the flexible installation technology from Geberit.



Reaching new heights

The peak of the steep Matterhorn mountain is hidden behind a blanket of clouds. A little further down, plumbers check the water supply to the Hörnli hut. Geberit contributed to the renovation of the mountain hut with actuator plates, Duofix elements and pipes.

Allowing everyone to sleep tight



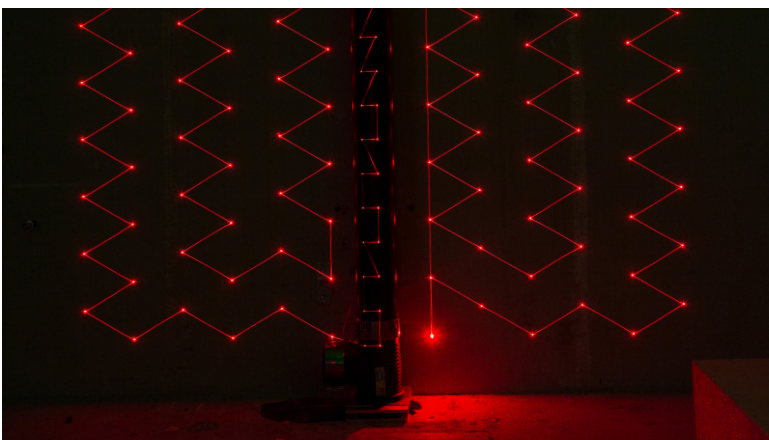
Whether in a large residential complex or in a hotel, sanitary noises that rob you of sleep can be avoided using state-of-the-art technology. Corresponding products and solutions are available, with new ones being launched all the time.

The acoustics specialists at Geberit are convinced that technical building systems will become much quieter in future. This is why the company systematically ensures that new sanitary products produce only minimal noise levels right from the development stage onwards. Geberit works on the basic principles in this regard at various facilities, including the company's own building technology and acoustics laboratory – a facility that is unique in the building technology sector.

The latest product of this development work is the highly sound-absorbing drainage system Silent-Pro, whose exceptional acoustic properties are primarily achieved due to three factors: the high inherent weight of the newly developed product material, increased wall thicknesses at precisely defined points and a consistent decoupling from the building structure.

“There are many acoustic phenomena in the field of sanitary technology that are still not properly understood,” explains Oliver Wolff, Head of Building Physics at Geberit. “However, thanks to our work, we are continually gaining a better insight into the complex inter-relationships of sound transmission.”

We strive to continually develop our expertise – for example, in the field of acoustics and sound insulation – and to incorporate our know-how into our products. After all, we also take the need for more peace and quiet seriously.



Thanks to the scanning vibrometer's laser light, even the slightest vibrations can be detected.

The most common sources of noise in the bathroom



1) Because the installation elements for sanitary installations come into direct contact with the floor or the walls, sound is transmitted to the entire building.

2) Conventional discharge pipes are not designed to absorb noise.

3) Although sound insulation measures are particularly important – especially when the bedroom is right next to the bathroom – noise caused by waste water is often not considered when designing a building.

Bathroom series full of character



"Developing a new bathroom series requires teamwork. Setting the project parameters around product types, market requirements and price positioning are key initial steps. Especially as the design language has to be appropriate and coherent across the range."

Simon Hopps, Head of Design & Innovation at Geberit



"Citterio combines puristic and natural elements to create a unique climate that reflects the spirit of ambitious Italian design."



"With Xeno², a clear shape emphasises the pure power of nature. It almost appears as though the inner bowl has been naturally carved out by water over centuries."



"iCon is without doubt a market leading series that is proving to be a contemporary classic."



"Renova Plan is a genuinely contemporary series, combining a soft geometric style with an extensive range of product types."



"With Glow, subtle ceramic surfaces blend harmoniously with precise outer shapes and pure furniture elements."



"The simple elegance of the Mattis bathtub provides ample opportunity to combine with other series to create a personalised touch in any bathroom."



"Triple A is a stylish range of state-of-the-art shower enclosures with many special features, including the innovative magnet-guided door system."

Venture out into the world and gain experience



"The 'Simply Swiss' events in Durban and Cape Town that I attended with my work colleagues were among my personal highlights. I was impressed by the extent to which Swiss quality is valued halfway across the world in South Africa."

Nadine Fritschi, intern in South Africa



"Every young person should jump at the opportunity to undertake an internship abroad. Be open, inquisitive and have the courage to play an active role. You will experience many great things, establish valuable contacts and learn a lot about yourself."

Janina Widenhorn, intern in South Africa



"Imagine there is a power failure or the production machine is defective and you are missing an important spare part. In India, such challenges are a part of everyday life. I've learnt to deal with all kinds of situations, to improvise and to simply take things in my stride."

Thomas Conen, intern in India



"We know how important it is to begin the process of raising awareness among our apprentices as early as possible. To ensure they understand that international competences are important for their career, we have to introduce them to the topic at an early stage."

Annika Heilig, HR manager

In an age of increasing mobility and growing international competition with regard to business location, flexibility is becoming more and more important. Having work experience abroad is also more sought after on the job market than ever before. How can companies ensure that their junior staff have this flexibility in terms of mobility?

International internships are the answer. Apprentices should be informed about the possibility of undertaking an assignment abroad at an early stage, which is why awareness is raised early on during their apprenticeship.

Working abroad gives young professionals a unique opportunity to prove themselves in a completely new environment and return having learnt how rewarding a different culture, a different working environment or a different language can be for their professional and personal development.

Geberit introduces its apprentices to the internship carefully and in a targeted fashion, and ensures that the young men and women are deployed according to their abilities: "It is important to us that both sides benefit from an internship," adds Annika Heilig, who is responsible for the programme.

Former interns are delighted with the opportunity afforded to them and set an important example, with all of them referring to the internship abroad as a unique and valuable experience.



Professor Jürgen Bolten from Friedrich Schiller University Jena (DE) has dealt with the topic of internationalisation in the area of work-based training in several studies.

"The companies have to clarify how their apprentices can be actively involved in internationalisation processes and, in particular, how a sustained atmosphere of dialogue can be created within the company – one that takes the experiences of the returning trainees seriously as a seed for innovative processes and allows them to blossom."

Customised packaging



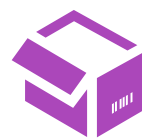
Whether raw materials, semi-finished products, finished products, production equipment, services or packaging, Geberit has a responsible procurement policy right across the board. This responsibility has many facets. It encompasses the highest quality standards, socially responsible and healthy working conditions as well as environmental protection and the commitment to fair business practices. The Code of Conduct for Suppliers, which is aligned with the principles of the United Nations Global Compact, formalises this commitment to responsible procurement. At Geberit, almost 100% of suppliers have signed this Code.

Model AG in Weinfelden (CH) specialises in making cardboard from paper and using this cardboard to produce customised packaging solutions. The customer and supplier relationship has existed for decades and has long since blossomed into a reliable partnership where both parties constantly work together to bring about improvements.

More efficient processes, the reduction of waste during the individual production steps and the use of heat from the production facilities to heat the halls are just some of the many examples of the sustainable progress achieved together.



**Comprehensive –
environmentally friendly –
energy-efficient**



440

**different packaging types
are manufactured for
Geberit by Model.**



80%

**of the packaging material is
made from recycled
materials.**



3/4

**of the entire heat required
to manufacture the
cardboard comes from the
local waste incineration
plant.**

Solutions that work well in practice – guaranteed



When plumbers remove a Geberit product from its packaging on the building site, it must be clear from the installation manual how they are to proceed. The issue becomes more challenging when several trades are involved in professionally installing a sanitary product – as is the case with a shower channel.

Geberit therefore invited plumbers, screed layers and tilers from different countries to a practical trial in Switzerland, where they installed the Geberit shower channel Clean-Line – which was only available as a prototype at the time – in various realistic situations. Product developers and application engineers used the opportunity to carefully observe the craftsmen in action and exchange ideas with them. “Both the prototypes and the installation manuals passed the practical test with flying colours,” explained Andreas Schlöpfer, Head of Application Engineering, following completion of the tests. “However, the discussions with the craftsmen also led to several important improvements to details. The hard work therefore more than paid off.”

Where reliability is a key product requirement, as at Geberit, it is crucial that the different trades look for solutions together – exactly the approach taken during the practical trials for the new shower channel.

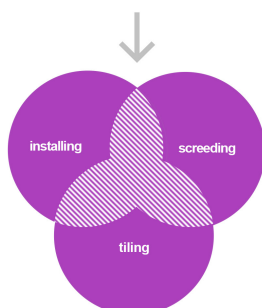


Wolfgang Steindl is President of the Austrian Tile Association and Chairman of the Tile Association's Technical Committee.

Developing solutions together



The product is designed with real-life situations in mind and anticipates transitions between the trades.



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“We were impressed that a company that focuses on sanitary technology had given so much thought to the needs of the other trades during product development. Before launching the product, Geberit asked the other trades to test it and then integrated the input from the tilers into the development process.”

Geberit AquaClean on tour



What is a shower toilet and what is it like to use? In 2015, the AquaClean truck offered people the chance to try out a shower toilet and experience the topic of cleaning with water in a completely novel way. From the beginning of July until mid-September, the AquaClean truck stopped by at 16 top-class sporting and cultural events as well as busy shopping centres in Germany before touring for a total of six weeks through 20 cities in Norway and Denmark.

The campaign "My first time", which features a video of people using a shower toilet for the first time, helped to successfully promote the tour. In close collaboration with the Geberit AquaClean partners and thanks to the elaborate marketing campaign, thousands of customers were inspired to visit the AquaClean truck and learn more about shower toilets. In addition to the general public, Geberit also expressly invited plumbers to visit the roadshow with their customers.

In the truck, the Geberit AquaClean teams gently introduced the customers to the topic of cleansing oneself with water. Visitors to the truck were initially able to test what a jet of water from an AquaClean shower toilet feels like on their hand. All the shower toilet models were also available for inspection in the showroom area. And anyone who wanted to try out a shower toilet for themselves had the opportunity to do so in one of the two customer toilets.



Lise-Lotte Kristiansen, Project Manager Nordic Marketing, Geberit A/S



Volker Röttger, Head of Marketing Communications, Geberit Germany



Anders Tell, Retail Manager at Falsing VVS in Copenhagen (DK) and a Geberit AquaClean partner

"The Geberit AquaClean roadshow enabled us to attract a great deal of attention to the shower toilet category. We were very pleasantly surprised at how many people stopped by, asked questions, tried out the shower toilets and were quickly won over by the benefits of cleaning with water."

"With this unusual campaign – which enabled people to learn more about cleaning with water and to try out the shower toilets for themselves – we have reached and won over a lot of people while at the same time proving that we are once again a step ahead of the competition."

"The roadshow attracted a great deal of interest in the centre of Copenhagen. Everyone passing by checked out the truck. I greatly appreciated being able to talk to end users and get them interested in shower toilets. The roadshow has resulted in many new potential customers for our business."

Editorial

The challenging environment in the construction industry, the integration of the acquired Sanitec business and the strong Swiss franc shaped the Geberit Group's results in the 2015 financial year. Despite this, starting from a very high level, we managed to achieve a good overall result and further consolidated our position as the leading supplier of sanitary products in Europe.

Net sales increased by 24.2% in 2015, to CHF 2,593.7 million. Total growth comprised organic growth in local currencies of 2.7%, a negative foreign currency effect of 9.6% and an increase of 31.1% due to the Sanitec acquisition. Operating margins were positively influenced by beneficial volume and product mix effects, as well as lower raw material prices. These were offset mainly by the dilution of margins due to the integration of Sanitec and the effects of the 10% currency rebate granted in Switzerland. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 2.4% to CHF 590.9 million and the correspondingly adjusted EBIT margin came to 22.8%. Adjusted net income fell by 1.1% to CHF 493.1 million, with an adjusted return on net sales of 19.0%. Adjusted earnings per share declined by 0.4% to CHF 13.23. The reported values amounted to CHF 498.3 million for the EBIT (EBIT margin 19.2%), CHF 422.4 million for net income (return on sales 16.3%) and CHF 11.33 for earnings per share. Free cashflow rose by 5.1% to CHF 484.0 million.

The 2015 financial year was dominated by the acquisition and integration of the Sanitec Group. In October 2014, the Geberit Group set a new strategic direction with its takeover bid for Sanitec – a leading European manufacturer and supplier in the sanitary ceramics segment. The acquisition was completed in the following February. As a result of the combination, the Group grew by 6,200 employees, 18 production plants and 14 European brands with strong local anchorage. Thanks to this step, Geberit is now ideally positioned to create added value in the bathroom with innovative solutions. The combination of perfectly functioning technology behind the wall and sophisticated design in front of the wall is where the future lies. Geberit is the European market leader for sanitary products and will, in particular, strengthen its position in regions such as the Nordic Countries, France, the United Kingdom and Eastern Europe, in which the company has not yet gained a substantial foothold. The integration activities, which began in the second quarter of 2015, went according to plan. By the end of 2015, the main organisational work was completed. In particular, the aim of operating as a single company in sales activities on all markets by 1 January 2016 was achieved. The focus in 2016 will be on further harmonising processes and realising initial synergies.

The forward-looking, continuously optimised product portfolio is an important factor for the success of Geberit. The company again expanded its proven range with major innovations in 2015, thereby extending its market position. The Clean-Line shower channel is one example, combining a high-quality finish with simple, safe installation while at the same time being easier to clean than conventional shower channels. The market response to this product so far has exceeded all expectations. Another example is the compact sanitary flush unit with new control and sensor technology, which prevents the spread of bacteria and germ populations in pipes with standing water, by automatically rinsing them when required. Also launched in 2015 was the new Geberit AquaClean Mera premium shower toilet, which sets new standards in this category.

As already announced in the last annual report, with a view to future growth and the continued optimisation of existing logistics processes – and irrespective of the Sanitec acquisition – the decision has been made to further expand capacities at the Logistics Center in Pfullendorf and invest around EUR 40 million in this. The groundbreaking ceremony for the extension was held as scheduled in the spring of 2015. The work is expected to be completed at the beginning of 2017 in order that the extensions can commence operations the same year.

The development of the Geberit share price was pleasing. The share price grew – in contrast with the Swiss Market Index (SMI), which posted a drop of 1.8% – slightly by 0.5% to CHF 340.20. Despite the slightly lower earnings, the Board of Directors

intends to once again let the shareholders participate in the essentially solid development of the business and will maintain the attractive distribution policy of previous years. Therefore, a dividend of CHF 8.40 will be proposed at the ordinary General Meeting, which is slightly higher (+1.2%) than in the prior year. The payout ratio of 63.3% of adjusted net income is thus in the upper range of the 50% to 70% corridor defined by the Board of Directors. Furthermore, the ongoing share buyback programme was continued. By 31 December 2015, shares worth CHF 205 million had been acquired, which equates to around a third of the originally planned, entire programme. The share buyback was suspended from July 2014 until March 2015 as a result of the ongoing Sanitec acquisition, which is why only around 2% of the share capital – or some 40% of the originally planned amount – was repurchased by the completion of the programme at the end of February 2016. A proposal will be submitted to the 2016 ordinary General Meeting to carry out a capital reduction in the amount of the total repurchased shares and to cancel the shares.

There will be some changes on the Board of Directors. After seven years on the board, Robert F. Spoerry will no longer be standing for re-election at the ordinary General Meeting on 6 April 2016. As a member of the Board of Directors, Chairman of the Nomination and Compensation Committee and during a transitional phase as Lead Director, he has demonstrated great commitment and expertise. The Board of Directors and Group Executive Board would like to extend their thanks for his contributions and ideas towards the further development of the company. Mrs. Regi Aalstad will be recommended to the General Meeting as his successor and new Member of the Board of Directors.

From February 2015, as a consequence of the changes to the organisational structure as part of the Sanitec acquisition, the Marketing & Brands division was added to the Group Executive Board. Therefore, at this time the Group's former Head of Marketing, Egon Renfordt-Sasse, was appointed as Head of the new Group Division and a Member of the Group Executive Board. At the start of June 2015, Ronald van Triest took over the vacant position on the Group Executive Board as Head of International Sales, which encompasses the Geberit markets outside Europe.

We owe the good results in 2015 and the integration of the Sanitec activities, which is so far going according to plan, to the high degree of motivation and professionalism of our employees in over 40 countries. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

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



Albert M. Baehny
Chairman of the Board of Directors



Christian Buhl
CEO

Geberit share information

Share price performance in the year under review

The development of the Geberit share price in 2015 was shaped by the abandonment of the minimum exchange rate by the Swiss National Bank as well as by the first-time consolidation of Sanitec. Beginning the year at CHF 338.40, the share price dropped significantly in mid-January in line with the market before rallying to reach an all-time high of just over CHF 370 by mid-March. The Geberit share subsequently performed slightly weaker than the market, in a downwards trend dropping to around CHF 290, before a disproportionate recovery in the fourth quarter saw it close the year at CHF 340.20. Overall, this corresponds to a slight increase of 0.5% in 2015. In the same period, the SMI dropped by 1.8%. Viewed over the past five years, the Geberit share posted an annual average increase in value of 9.5% (SMI: +6.5%). The Geberit Group's market capitalization reached CHF 12.9 billion at the end of 2015.

The Geberit shares are listed on the SIX Swiss Exchange, Zurich.

At the end of 2015, the free float as defined by SIX was 100%.

Distribution

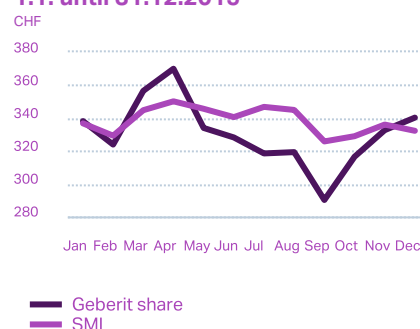
Given a normal market environment, Geberit achieves solid free cashflow, which is invested in organic growth, used to repay debts, applied towards any acquisitions or distributed to shareholders. The capital structure is presently maintained and the company strives for a solid balance sheet structure with a buffer of liquidity. On the one hand, this policy guarantees the financial flexibility necessary to achieve growth targets, and on the other hand it offers investors security. Surplus liquid funds are distributed to shareholders. Geberit continued this shareholder-friendly distribution policy last year as well. This is also expected to continue unchanged following the acquisition of Sanitec.

Over the last five years, around CHF 1.9 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of the Geberit share has risen from CHF 216.20 at the end of 2010 to CHF 340.20 at the end of 2015.

Despite a drop in net income (adjusted for costs in connection with the Sanitec acquisition), the Board of Directors will propose to the ordinary General Meeting of Geberit AG on 6 April 2016 a dividend of CHF 8.40, an increase of 1.2% over that of 2015. The payout ratio of 63.3% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. Subject to the shareholders' approval, the distribution will be paid on 12 April 2016.

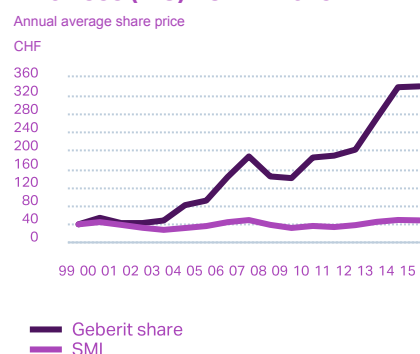
The share buyback programme announced in March 2014 was launched on 30 April 2014. In the course of this programme, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register were to be repurchased over a period of two years, less withholding tax, and cancelled by means of a capital reduction. The share buyback has been conducted via a separate trading line on the SIX Swiss Exchange. By 31 December 2015, 634,600 shares, which corresponds to around a third of the entire programme, had been acquired at a sum of CHF 205 million. The share buyback was suspended from July 2014 until March 2015 as a result of the ongoing Sanitec acquisition, which is why 2% of the share capital – or some 40% of the originally planned amount – were repurchased by the completion of the programme at the end of February 2016. A proposal will be submitted to the 2016 ordinary General Meeting to carry out a capital reduction in the amount of the total repurchased shares and to cancel the shares.

Share price development 1.1. until 31.12.2015



Source: Bloomberg

Share price development 22.6.1999 (IPO) – 31.12.2015



Basis: 1:10 stock split implemented on 8 May 2007
Source: Bloomberg

Distribution paid (CHF per share)

	2011	2012	2013	2014	2015
Dividend	-	-	3.80	7.50	8.30
Capital redemption	6.00	6.30	2.80	-	-
Total	6.00	6.30	6.60	7.50	8.30

Total distribution to shareholders and share buybacks (CHF million)

	2011	2012	2013	2014	2015	Total
Distribution	236	242	248	282	311	1,319
Share buyback	193	198	0	37	160	588
Total	429	440	248	319	471	1,907

Communication

Geberit publishes current and comprehensive information simultaneously for all market participants and interested parties on the website ([→ www.geberit.com](http://www.geberit.com)), including ad hoc announcements. Among other things, the current version of the investor presentation is available on the website at any time. In addition, interested parties may add their names to a mailing list ([→ www.geberit.com/download-centre/mailling-list/](http://www.geberit.com/download-centre/mailling-list/)) in order to receive the most recent information relating to the company.

CEO Christian Buhl, CFO Roland Iff and the Head Corporate Communications & Investor Relations Roman Sidler are in charge of the ongoing communication with shareholders, the capital market and the general public. Contact details can be found on the website in the relevant sections. Information relating to Geberit is provided in the form of regular media information, media and analysts' conferences, as well as financial presentations.

Contact may be established at any time at
[→ corporate.communications@geberit.com](mailto:corporate.communications@geberit.com)

Comprehensive share information can be found at
[→ www.geberit.com](http://www.geberit.com) > [investors](#) > [share information](#)

Major data relating to the Geberit share (as of 31 December 2015)

Registered shareholders	25,522
Capital stock (CHF)	3,779,842.70
Number of registered shares of CHF 0.10 each	37,798,427
Registered shares	22,719,562
Treasury stock:	
- Treasury shares	243,280
- Share buyback program	634,600
Total treasury stock	877,880
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Reuters	GEBN.VX

Key figures (CHF per share)

	2014	2015
Net income	13.28	13.23 ¹
Net cashflow	16.20	16.00
Equity	45.74	39.76
Distribution	8.30	8.40 ²

Time schedule

	2016
General Meeting	6 Apr
Dividend payment	12 Apr
Interim report first quarter	28 Apr
Half-year results	16 Aug
Interim report third quarter	28 Oct
2017	
First information 2016	17 Jan
Results full year 2016	14 Mar
General Meeting	5 Apr
Dividend payment	11 Apr
Interim report first quarter	2 May

Management structure

Board of Directors

Chairman Albert M. Baehny	Vice Chairman Robert F. Spoerry
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CEO Division	Sales Europe	Sales International	Marketing & Brands	Products	Finance
Chief Executive Officer Christian Buhl	Member Executive Board Karl Spachmann	Member Executive Board Ronald van Triest	Member Executive Board Egon Renfordt-Sasse	Member Executive Board Michael Reinhard	Member Executive Board Roland Iff
Human Resources Roland Held	Germany Clemens Rapp	North America Andreas Nowak	Marketing Sanitary Systems Severin Daniels	Quality Christian Englisch	Controlling Andreas Jäger
Communications & Investor Relations Roman Sidler	Italy Giorgio Castiglioni	Far East / Pacific Ronald Kwan	Marketing Piping Systems Arnd Gildemeister	Purchasing Adriaan 't Gilde	Treasury Thomas Wenger
Strategic Planning Andreas Lange	Switzerland Hanspeter Tinner	Middle East / Africa Ronald van Triest	Marketing Ceramics / Branding Alexander Bühl	Logistics Gerd Hailfinger	Information Technology Markus Enz
Environment / Sustainability Roland Högger	Austria / Hungary / Romania Stephan Wabnegger		Marketing Communication Daniela Koch	Technology / Innovation Felix Klaiber	Legal Services Albrecht Riebel
Shower Toilet Martin Baumüller	Netherlands Menno Portengen		Pricing Frank Heuser	Accredited Test Laboratory Markus Tanner	Internal Audit Martin Reiner
	Belgium Thierry Geers		Digital Dirk Wilhelm	Products Sanitary Systems Jörn Ikels	
	Nordic Countries Lars Risager			Products Piping Systems Pietro Mariotti	
	France Yves Danielou			Products Ceramics Miguel Definti	
	United Kingdom Mark Larden			Production Plant IBA * Robert Lernbecher	
	Poland / Ukraine Przemyslaw Powalacz			Production Plant EFA ** Martin Ziegler	
	Czech Republic / Slovakia Vladimir Sedlacko			Production Plant CER *** Robert Lernbecher a.i.	
	Adriatic Region Miran Medved				
	Iberian Peninsula David Mayolas				
	Russia Irina Buralkina				
	Key Account Management Karl Spachmann a.i.				
	Business Development/OEM Tobias Beck				

* IBA: Injection / Blow Moulding / Assembly

** EFA: Extrusion / Forming / Assembly

*** CER: Ceramics

Strategy

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



1. Focus on sanitary products: Geberit concentrates on "behind the wall" sanitary and piping systems for transporting water in buildings, as well as bathroom ceramics and ceramics complementary products "in front of the wall". In these areas, Geberit has comprehensive know-how and supplies high-quality, integrated and water-saving sanitary technology as well as attractive design.
2. Commitment to innovation and design: continuously optimising and extending the product range is crucial for future success. Innovative strength is founded on research and development in areas such as hydraulics, statics, fire protection, hygiene and acoustics, as well as process and materials technology. The insights gained are systematically applied in the development of products and systems for the benefit of customers.
3. Selective geographic expansion: an important factor in long-term success is stronger growth in those markets within and outside Europe in which Geberit products or technology are so far under-represented. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, Southeast Asia, Australia, the Gulf Region and India. With the exception of North America and Australia, the company mainly engages in project business in these markets. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
4. Continuous optimisation of business processes: the purpose behind this focus is to ensure a leading, competitive cost structure in the long term. This is partly achieved through Group-wide projects and partly through employees identifying improvement potential in their day-to-day work, thus making a major contribution toward positive development.

Strategic success factors

The success of the Geberit Group is based on a series of success factors. The most important are:

- a clear, long-term strategy,
- the focus on sanitary products,
- solid, sustainable → **growth and earnings drivers**,
- a strong competitive position,
- an innovative product range, developed in accordance with customer needs,
- a proven, customer-focused business model,
- a stable management structure,
- a lean, high-performance organisation with optimised processes,
- a unique corporate culture.

Medium-term goals

Geberit has set itself the goal of being the standard-bearer for sanitary products, continually developing those products in a sustainable way and gaining market shares in the process. Among other things, this approach yields sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows.

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

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

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

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

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

Value-oriented management

Value orientation aspects are considered in many areas of the company.

The remuneration model for Group management as a whole involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the return on invested capital. In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on invested capital. Details can be found in the → [Remuneration Report](#).

Investments in property, plant and equipment above a certain amount are approved only if strict criteria are met. In this context, it is mandatory that an investment return be achieved that exceeds the cost of capital plus a premium.

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

Management of currency risks

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

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

- Net sales: +/-8% to +/-10%
- EBITDA: +/-9% to +/-11%
- EBITDA margin: approximately +/-0,5 percentage points

For more information on the management of currency risks, please refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 4. Risk Assessment and Management, Management of Currency Risks](#) and → [the Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 15. Derivative Financial Instruments](#).

Sanitec acquisition

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

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

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

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

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

Financial Year 2015

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

Market environment

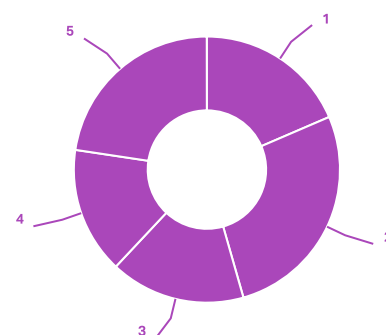
Business climate still challenging

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

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

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

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



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

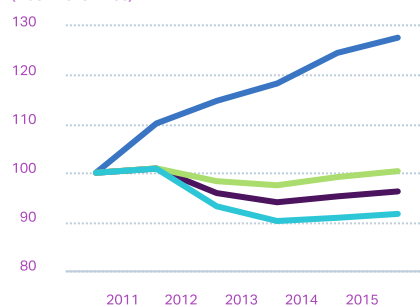
Source: 80th Euroconstruct Conference in
Budapest (HU), December 2015

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

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

Construction output and Geberit net sales in Europe 2011 – 2015

(Index: 2010 = 100)



— Geberit net sales, currency-adjusted and organic in Europe
— Total Building Construction
— Total - Building Renovation
— Total - New Building

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

Net sales

Solid sales growth

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

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

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

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

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

Currency rebate has severe negative impact on Swiss market

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

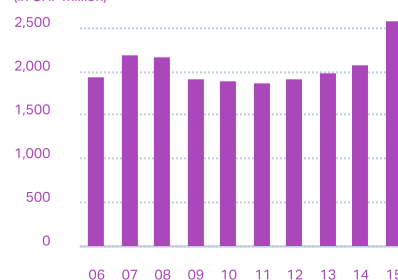
Stronger growth in Sanitary Systems

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

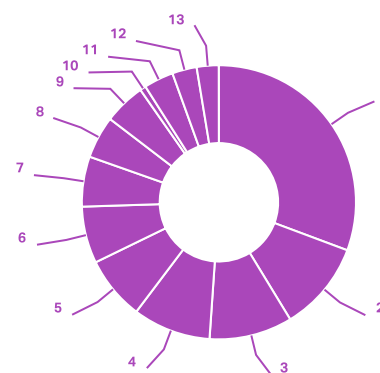
Net sales for the **Installation Systems** product line, at 28.0% of Group sales the most important product line, rose by 5.3%. The drywall elements and - with double-figure growth rates - the high-quality actuator plates made a major contribution to the strongest growth of all product lines. Growth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

Net sales development 2006 – 2015

(in CHF million)



Net sales by markets/regions 2015



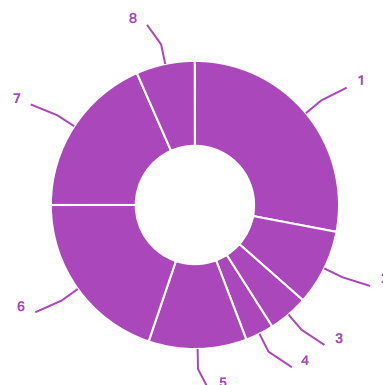
- 1 Germany (30.7%)
- 2 Switzerland (10.6%)
- 3 Nordic Countries (9.8%)
- 4 Central/Eastern Europe (9.2%)
- 5 Benelux (7.5%)
- 6 Italy (6.7%)
- 7 France (5.9%)
- 8 Austria (5.0%)
- 9 United Kingdom/Ireland (4.9%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.5%)
- 12 Far East/Pacific (2.9%)
- 13 Middle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

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

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

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

Net sales by product areas and product lines 2015



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

Results

Profitability remains impressive

In the 2015 financial year, the results of the Geberit Group were influenced by various special effects in connection with the Sanitec acquisition. For better comparability, adjusted figures¹ are shown and commented on.

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

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

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

Operating expenses under control

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

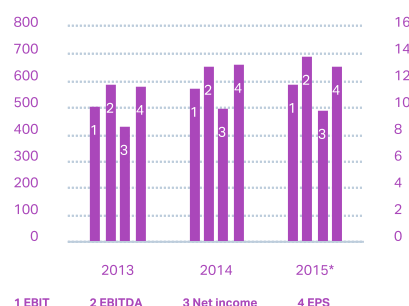
Overall, the adjusted cost of materials increased by 25.1% to CHF 756.0 million and rose slightly from 28.9% of net sales in the previous year to 29.1%. Falling raw material prices had the effect of reducing expenditure on both industrial metals and plastics. Adjusted personnel expenses grew by 35.2%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

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

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

(in CHF million)

(EPS: in CHF)



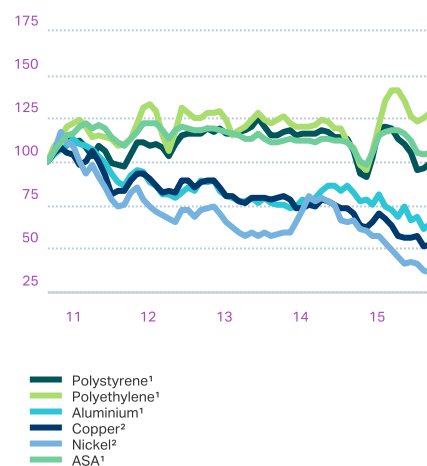
* Adjusted for costs in connection with the Sanitec acquisition (transaction, integration, and one-off financing costs as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

Acquisition and integration related costs (in CHF million)

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

Raw material price development

(Market price; index: December 2010 = 100)



¹ Source: Kunststoff Information Verlags-gesellschaft mbH

² Source: London Metal Exchange

Significant acquisition and integration costs in the income statement

The negative special effects² arising from the Sanitec acquisition amounted to CHF 62 million as regards EBITDA, CHF 93 million as regards EBIT and CHF 71 million as regards net income. The reported values amounted to CHF 631.7 million for the EBITDA (EBITDA margin 24.4%), CHF 498.3 million for the EBIT (EBIT margin 19.2%), CHF 422.4 million for net income (return on sales 16.3%) and CHF 11.33 for earnings per share.

Increase in free cashflow

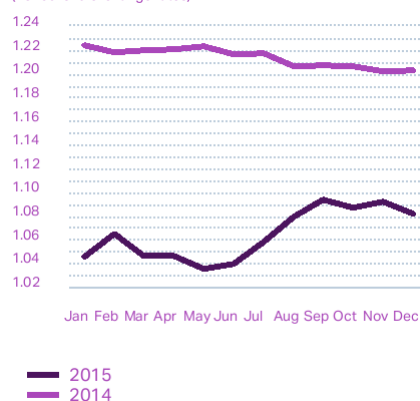
The slightly lower operating cashflow (EBITDA) and various special effects resulting from the Sanitec acquisition, the majority of which are mutually compensating, led to a decline in net cashflow of 2.0% to CHF 596.3 million. When calculating free cashflow, higher investments in property, plant and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

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

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

EUR/CHF exchange rates 2014/2015

(Period-end exchange rates)



Financial structure

Strong financial foundation

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

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

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

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

The ratio of net debt to equity (gearing) increased from -43.0% in the previous year to +45.9%. The equity ratio reached a solid 41.7% (previous year 70.6%). Based on average equity, the adjusted¹ return on equity (ROE) was 32.2%, the non-adjusted value of this ratio was 27.6% (previous year 29.2%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,504.9 million at the end of 2015 (previous year CHF 1,404.5 million). The adjusted return on invested capital (ROIC) was 20.1%, the non-adjusted value of this ratio was 17.0% (previous year 35.5%). For details on the non-adjusted gearing, ROE and ROIC calculations, please refer to the [→ Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital.](#)

The Geberit Group held 877,880 treasury shares on 31 December 2015, which equals 2.3% of the shares entered in the Commercial Register. Of these, 634,600 (1.7% of the shares entered in the Commercial Register) were acquired as part of the share buyback programme that started in 2014. The remaining 243,280 shares are mostly earmarked for share participation plans. The total number of shares entered in the Commercial Register stands at 37,798,427 shares. The aforementioned share buyback programme announced in March 2014 was launched on 30 April 2014. In the course of this programme, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register were to be repurchased over a period of two years, less withholding tax, and cancelled by means of a capital reduction. The share buyback was suspended from July 2014 until March 2015 as a result of the ongoing Sanitec acquisition, and thus only around 2% of the share capital – or some 40% of the originally planned amount – was repurchased by the completion of the programme at the end of February 2016. A proposal will be submitted to the 2016 ordinary General Meeting to carry out a capital reduction in the amount of the total repurchased shares and to cancel the shares.

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

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

Investments

Investment volume significantly greater than in previous years

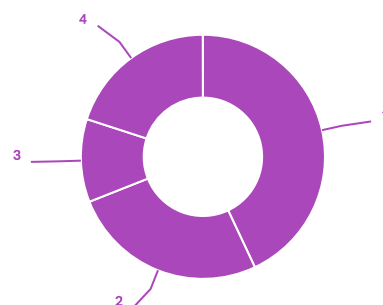
In 2015, investments in property, plant and equipment and intangible assets amounted to CHF 147.3 million, CHF 42.5 million or 40.6% more than in the previous year. As a percentage of net sales, the investment ratio was 5.7% (previous year 5.0%). All scheduled larger investment projects were carried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

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

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

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

Investments by purpose



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

Employees

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

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

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

Image as an attractive employer

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

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

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

Interesting prospects

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

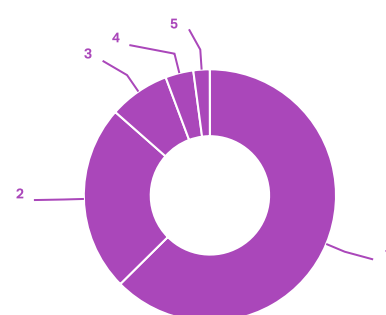
The two-stage Potentials Management Programme continues to be held. The aim is to selectively identify talents throughout the company and support them along their path to middle or senior management. Initial experience of managerial or project management responsibility are part of this. The problems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

Employees by countries (as of 31 December)

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

Employees by business processes 2015

(as of 31 December)



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

Standard assessment scale

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

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

Proactive internal communication

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

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

Identity and Code of Conduct updated

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

Focus on occupational safety

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

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

Customers

A focus on specific customer needs

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

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

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

Geberit AquaClean has strong presence in 13 European countries

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

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

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

Local contact with plumbing specialists

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

Trade fair presence to foster business relations and customer contacts

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

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

Core competencies open doors

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

Innovation

Innovation as the foundation for future growth

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

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

At Geberit, all new product developments go through a structured innovation and development process, which ensures that the Group's creative potential is used to the optimum extent and that the development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here. From 2016, the product developments of the acquired ceramic appliances area will be aligned with this process.

Broad-based competencies

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

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

Comprehensive development activities pay off

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

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

R&D expenditures (in CHF million)

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

New products for greater comfort and better hygiene

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

The → **CleanLine** shower channel combines a high-quality finish with simple, safe installation while at the same time solving the hygiene problems of many shower channels. As the installation of a floor drain or a shower channel involves more and more trades, Geberit paid particular attention to making installation as simple and reliable as possible. Those efforts paid off, as sales so far have exceeded all expectations.

Introduced to the public for the first time in March at the ISH in Frankfurt, the official sales launch of the → **Geberit AquaClean Mera shower toilet** took place in September. The new shower toilet has several impressive features: the WhirlSpray shower technology, developed by Geberit, ensures thorough and yet water-saving cleansing. The asymmetrical inner geometry of the rimless WC bowl allows quiet and clean flushing out. Comfort functions such as heatable WC seat, muted orientation light, automatic opening and closing of the WC lid as well as odour extraction unit and intelligent warm air dryer complete the new shower toilet.

The elegant and small → **remote flush actuators type 01 and type 10** for cisterns are fitted with a high-performance, compact pneumatic cylinder. The actuations can be easily installed in drywalls or solid walls, at a distance of up to two metres from the cistern. This widens the design scope for the bathroom.

The compact → **Geberit sanitary flush unit** with new control and sensor technology prevents the spread of bacteria and germ populations in pipes with standing water, by automatically flushing them when required. It therefore prevents hazardous contamination of drinking water systems in hotels, school buildings, sports stadia or hospitals. The devices are operated and programmed using a smartphone or by integration into the building service management system.

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

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

The new → **Geberit Silent-Pro** drainage system, which represents the state of the art for building drainage: perfected plug-in connections, proven high degree of sound insulation, versatile and certified fire protection solutions, simple installation, high-quality materials and unrivalled quality. The outstanding sound insulation is due primarily to three factors: the high inherent weight of the material, increased wall thicknesses at defined points of the fittings and a consistent decoupling from the building structure.

The new → **Geberit urinal system** enables sanitary planners and plumbers to create the optimal solution for every construction situation. The central elements of the new urinal system are the two rimless urinal ceramics Preda and Selva. Their inner geometry is precisely aligned with the newly-developed spray head and guarantees optimal flushing out even with the smallest flush volumes of 0.5 litres. The easy maintenance systems are extremely economical to maintain and operate.

The ceramics in the → **Glow bath range** are characterised by their harmonious forms. The bath range, which was designed under the IDO and Porsgrund brands for all Scandinavian markets, comprises ceramics for wash-basins, WCs and bidets as well as bathroom furniture.

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

Production

New production network

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

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

Environmental management in production

The acquisition of Sanitec and, in particular, the integration of the new ceramics plants had a considerable impact on Geberit's ecological footprint. Because of the processes involved, the manufacture of sanitaryware is very energy-intensive. For this reason, the Group's energy consumption increased fivefold in 2015. Its environmental impact and CO₂ emissions also increased significantly. In absolute terms, its environmental impact increased due to the acquisition by 279%; however, organically, it reduced by 2.1%. Environmental impact in relation to net sales (organic, currency-adjusted) decreased by 4.7%. As regards the long-term target, which is based on a decrease of 5% per year, Geberit therefore remains on course in organic terms.

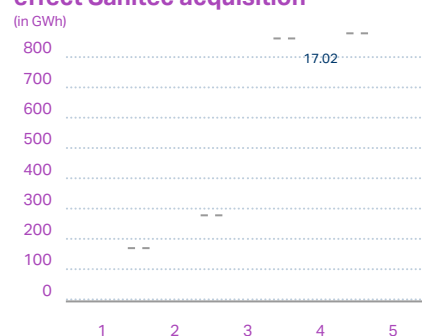
Despite the acquisition-related development outlined, Geberit's ambitious reduction targets formulated in 2006 are unchanged: Geberit is pursuing the goal formulated in the → **Sustainability Strategy 2016-2018** of maintaining or further extending its sustainability leadership. One of the main instruments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

CO₂ strategy

CO₂ emissions increased in 2015 by 296% to 251,430 tonnes as a result of the Sanitec acquisition. Organically, however, they were reduced by 3.1%. CO₂ emissions in relation to net sales (organic, currency-adjusted) declined by 5.6%. This enabled the targets set out in the long-term → **CO₂ strategy** sheet to be met and all measures to reduce → **CO₂ emissions** to be implemented.

Geberit bases the implementation of its ambitious CO₂ strategy on three pillars. The first pillar is about savings in energy consumption. The second pillar relates to increasing efficiency and the third pillar comprises the selective acquisition of high-quality, renewable energy sources. The detailed → **CO₂ balance sheet** and → **all measures taken to reduce CO₂ emissions** are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

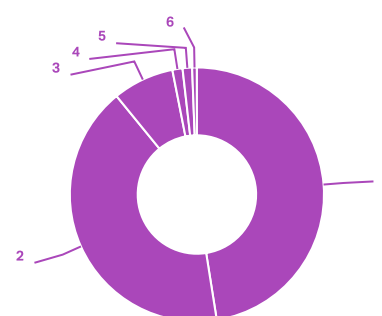
Energy consumption 2015 – effect Sanitec acquisition



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

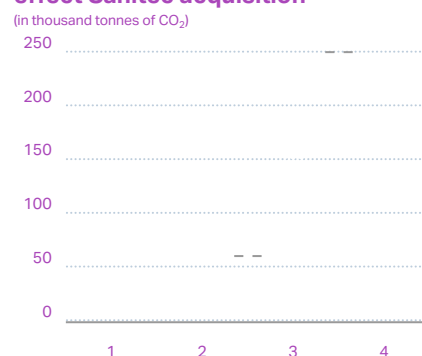
* Electricity: 114.05 GWh, combustibles: 44.35 GWh, fuel: 17.45 GWh

Distribution environmental impact 2015



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

CO₂ emissions – effect Sanitec acquisition



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

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

Logistics and procurement

Two different logistics worlds

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

Groundbreaking ceremony in Pfullendorf

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

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

Sanitec suppliers integrated

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

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

Sustainability

Sustainable corporate culture – for decades and in the future

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

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

Water management still an important subject

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

The analysis of the entire Geberit value chain in the form of a water footprint shows that nearly 100% of the water consumption is attributable to the product usage phase. The corresponding graphic takes account of all Geberit products before the integration of Sanitec. It is to be assumed that the new product portfolio will only cause a minor shift. Sparing use of the valuable resource water is and remains a focal point for Geberit.

Water footprint throughout the value chain (2015)*

Provision of raw materials

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



0.2%
(5.9 Mio. m³)

Manufacturing

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



0.04%
(1.2 Mio. m³)

Use

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



99.75%
(3 115 Mio. m³)

Disposal

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



0.01%
(0.2 Mio. m³)

Green building competencies are being expanded

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

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

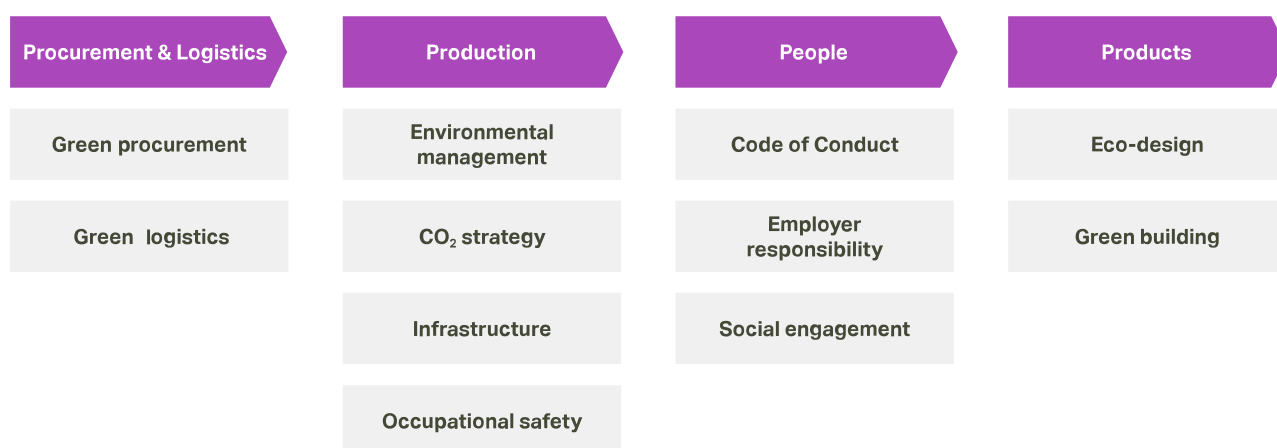
More and more green building reference projects involving Geberit products attest to the great importance of the subject. In Vilnius (LT), for example, the new → **"k29" office complex** just a few walking minutes from the historic old town was inaugurated in 2015. For the architects, environmental friendliness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

Sustainability strategy consistently rolled out

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

The strategy continues to focus on a total of 11 sustainability modules. Among these are → **green procurement**, → **green logistics**, → **environmental management in production**, → **occupational safety** and → **eco-design in product development** as well as → **social engagement**. Each module contains a clear objective, measures derived from that and quantified key figures for effective monitoring.

Sustainability strategy landscape



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

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

Since 2008, Geberit has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalisation more socially responsible and environmentally friendly. A → **Communication on Progress** regarding measures in the areas of human rights, labour practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The anchoring of the subject of sustainability is reinforced by the → **Code of Conduct for Employees**, which was overhauled in 2015, and the → **Code of Conduct for Suppliers**. Compliance with the directives is ensured by continuously improved → **compliance processes**. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Corporate Governance, 3. Board of Directors, Information and Control Instruments vis-à-vis the Group Executive Board**.

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

Sustainability Index as well as the FTSE EO 100 Index series. In addition, renowned sustainability funds hold the shares in their portfolios. Geberit's objective is to continue to play a significant role in the future in the "Sustainability" and "Water" investment segments, which are still gaining in importance.

Eco-design as a standard in product development

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

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

Compliance

Transparency established

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

Effective Compliance organisation

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

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

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

Overhauled identity launched

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

Social Engagement

Focus on water

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

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

Tangible commitment – global and diverse

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

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

The cooperation with the non-profit organisation Swiss Water Partnership was continued in the reporting year. The goal of this platform is to bring together all those involved in the topic of water supply (from academic, economic as well as public and private spheres) to collectively address future challenges and promote international dialogue on water.

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

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

For an overview of donations and financial contributions, see → **Investments in infrastructure and services primarily for public benefit**. All of Geberit's donations and related commitments are neutral from a party political point of view. Furthermore, no donations were made to parties or politicians. As a rule, no political statements are made and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

Changes in Group structure

No significant changes in the Group structure took place during the reporting year, aside from the → **Sanitec acquisition**. Please also refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure**.

Outlook

Environment for the construction industry will remain challenging

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

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

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

Geberit

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

The Board of Directors and the Group Executive Board are convinced that the company is very well equipped for the upcoming opportunities and challenges. The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. Experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organisation, an established cooperation based on trust with our market partners in both commerce and trade, and the Group's continued solid financial foundation following the acquisition of Sanitec are vital to our future success.

1. Group structure and shareholders

1.1 Group structure

The operational Group structure is shown in the diagram → [Management Structure](#).

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalisation, Swiss securities identification number and ISIN code, please refer to → [Geberit share information](#).

The Group's consolidated subsidiaries are listed in → [Note 33, Group companies as of 31 December 2015](#) to the Consolidated Financial Statements, stating the company name and head office, share capital and equity interest held by the Group companies. In addition, it was announced on 3 February 2015 that all of the terms of the bid to take over the Sanitec Group had been met. As a result, the companies of the former Sanitec Group are also included in the scope of consolidation as of 31 December 2015. Except for Geberit AG, the scope of consolidation does not include any listed companies.

1.2 Significant shareholders

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations (Schweizerisches Obligationenrecht, OR) listed at right were entered in the company's share register on 31 December 2015 as holding more than 3% of the voting rights or share capital recorded in the Commercial Register.

Disclosure notifications reported to Geberit during 2015 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at → www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 Cross-shareholdings

In terms of equity interests or voting rights, the Geberit Group has no cross-shareholdings with any other companies that exceed a threshold of 5%.

1.4 Important changes to the Articles of Incorporation

As a consequence of the new provisions of the Ordinance against Excessive Compensation with respect to Listed Companies (OaEC), the Articles of Incorporation were amended in April 2014. There were no amendments to the Articles of Incorporation in 2015.

Significant shareholders* (as of 31 December 2015)	in %
BlackRock, New York, USA	5.11
Capital Group Companies, Inc., Los Angeles, USA	4.94

* In accordance with the corresponding reports to SIX Swiss Exchange

2. Capital structure

2.1 Capital

Amount of ordinary, authorised and conditional capital of the company as of 31 December 2015:

Ordinary capital:	CHF 3,779,842.70
Conditional capital:	–
Authorised capital:	–

For more details, please refer to the following subchapters.

2.2 Authorised and conditional capital details

As of 31 December 2015, the Geberit Group had no conditional or authorised capital.

2.3 Changes in capital

For Geberit AG's changes in capital, see the table to the right.

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2015 (→ [consolidated statements of changes in equity and consolidated statements of comprehensive income](#) and → [Note 21, capital stock and treasury shares](#)), to the information in the → [Financial Statements of Geberit AG](#) as well as to the 2013 figures in the → [2014 Annual Report](#) (Geberit Group's Consolidated Financial Statements: → [consolidated statements of changes in equity and statements of comprehensive income](#), and → [Note 22, capital stock and treasury shares](#); → [Financial Statements of Geberit AG](#)).

2.4 Shares and participation certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 3,779,842.70. It is divided into 37,798,427 registered shares with a par value of CHF 0.10 each.

With the exception of the treasury shares held by the company, each share registered with voting rights in the share register of the company carries one vote at the General Meeting and each share (whether or not it is entered in the share register) carries a dividend entitlement. All dividends that have not been collected within five years of their due date are forfeited to the company in accordance with the company's Articles of Incorporation and allocated to the general reserve. As of 31 December 2015, the company held 877,880 treasury shares (thereof 634,600 held by Geberit AG and 243,280 by subsidiaries). At the 2016 ordinary General Meeting, the Board of Directors will propose to cancel the treasury shares that were acquired as part of the share buyback programme announced in March 2014 and completed by end of February 2016 by means of capital reduction.

No participation certificates of the Geberit Group are outstanding.

2.5 Profit-sharing certificates

No profit-sharing certificates of the Geberit Group are outstanding.

	31.12.2013	31.12.2014	31.12.2015
	MCHF	MCHF	MCHF
Share capital	3.8	3.8	3.8
Reserves	765.1	875.1	875.1
Retained earnings	408.6	316.4	305.0

2.6 Limitations on transferability and nominee registrations

Upon request and presentation of evidence of the transfer, acquirers of shares are registered as shareholders with voting rights in the share register if they explicitly declare to hold the shares in their own name and for their own account. The Articles of Incorporation provide for the registration of a maximum of 3% of the shares held by nominees, which may be permitted by the Board of Directors. The Board of Directors may register nominees as shareholders with voting rights in excess of such registration limitation, provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

The Board of Directors has the power to delete entries in the share register retroactively as of the date of entry if the registration has been made on the basis of false information. It may give the concerned shareholder the opportunity to comment in advance. In any case, the shareholder concerned is informed without delay about the deletion.

Furthermore, the Articles of Incorporation do not contain any restrictions in terms of registration or voting rights.

In the reporting year 2015, there were no registrations in the share register of shares held by nominees of up to a maximum of 3% of the share capital or in excess of this registration limitation. Moreover, the Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the reporting year.

2.7 Convertible bonds and warrants/options

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees of the Geberit Group, reference is made to the → [Remuneration Report](#) and → [Note 17, participation plans](#) in the Consolidated Financial Statements of the Geberit Group.

3. Board of Directors

3.1/3.2 Members of the Board of Directors

At the end of 2015, the Board of Directors was composed of six members.

Albert M. Baehny (1952)

Non-executive Chairman of the Board of Directors since 2015 (Executive Chairman of the Board of Directors from 2011 to 2014)

Swiss citizen

CEO Regent Lighting AG, Basel (CH)

Albert M. Baehny graduated with a degree in biology from the University of Fribourg (CH). In 1979, he started his career in the research department of Serono-Hypolab. His further career comprised various marketing, sales, strategic planning and global management positions with Dow Chemicals Europe (1981–1993), Ciba-Geigy/Ciba SC (1994–2000), Vantico (2000–2001) and Wacker Chemie (2001–2002). For more than 20 years, Albert M. Baehny gathered relevant knowledge and expertise with global business responsibility. Before joining Geberit, he was Senior Vice President of Wacker Specialties. At Geberit he was Head of Group Division Marketing and Sales Europe from 2003–2004. From 2005 until the end of 2014, Albert M. Baehny was Chief Executive Officer (CEO) of the Geberit Group. He has been Chairman of the Board of Directors since 2011.



Robert F. Spoerry (1955)

Vice Chairman of the Board of Directors since 2011, non-executive, independent member of the Board of Directors since 2009 (Lead Director from 2011 until the end of 2014)

Swiss citizen

Chairman of the Board of Directors Mettler-Toledo International Inc., Greifensee (CH); Chairman of the Board of Directors Sonova Holding AG, Stäfa (CH); Member of the Board of Directors Conzzeta AG, Zurich (CH)

Robert F. Spoerry holds a degree in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich (CH) and an MBA from the University of Chicago (US). He has been with Mettler-Toledo since 1983 and was its CEO from 1993–2007. He oversaw the separation from Ciba-Geigy in 1996 and the initial public offering of Mettler-Toledo on the New York Stock Exchange (NYSE) in 1997. In 1998, he became Chairman of the Board of Directors.



Robert F. Spoerry has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Felix R. Ehrat (1957)

Non-executive, independent member of the Board of Directors since 2013

Swiss citizen

Group General Counsel and Member of the Executive Committee Novartis since 2011, Basel (CH); Chairman of the Board of Directors Globalance Bank AG, Zurich (CH); Member of the Board of Directors Hyos Invest Holding AG, Zurich (CH); Chairman of SwissHoldings, Bern (CH); Member of the Board of Trustees Avenir Suisse, Zurich (CH)

Felix R. Ehrat received his doctorate of law from the University of Zurich (CH) in 1990, where he previously also received his law degree in 1982. In 1986, he completed an LL.M. at the McGeorge School of Law in the USA. He has been Group General Counsel of Novartis since October 2011 and a member of the Executive Committee of the Novartis Group since 1 January 2012. Felix R. Ehrat is a leading practitioner of corporate, banking and mergers and acquisitions law, as well as an expert in corporate governance and arbitration. He started his career as an Associate with Bär & Karrer in Zurich (CH) in



1987, became Partner in 1992 and advanced to Senior Partner (2003–2011) and Executive Chairman of the Board of Directors (2007–2011) of the firm.

Felix R. Ehrat has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Thomas M. Hübner (1958)

Non-executive, independent member of the Board of Directors since 2015

Swiss citizen

Member of the Board of Directors and Lead Director B&M European Value Retail S.A., Luxemburg (LU), Member of the Board of Directors Panda Retail Company, Jeddah (SA), and Chairman of the Board of Directors Burger King SEE S.A., Brussels (BE), Member of the Industry Advisory Board VR Equitypartner GmbH, Frankfurt (DE)

Thomas M. Hübner completed a Master's degree in International Restaurant & Hospitality Management at Hotel Management School in Zurich in 1982. In 1996, he received an Executive MBA from the University of St. Gallen (HSG). From 2011 to 2013, Thomas M. Hübner was Executive Director Europe & International Partnerships and a member of the Group Executive Board at Carrefour SA (FR), where his responsibilities included an increased focus on the international franchising and joint venture business in Europe, Asia and the Middle East. From 2008 to 2011, he was both Chairman of the Board of Directors of Citrus International (CH) and Vice Chairman of the Board of Directors of Contract Farming India (CH). At Metro Cash & Carry International GmbH (DE), he was Chief Operating Officer for Eastern Europe and Russia from 2000 to 2002, and CEO from 2002 to 2008. Here he was responsible for various duties, including the increased internationalisation of the business and the professionalisation of purchasing processes. He also held the role of CEO at Prodega AG (CH) from 1996 to 2000. Before he was responsible for the Czech Republic and Slovakia at McDonald's from 1990 to 1995 and was Chief Operating Officer in Switzerland from 1988 to 1990. Furthermore, for three years up to 2014 he was Co-Chairman of ECR (Efficient Consumer Response) Europe, the most important European retail and manufacturer association.

Thomas M. Hübner has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



Hartmut Reuter (1957)

Non-executive, independent member of the Board of Directors since 2008

German citizen

Member of the Shareholders Committee and Supervisory Board Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors Wilkhahn GmbH + Co KG, Bad Münders (DE)

After graduating in industrial engineering from Technical University Darmstadt (DE), Hartmut Reuter joined the Bosch Group in Stuttgart (DE) in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units, until finally becoming Director in the planning and controlling division at Bosch headquarters. From 1997–2009, Hartmut Reuter was member of the Group Executive Board of the Rieter Group in Winterthur (CH); for the last seven of those years he was CEO of the company. Since then, he has worked as a freelance management consultant and has held positions in various supervisory bodies.

Hartmut Reuter has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



Jørgen Tang-Jensen (1956)

Non-executive, independent member of the Board of Directors since 2012

Danish citizen

Member of the Board of Directors Coloplast A/S (DK); Member of the Confederation of Danish Industry Business Political Committee

Jørgen Tang-Jensen holds an MSc in Economics & Business Administration from the Business School in Aarhus (DK). He has also completed a number of management further training courses at the IMD in Lausanne (CH) and at Stanford University (US). Jørgen Tang-Jensen has been CEO of the Danish building materials manufacturer VELUX A/S since 2001. The VELUX Group has 10,000 employees at its sales companies in about 40 countries and its manufacturing companies in 11 countries. VELUX is one of the strongest brands in the global building materials sector. After completing his studies, Jørgen Tang-Jensen joined the VELUX Group in 1981 and worked in various executive positions in the main VELUX sales and production companies until being appointed CEO. As a managing director, he was responsible for the respective national companies in Denmark from 1989–1991, France from 1991–1992, the United States in 1996 and Germany from 1999–2000.



Jørgen Tang-Jensen has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

3.3 Regulations in the Articles of Incorporation concerning the number of permissible activities in accordance with Art. 12 Para. 1 Clause 1 OaEC

Members of the Board of Directors may hold up to five mandates in profit-oriented legal entities and up to five mandates in non-profit-oriented legal entities or charitable legal entities outside the Geberit Group.

Mandates of a member of the Board of Directors or the Group Executive Board in legal entities which are controlled by the company, or which control the company as well as mandates held by such member in their capacity as a member of the Board of Directors of the company, or held by order and on behalf of the company or legal entities controlled by it, shall not count as mandates in legal entities outside the Geberit Group.

Mandates of a member of the Board of Directors of the company in legal entities outside the Geberit Group which are under common control, as well as mandates held by such member in their capacity as a member of the supreme governing body or of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it, shall be deemed one mandate outside the Geberit Group.

Mandates held by a member of the Board of Directors in their main activity as a member of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it shall not count as mandates within the meaning of this provision.

Mandates in the sense of the Articles of Incorporation are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

3.4 Elections and terms of office

Since 1 January 2014, pursuant to Art. 3 of the OaEC, the term of office for a member of the Board of Directors ends at the closing of the following ordinary General Meeting. Members of the Board of Directors are elected on an individual basis. Re-election is possible.

Also since 1 January 2014, the Chairman of the Board of Directors is elected by the General Meeting. Their term of office also ends at the closing of the following ordinary General Meeting. Re-election is possible. If the position of Chairman of the Board of Directors is vacant, the Board of Directors is to appoint a new Chairman of the Board of Directors from among its members for the remaining term of office.

Since 1 January 2014, members of the Nomination and Compensation Committee are also elected annually and on an individual basis at the General Meeting. Only members of the Board of Directors are eligible. Their term of office ends at the closing of the following ordinary General Meeting. Re-election is possible.

The members of the Board of Directors, Chairman of the Board of Directors and members of the Committees retire from their positions at the next ordinary General Meeting following their 70th birthday.

Robert F. Spoerry will not be standing for re-election at the next ordinary General Meeting. Within the context of succession planning, the Geberit AG Board of Directors will nominate Ms Regi Aalstad as a new member of the Board of Directors and – if she is elected as member of the Board of Directors – as a new member of the Compensation Committee at the ordinary General Meeting on 6 April 2016. Furthermore, if Hartmut Reuter is re-elected as a member of the Compensation Committee, the Board of Directors intends to appoint him as Chairman of the Nomination and Compensation Committee. The Chairman of the Board of Directors and the remaining members of the Board of Directors are standing for re-election for a further year.

3.5 Internal organisational structure

The organisation of the Board of Directors is governed by law, the Company's → **Articles of Incorporation** and the → **"Organisational Regulations of the Board of Directors of Geberit AG"** (see also → **"Definition of areas of responsibility"**).

As a result of the entry into force of the OaEC on 1 January 2014 and the amendments made to the Articles of Incorporation in this respect, the Chairman of the Board of Directors and the members of the Nomination and Compensation Committee are each to be elected annually and on an individual basis by the General Meeting. After each ordinary General Meeting, the Board of Directors elects the Vice Chairman from among its members, as well as the Chairman of the Nomination and Compensation Committee and the Chairman and the members of the Audit Committee.

Following the resignation of Albert M. Baehny as CEO with effect from the end of 2014, the function of Lead Director was no longer needed and was therefore abolished as of 31 December 2014.

The Board of Directors meets whenever business so requires, but at least four times a year generally for one day each (2015: eight meetings or telephone conferences). Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors.

The Board of Directors shall be quorate if a majority of its members are present. Attendance can also be effected via telephone or electronic media. Resolutions are passed with the majority of votes cast. In the event of a tie, the Chairman shall have the casting vote.

The regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person or via telephone. The participation rate for meetings of the Board of Directors in 2015 was 98%.

	3 Mar	1 Apr	30 Jun	10 Aug	24 Aug	25 Aug	23 Oct	8 Dec
Albert M. Baehny	X	X	X	–	X	X	X	X
Robert F. Spoerry	X	X	X	X	X	X	X	X
Felix R. Ehrat	X	X	X	X	X	X	X	X
Thomas Hübner	n/a	n/a	X	X	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X	X	X	X	X

The Board of Directors has formed two committees composed exclusively of non-executive and independent Board members:

Nomination and Compensation Committee (NCC; formerly Personnel Committee)

The compensation and nomination tasks and responsibilities are combined in this Committee.

The Nomination and Compensation Committee consists of three independent, non-executive members of the Board of Directors. The members of the Nomination and Compensation Committee are elected individually and annually by the General Meeting. The Chairman of the Nomination and Compensation Committee is appointed by the Board of Directors. If the Nomination and Compensation Committee is not complete, the Board of Directors is to appoint members to fill the corresponding position(s) for the remaining term of office. The Nomination and Compensation Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. In the event of a tie, the Chairman shall have the casting vote.

The members of the Nomination and Compensation Committee as of 31 December 2015 were Robert F. Spoerry (Chairman), Hartmut Reuter and Jørgen Tang-Jensen. The committee meets at least three times a year generally for a half day each (2015: four meetings). The participation rate for meetings in 2015 was 100%.

	25 Feb	30 Jun	24 Aug	7 Dec
Robert F. Spoerry	X	X	X	X
Hartmut Reuter	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X

The Nomination and Compensation Committee supports the Board of Directors in fulfilling its duties specified by law and the Articles of Incorporation in the area of the compensation and personnel policy of the Geberit Group. The powers and duties of the Nomination and Compensation Committee are based on the following principles:

1. Preparation and periodical review of the Geberit Group's compensation policy and principles and personnel policy, performance criteria related to compensation and periodical review of their implementation, as well as submission of the respective proposals and recommendations to the Board of Directors.
2. Preparation of all relevant decisions of the Board of Directors in relation to the nomination and compensation of the members of the Board of Directors and of the Group Executive Board, as well as submission of the respective proposals and recommendations to the Board of Directors.

The overall responsibility for the duties and competencies assigned to the Nomination and Compensation Committee remains with the Board of Directors.

The Board of Directors may delegate further powers and duties to the Nomination and Compensation Committee in respect of nomination, compensation and related matters.

The organisation, detailed responsibilities, functioning and reporting of the Nomination and Compensation Committee are stipulated in the → **Organisational Regulations of the Nomination and Compensation Committee (NCC)** of the Board of Directors of Geberit AG.

Audit Committee (AC)

The Audit Committee consists of three independent, non-executive members of the Board of Directors. They are appointed annually by the Board of Directors. The Board of Directors appoints a member of the Audit Committee as Chairman. The Audit Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. The CEO and CFO as well as the internal and external auditors attend the meetings if necessary. Furthermore, the committee is entitled to hold meetings exclusively with representatives of the external as well as the internal auditors. The Audit Committee has direct access to the internal auditors and can obtain all the information it requires within the Geberit Group and consult the responsible employees.

As of 31 December 2015, the Audit Committee was composed of Hartmut Reuter (Chairman), Felix R. Ehrat and Robert F. Spoerry. It meets at least twice a year generally for a half day each (2015: four meetings). The participation rate for meetings in 2015 was 100%.

	25 Feb	5 Aug	24 Aug	7 Dec
Hartmut Reuter	X	X	X	X
Felix R. Ehrat	X	X	X	X
Robert F. Spoerry	X	X	X	X

The Audit Committee supports the Board of Directors in fulfilling its duties specified by law, in particular in the areas of financial control (supervision of the internal and external auditors and monitoring of financial reporting) and ultimate supervision of the persons entrusted with the management (internal control system). The Audit Committee determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal and external auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. It also assesses the functionality of the internal control system, including risk management (refer to → **“Information and control instruments vis-à-vis the Group Executive Board”**). The Audit Committee supports the Board of Directors with corporate governance and compliance issues, monitors the relevant corporate governance and compliance aspects and develops them further. The overall responsibility for the duties and competencies assigned to the Audit Committee remains with the Board of Directors.

The organisation, detailed responsibilities, functioning and reporting of the Audit Committee are set out in the → **Organisational Regulations of the Audit Committee (AC) of the Board of Directors of Geberit AG**.

3.6 Definition of areas of responsibility

Pursuant to Swiss Corporate Law and the Articles of Incorporation at Geberit AG, the Board of Directors has the following non-transferable and irrevocable responsibilities:

- The ultimate management of the Company and the giving of the necessary directives
- The establishment of the organisation
- The structuring of the accounting system and the financial controls, as well as the financial planning
- The appointment and removal of the persons entrusted with the management and the representation
- The ultimate supervision of the persons entrusted with the management; in particular, in view of compliance with the law, Articles of Incorporation, regulations and directives
- The preparation of the annual report and of the compensation report (for the first time for the business year 2014), as well as the preparation of the General Meeting and the implementation of its resolutions
- The notification of the judge in case of overindebtedness

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Further areas of responsibility of the Board of Directors are set out in the Organisational Regulations of the Board of Directors and the Supplement to the Organisational Regulations.

To the extent legally permissible and in accordance with its Organisational Regulations, the Board of Directors has assigned the operational management to the Chief Executive Officer (CEO). The individual duties assigned to the Chief Executive Officer (CEO) are governed in particular by the Supplement to the Organisational Regulations. The Chief Executive Officer (CEO) is authorised to further delegate powers to individual members of the Group Executive Board and/or to other executives of the Geberit Group.

As of the end of 2015, the Group Executive Board is composed of the Chief Executive Officer and five other members. The members of the Group Executive Board are appointed by the Board of Directors based on the proposal of the Nomination and Compensation Committee.

The Articles of Incorporation and/or the Organisational Regulations of the Board of Directors regulate the duties and powers of the Board of Directors as a governing body, the Chairman and the committees. The Organisational Regulations also define the rights and duties of the Group Executive Board, which are set forth in more detail in the Internal Regulations for the Group Executive Board. The Supplement to the Organisational Regulations contains a detailed list of the decision-making powers and Group management duties.

The Organisational Regulations of the → **Board of Directors**, the → **Nomination and Compensation Committee** and the → **Audit Committee** can be viewed at → www.geberit.com/download-centre/publications/.

3.7 Information and control instruments vis-à-vis the Group Executive Board

At every meeting, the members of the Group Executive Board inform the Board of Directors of current business developments and major business transactions of the Group or Group companies. Between meetings, the Board of Directors is comprehensively informed in writing about current business developments and the company's financial situation on a monthly basis. Essentially, this report contains key statements on the Group and market development, information and key figures on the Group sales and profit development (in January, April, July and October, it contains statements only on sales development and not on profit development), statements on sales development in the individual product lines and countries or regions as well as an analysis on the share price development. The more extensive quarterly report additionally contains the expectations of the operational manage-

ment on the development of results until the end of the financial year, information on the development of the workforce and liquidity and on the investments made, the composition of the shareholders as well as market expectations in regard to the business development. In the past year, the Board of Directors held eight meetings.

Furthermore, the Chairman of the Board of Directors and the Chief Executive Officer are in contact at regular intervals with respect to all major issues of corporate policy. Each member of the Board of Directors may individually demand information with respect to all matters of the Group or Group companies.

Based on the Organisational Regulations of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks linked to the business activities. This process includes risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for controlling of risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis. For information on the management of financial risks, refer to **→ Notes to the Consolidated Financial Statements, 4. "Risk assessment and management"**. In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimisation proposals of previous audits.

4. Group Executive Board

4.1/4.2 Members of the Group Executive Board

At the end of 2015, the Group Executive Board was composed of six members.

Christian Buhl (1973)

**Chief Executive Officer (CEO) of the Geberit Group since January 2015
member of the Group Executive Board since 2015
with Geberit since 2009
Swiss citizen**

Christian Buhl studied physics at the Swiss Federal Institute of Technology (ETH) in Zurich (Dipl. Phys. ETH) before undertaking his doctorate (Dr. oec. HSG) in the area of financial market research at the University of St. Gallen. From 2000 to 2003, he worked as a teaching and research assistant at the Swiss Institute of Banking and Finance in St. Gallen and in research and teaching at the Centre for Economic Research at the University of Basel. From 2004 to 2008, Christian Buhl worked at McKinsey & Company, Zurich, where he undertook projects for various Swiss and international industrial companies, supporting them in the area of strategy, M&A, marketing and organisation. He joined Geberit in 2009, initially as Head Strategic Planning, before taking over responsibility for the Geberit AquaClean shower toilet business. From 2012 to the end of 2014, Christian Buhl was Managing Director of the German sales company – the most important sales unit within the Geberit Group. He has been the Chief Executive Officer (CEO) of the Geberit Group since 1 January 2015, refer also to [→ Management Structure](#).



Roland Iff (1961)

**Member of the Group Executive Board since 2005
with Geberit since 1993
Head of Group Division Finance (CFO)
Swiss citizen
Vice Chairman of the Board of Directors VZ Holding AG, Zurich (CH)**

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic.oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich (CH) and at the company's headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels (BE) before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan (IT) in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. Beginning in October 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Division Finance (CFO) of the Geberit Group since 2005, refer also to [→ Management Structure](#).



Michael Reinhard (1956)

**Member of the Group Executive Board since 2005
with Geberit since 2004
Head of Group Division Products
German citizen
Member of the Board of Directors Reichle & De-Massari AG, Wetzikon (CH)**

Michael Reinhard studied mechanical engineering at the Technical University Darmstadt (DE) and was awarded a PhD in materials science from the Deutsche Kunststoffinstitut. He started his professional career in 1987 as a project manager with Automatik GmbH, Gross-Ostheim (DE). In 1990, he joined McKinsey & Company and was soon promoted to senior associate. In 1992, Michael Reinhard joined Schott, Mainz (DE), where he was entrusted with various functions of increasing responsibility within international sales and marketing. In 1995, he became Vice President of Schott's Pharmaceutical Packaging Division and in 1998 Senior Vice President of the Tubing



Division comprising 2,400 employees. At Geberit, Michael Reinhard became Head of Group Division Sales in 2005. He has been Head of the Group Division Products since 2006, refer also to → [Management Structure](#).

Egon Renfordt-Sasse (1957)

**Member of the Group Executive Board since February 2015
with Geberit since 1997**

**Head of Group Division Marketing & Brands
German citizen**

Egon Renfordt-Sasse completed his mechanical engineering studies at RWTH Aachen University (DE) in 1986. He began his career at Battenfeld-Fischer in Troisdorf (DE), where he held several positions until 1997, the last of which as manager of the "Technical Parts" profit centre. In 1997, he joined the Geberit Group as the product manager responsible for the Installation Systems product line. From 2001 to 2003, he was responsible for "Sales Engineering" – among other things – at Geberit's German sales company. He then became Head of Products Sanitary Systems at the Group, a position he held until 2012. Since then, he has been Head of Group Marketing. The Board of Directors of Geberit AG appointed Egon Renfordt-Sasse as Head of Group Division Marketing & Brands with effect from 10 February 2015, refer also to → [Management Structure](#).



Karl Spachmann (1958)

**Member of the Group Executive Board since 2011
with Geberit since 1997**

**Head of Group Division Sales Europe
German citizen**

Karl Spachmann graduated in business and organisational studies at the University of the German Armed Forces in Munich (DE). He began his career with the German Armed Forces in 1983 where he served as radar commanding officer, platoon leader and press officer until 1990. In early 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. Karl Spachmann has been Head of the Division Sales Europe since 2011, refer also to → [Management Structure](#).



Ronald van Triest (1969)

**Member of the Group Executive Board since June 2015
with Geberit since June 2015**

**Head of Group Division Sales International
Dutch citizen**

Ronald van Triest completed his Master's degree in Management and Organisation at the University of Groningen (NL) in 1996. He started his career at Royal Philips, where he held various roles until 2006. These were initially in the areas of marketing and sales, before a second phase where he took on wide-ranging responsibilities in the areas of product management, M&A and executive management. He operated predominantly from Singapore and Hong Kong. From 2007 to 2009, he was General Manager Sales at China Electronics Corporation in Shenzhen (CN), where he was responsible for the sales, marketing, service and logistics and managed staff in China, Singapore, Russia and Turkey. From 2010 to 2015, he worked for Ellipz Lighting in Singapore. As CEO and Managing Director, he was responsible for setting up and developing the Asian business. Among other things, he established a joint venture in Beijing, set up the local production, R&D and sales and created sales channels in South-East Asia and the Middle East as well as a joint venture in India. The Board of Directors of Geberit AG appointed Ronald van Triest as Head of Group Division Sales International with effect from 1 June 2015, refer also to → [Management Structure](#).



4.3 Regulations in the Articles of Incorporation concerning the number of permissible activities in accordance with Art. 12 Para. 1 Clause 1 OaEC

Members of the Group Executive Board may hold up to two mandates in profit-oriented legal entities and up to four mandates in non-profit-oriented legal entities or charitable legal entities outside the Geberit Group.

Mandates of a member of the Group Executive Board in legal entities which are controlled by the company, or which control the company as well as mandates held by such member in their capacity as a member of the Group Executive Board of the company, or held by order and on behalf of the company or legal entities controlled by it, shall not count as mandates in legal entities outside the Geberit Group.

Mandates of a member of the Group Executive Board of the company in legal entities outside the Geberit Group which are under common control, as well as mandates held by such member in their capacity as a member of the supreme governing body or of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it, shall be deemed one mandate outside the Geberit Group.

The acceptance of mandates from members of the Group Executive Board in legal entities outside the Geberit Group must be approved in advance by the Board of Directors or, if delegated to it, the Nomination and Compensation Committee.

Mandates in the sense of the Articles of Incorporation of Geberit AG are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

4.4 Management contracts

The Group has not entered into any management contracts with companies (or natural persons) outside the Geberit Group.

5. Compensations, shareholdings and loans

See → [Remuneration Report](#).

6. Participatory rights of the shareholders

6.1 Voting rights and representation restrictions

The voting right may be exercised only if the shareholder is recorded as a voting shareholder in the share register of Geberit AG. Treasury shares held by the company do not entitle the holder to vote.

Shareholders can be represented at the General Meeting only by their legal representative, another voting shareholder or the independent proxy in accordance with the company's Articles of Incorporation. The company recognises only one representative per share.

The Board of Directors determines the requirements concerning powers of attorney and instructions in accordance with the legal provisions and can issue regulations to this effect.

For limitations on transferability and nominee registrations, see → [Clause 2.6, Corporate governance](#) and → [Corporate governance, capital structure](#).

6.2 Quorums required by the Articles of Incorporation

The company's Articles of Incorporation do not stipulate any resolutions of the General Meeting that can be passed only by a larger majority than that envisaged by law.

6.3/6.4 Convocation of the General Meeting of Shareholders/agenda

The General Meeting is convened by the Board of Directors at the latest 20 days before the date of the meeting. No resolutions may be passed on any subject not announced in this context. Applications to convene an extraordinary General Meeting or for the performance of a special audit are exempt from this rule and may be made by any shareholder during a General Meeting without prior announcement. Shareholders representing shares with a par value of CHF 4,000 may demand inclusion of items on the agenda. Such requests must be made at least 45 days before the General Meeting in writing by stating the items of the agenda and the motions.

Furthermore, outside a General Meeting, one or more shareholders representing together at least 3% of the share capital may jointly request that an extraordinary General Meeting is called. This is made in writing by indicating the agenda items and the motion, and in the case of elections the names of the proposed candidates.

6.5 Inscriptions into the share register

In the invitation to the General Meeting, the Board of Directors will announce the cut-off date for inscription into the share register that is authoritative with respect to the right to participate and vote.

7. Changes of control and defence measures

7.1 Obligation to make an offer

There are no regulations in the Articles of Incorporation with respect to "opting-up" or "opting-out".

7.2 Change of control clauses

For agreements and plans in the event of a change of control, see the → [Remuneration report](#).

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, has been the auditor of the Geberit Group since 1997 and of Geberit AG since its foundation in 1999. Lead auditor Beat Inauen has been in charge of the auditing mandate since 2015.

8.2 Auditing fees

In 2015, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,826 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

8.3 Additional fees

For additional services, PricewaterhouseCoopers invoiced TCHF 585 relating to tax consultancy and support as well as TCHF 130 for other services. Therefore, the non-audit fees amount to 39% of the audit fees.

8.4 Information tools of the external auditors

Before every meeting, the external auditor informs the Audit Committee in writing about relevant auditing activities and other important facts and figures related to the company. Representatives of the external and internal auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. The external auditors attended two meetings of the Audit Committee in the reporting year 2015.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and supports the Board of Directors in the nomination of the auditor for the attention of the General Meeting. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses the audit results with the external and internal auditors. For more details on the Audit Committee, see → [item 3, Board of Directors, Internal organisational structure, Audit Committee](#).

9. Information policy

Geberit maintains open and regular communication with its shareholders, the capital market and the general public with the CEO, CFO and the Head Corporate Communications & Investor Relations as direct contacts.

Printed summary annual reports as well as half-year reports are sent to shareholders. A comprehensive online version of the annual report, including an integrated sustainability report, is available on the website at → www.geberit.com/annualreport. Quarterly financial statements are published. Media and analysts' conferences are held at least once a year.

Contact may be established at any time at → corporate.communications@geberit.com. Contact addresses for investors, media representatives and the interested public can be found on the website at → www.geberit.com/contact/contacts/ under the appropriate chapters.

Interested parties may add their names to a mailing list available at → www.geberit.com/maillinglist, in order to receive ad hoc announcements or further information relating to the company. All published media releases of the Geberit Group from recent years can be downloaded at → www.geberit.com/media/.

For further details on the Geberit Group's information policy, including a time schedule, please refer to the → ["Geberit share information"](#) chapter.

Remuneration Report

The Remuneration Report provides an overview of Geberit's remuneration principles and programs, as well as information about the method of determination of remuneration. It also includes details of the remuneration of the members of the Board of Directors and of the Group Executive Board related to the business year 2015. The report provides important and relevant information to be considered by the shareholders when making their decision with regards to the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2016 General Meeting for approval.

The report is written in accordance with the provisions of the Ordinance against Excessive Compensation in Listed Stock Corporations, the standards related to information on Corporate Governance issued by the SIX Swiss Exchange, as well as the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

The report is structured as follows:

1. Introduction by the Chairman of the Nomination and Compensation Committee
2. Remuneration policy and principles
3. Determination of remuneration
4. Remuneration architecture
5. Board of Directors: remuneration and share ownership in 2015
6. Group Executive Board: remuneration and share ownership in 2015
7. Summary of share and option plans 2015
8. Summary of shares and options held by employees and management as of 13 December 2015

Additional information on business development in 2015 see also → [Business and financial review](#).

1. Introduction by the Chairman of the Nomination & Compensation Committee

Dear Shareholder

The purpose of the remuneration programs is to attract, retain and motivate employees, to drive best-in-class performance and to encourage behaviours that are aligned with the company's high standards of integrity. We strive to proactively refine our remuneration system in order to respond to the changing business and regulatory environment, and we are keen to ensure that our remuneration principles reward performance and are well aligned to the interests of our shareholders.

Based on your feedback and in the context of the implementation of the Ordinance against Excessive Compensation in Listed Stock Corporations, we continuously assess and review our remuneration system. We made a number of changes in recent years, such as the elimination of performance-based remuneration for members of the Board of Directors, the introduction of a performance condition and, for the coming years, the extension of the vesting period in the long-term incentive plan for the Group Executive Board, as well as the implementation of a claw-back policy on the variable remuneration payments made to the Group Executive Board.

We have also expanded the disclosure of remuneration in our Remuneration Report. Based on the positive outcome of the shareholder consultative vote on the Remuneration Report at the 2014 and 2015 General Meetings, we believe that shareholders welcome the changes made to our remuneration programs and disclosure. This year again, we decided to further enhance our disclosure with additional information about performance in the reporting year, so that you can better assess the link between pay and performance. Looking ahead, we will continue to review and refine our remuneration framework in order to promote sustainable performance and employees' engagement, while ensuring compliance on the regulatory requirements.

At the 2016 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, and to the Executive Board for the 2017 business year. Further, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote. You will see in the report that the remuneration awarded to the Board of Directors for the compensation period ending with the 2016 General Meeting is in line with the limits approved by the 2015 General Meeting (limits approved for the remuneration of the Group Executive Board start to apply with business year 2016).

The Board of Directors would like to thank you for your valuable feedback about our executive remuneration. We hope that you find this report informative and are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with the shareholders' interests.

Yours sincerely



Robert F. Spoerry
Chairman of the Nomination & Compensation Committee

2. Remuneration policy and principles

Core principles

In order to ensure the company's success and to maintain its position as market leader, it is critical to attract, develop and retain the right talent. Geberit's remuneration programs are designed to support this fundamental objective and are based on the following principles:

- Remuneration is competitive with that of other companies with which Geberit competes for talent
- Both company performance and individual contributions are recognised and rewarded
- Remuneration programs are balanced between rewarding short-term success and long-term value creation
- Shareholding programs foster the long-term commitment and mindset of executives and the alignment of their interests to those of the shareholders
- Executives are protected against risks through appropriate pension and insurance programs

Remuneration of the Board of Directors

In order to ensure the independence of the Board of Directors in its supervisory function over the Group Executive Board, members of the Board of Directors receive a fixed remuneration in the form of cash and non-discounted shares with a blocking period of four years. The remuneration system for the Board of Directors does not contain any performance-related component, refer also to [→ Remuneration architecture, Board of Directors](#).

Remuneration of the Group Executive Board

The remuneration of the Group Executive Board consists of fixed and variable elements.

The base salary and benefits form the fixed remuneration and are based on prevalent market practice.

The variable remuneration drives and rewards best-in-class performance by ways of continuously setting ambitious and stretched targets. The variable remuneration consists of short-term and long-term elements:

- The short-term variable remuneration is based on Geberit's value drivers, such as sales, earnings before interest and tax (EBIT), return on invested capital (ROIC) and earnings per share (EPS), as well as individual objectives that are embedded in the annual performance management process. This remuneration balances the reward of individual performance and company success.
- The long-term variable remuneration is based on the return on invested capital (ROIC) and aims to reward sustainable performance, to align the interests of management to those of shareholders and to foster long-term retention of the executives.

The variable remuneration is capped in order to not reward inappropriate risk taking or short-term profit maximisation at the expense of the long-term health of the company, refer also to [→ Remuneration architecture, Group Executive Board](#).

Governance and shareholders' involvement

Authority for decisions related to remuneration are governed by the Articles of Incorporation and the Organisational Regulations of Geberit AG.

The prospective maximum aggregate amounts of remuneration of the members of the Board of Directors and of the Group Executive Board are subject to a binding shareholders' vote at the Annual General Meeting. In addition, the Remuneration Report for the preceding period is subject to a consultative vote, refer also to [→ Determination of remuneration](#).

3. Determination of remuneration

3.1. Nomination and Compensation Committee

As determined in the Articles of Incorporation and in the Organisational Regulations of Geberit AG, the Nomination & Compensation Committee (NCC) supports the Board of Directors (BoD) in the fulfillment of its duties and responsibilities in the area of remuneration and personnel policy, including:

- Establishment and periodical review of the Group's remuneration policy and principles
- Yearly review of the individual remuneration of the CEO and of the other members of the Group Executive Board
- Yearly performance assessment of the CEO and of the other members of the Group Executive Board
- Preparation of the remuneration report
- Personnel development of the Group Executive Board
- Succession planning and nomination for positions on the Group Executive Board
- Pre-selection of candidates for election or re-election to the Board of Directors

Approval and authority levels on remuneration matters:

Decision on	CEO	NCC	BoD	AGM
Remuneration policy and guidelines, in line with the provisions of the Articles of Association		proposes	approves	
Maximum aggregate amount of remuneration for the Board of Directors and for the Group Executive Board		proposes	reviews	binding vote
Individual remuneration of members of the Board of Directors		proposes	approves	
Individual remuneration of the CEO (including fixed remuneration, STI ¹ and LTI ²)		proposes	approves	
Individual remuneration of the other members of the Group Executive Board	proposes	reviews	approves	
LTI ² grant for all other eligible parties	proposes	reviews	approves	
Remuneration report		proposes	approves	consultative vote

¹ Short-Term Incentive

² Long-Term Incentive

The Nomination & Compensation Committee consists exclusively of independent and non-executive members of the Board of Directors, who are elected annually by the General Meeting. For the period under review, the NCC consisted of Robert F. Spoerry as Chairman and Jørgen Tang-Jensen and Hartmut Reuter as members.

The Nomination and Compensation Committee meets at least three times per year. In 2015, it held four meetings including, among others, the following pre-defined recurring agenda items:

	Beginning of year (Feb/March)	Spring (April/May)	Summer (August)	End of year (December)
Remuneration policy		- Review of remuneration policy and programs		
Group Executive Board (GEB) matters	<ul style="list-style-type: none"> - Individual performance appraisal previous year - STI payout previous year - Vesting of equity awards previous years 	- Benchmarking of GEB remuneration	<ul style="list-style-type: none"> - Succession planning for GEB positions - Talent management session 	<ul style="list-style-type: none"> - Target remuneration following year - Target setting for STI following year - Option valuation and definition of performance criteria LTI for next grant
Board of Director (BoD) remuneration		- Benchmarking of BoD remuneration		- BoD remuneration following year
Governance	- AGM preparation (maximum amounts of remuneration of GEB and BoD to be submitted to say-on-pay votes)		- Review of shareholders and proxy advisors feedback on the remuneration report	<ul style="list-style-type: none"> - Draft remuneration report - Agenda NCC for following year

As a general rule, the Chairman of the Board of Directors, the CEO and the Head of Corporate Human Resources participate in the meetings of the Nomination and Compensation Committee. The Chairman of the Nomination & Compensation Committee may invite other executives as appropriate. However, the Chairman of the Board of Directors and the executives do not take part in the section of the meetings where their own performance and/or remuneration are being discussed. At the end of each meeting, a closed session takes place among the members of the Nomination and Compensation Committee only.

After each meeting, the Chairman of the Nomination & Compensation Committee reports to the Board of Directors on its activities and recommendations. The minutes of the Nomination & Compensation Committee's meetings are available to the full Board of Directors.

3.2. Process of determination of remuneration

Benchmarks and external consultants

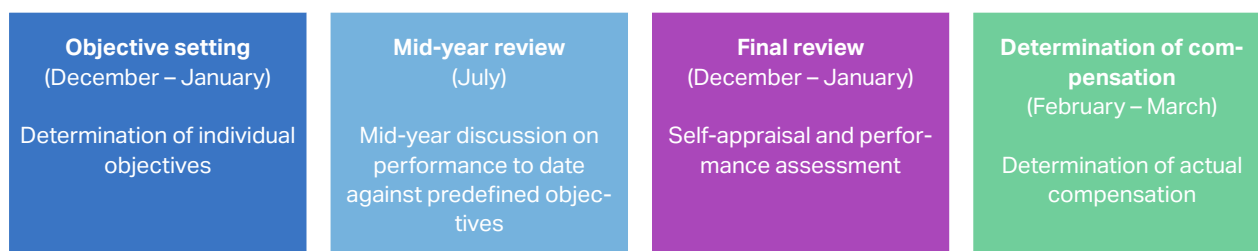
Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, e.g. every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2015, a detailed analysis of the remuneration of the CEO and the other members of the Group Executive Board was carried out by an independent external compensation consulting firm, Towers Watson. This consulting firm has no other mandates from Geberit. The remuneration analysis was conducted on the basis of a peer group of industrial companies of comparable size and geographic scope and headquartered in Switzerland: Autoneum, Barry Callebaut, Bucher, Dätwyler, Ems-Chemie, Georg Fischer, Givaudan, Kaba, Logitech, Lonza, Mettler-Toledo, OC Oerlikon, Schindler, Schweiter, SFS, Sika, Sonova, Sulzer and Zehnder. The study, together with other published data, served as basis to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the business year 2016. While many different factors, such as individual role and contribution, company performance and affordability, are con-

sidered to determine remuneration levels, the policy of Geberit is to provide target remuneration that is in principle positioned around the market median.

In regard to the remuneration of the Board of Directors, the remuneration and levels are reviewed periodically by the Nomination & Compensation Committee. Such a review took place again in 2015 with a benchmarking analysis provided by Towers Watson companies of the Swiss Market Index Mid (SMIM). The study, together with other published data, served as basis to determine the remuneration of the members of the Board of Directors for the remuneration period starting at the 2016 General Meeting.

Performance management

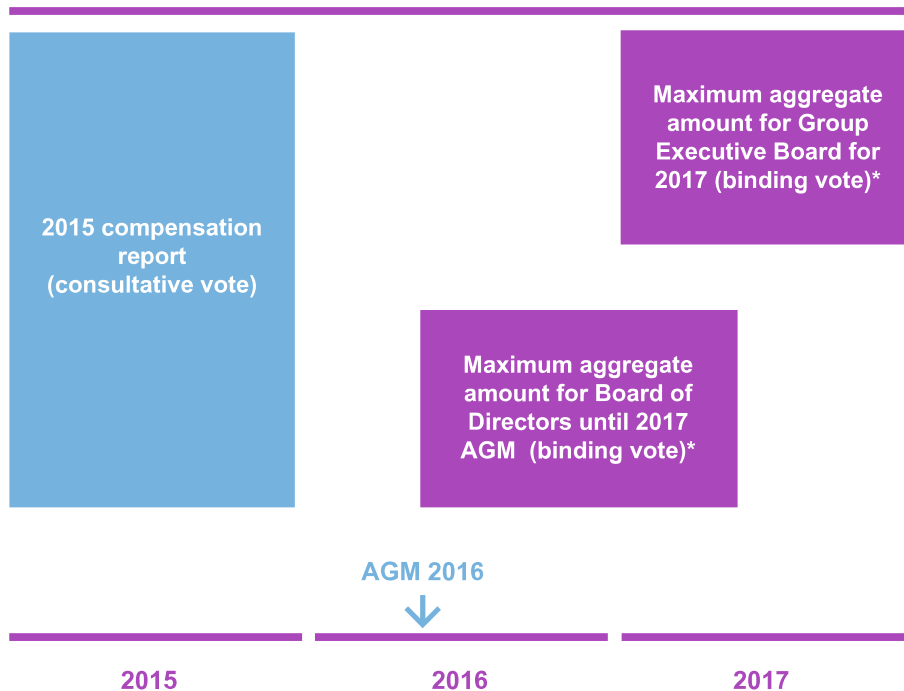
The actual remuneration effectively paid out in a given year to the Group Executive Board members depends on the company and on the individual performance. Individual performance is assessed through the formal annual performance management process: company and individual performance objectives are approved at the beginning of the business year and achievements against those objectives is assessed after year-end. The performance appraisal is the basis for the determination of the actual remuneration.



3.3. Shareholder involvement

In the last three years, based on the feedback received by shareholders and shareholders' representatives, Geberit has made significant efforts to improve the remuneration disclosure in terms of transparency and level of detail provided about the remuneration principles and programs. The positive outcome of the consultative votes on the 2013 and 2014 Remuneration Reports indicates that shareholders welcome the progress made. Geberit foresees to continue to submit the Remuneration Report to a consultative shareholders' vote at the General Meeting, in order that shareholders have an opportunity to express their opinion about the remuneration system.

In addition, as required by the Ordinance against Excessive Remuneration in Listed Stock Corporations, shareholders are asked to approve the amount of remuneration of the Board of Directors and of the Group Executive Board in a binding vote at the General Meeting. The provisions of the Articles of Association of Geberit require shareholders to vote on the prospective maximum aggregate remuneration amount for the Board of Directors until the next ordinary General Meeting and for the Group Executive Board for the following business year.



* Detailed information regarding the remuneration amounts submitted to vote is provided in the invitation to the General Meeting.

The maximum aggregate remuneration amount for the Board of Directors includes the cash remuneration, the value of the restricted shares at grant and the social security contributions made by the employer.

The maximum aggregate remuneration amount for the Group Executive Board includes the following:

- Fixed remuneration: base salaries, value of benefits, employer contributions to retirement plans and estimated employer contributions to social security
- Maximum possible payout under the variable cash incentive plan (STI) if the achievement of all performance objectives reach the cap level and assuming a maximum investment into the share participation plan (with maximum possible value of matching options)
- Fair value of the options at grant

Therefore, the maximum aggregate remuneration amount submitted to shareholders' vote is potentially much higher than the amount of remuneration that will be effectively paid out to the members of the Group Executive Board based on the performance achieved. The amount effectively paid out will be disclosed in the remuneration report of the respective business year and will be subject to a consultative shareholders' vote.

We are convinced that the binding prospective vote on the aggregate remuneration amounts, combined with a consultative retrospective vote on the remuneration report, provide our shareholders with a far-reaching "say-on-pay".

Articles of Association

As required by the Ordinance, → **the Articles of Association of Geberit** include the following provisions on remuneration:

- Principles applicable to performance-related pay:
The members of the Group Executive Board may be paid variable remuneration which may include short- and long-term elements and which is linked to the achievement of one or several performance criteria. Performance criteria are determined by the Board of Directors and may include individual and company targets. The Board of Directors determines the terms and conditions of any share-based remuneration, including time of allocation, valuation methodology, blocking and/or vesting and/or exercise periods, maximum award limits and any applicable claw-back mechanism.
- Additional amount for payments to members of the Group Executive Board appointed after the vote on remuneration at the General Meeting:
For the remuneration of members of the Group Executive Board who have been appointed after the approval of the maximum aggregate remuneration amount by the General Meeting, and to the extent that the maximum aggregate remuneration amount as approved does not suffice, an amount of up to 40% of the maximum aggregate remuneration amount approved for the Group Executive Board is available without further approval of the General Meeting.
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Board:
No loans or credits shall be granted to members of the Board of Directors or the Group Executive Board.

The provisions of the Articles of Association have been kept broad in order that the Board of Directors has sufficient flexibility to make amendments to the remuneration programs in the future, if so necessary. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Association and are aligned to good practice in corporate governance; for example, the independent members of the Board of Directors are not eligible for any variable remuneration or retirement benefits, refer also to → **Remuneration architecture, Board of Directors**.

4. Remuneration architecture

4.1. Board of Directors

The remuneration of the members of the Board of Directors is defined in a regulation adopted by the Board of Directors and consists of an annual fixed retainer and a remuneration for their committee work. The remuneration is paid in form of restricted shares subject to a four-year blocking period. In addition, the members of the Board of Directors receive a lump sum to cover their expenses, paid out in cash.

The chairman of the Board of Directors receives an annual total fixed retainer paid 70% in cash and 30% in restricted shares subject to a four-year blocking period. The Chairman also receives the same expense allowance but is not entitled to additional fees for committee attendance.

Annual fees	in CHF	Delivery
Chairman	985,000	Cash and restricted shares
Vice-Chairman	245,000	Restricted shares
Member of the Board of Directors	170,000	Restricted shares
Chairman of NCC / Audit Committee	45,000	Restricted shares
Member of NCC / Audit Committee	30,000	Restricted shares
Expense allowance	15,000	Cash

The remuneration is paid out at the end of the term of office and is subject to regular contributions to social security. The members of the Board of Directors are not insured under the company pension plan.

The shares are subject to an accelerated unblocking in case of death; they remain subject to the regular blocking period in all other instances.

Further information regarding the remuneration amounts for the period from the 2016 General Meeting to the 2017 General Meeting is provided in the invitation to the 2016 General Meeting.

4.2. Group Executive Board

The remuneration of the Group Executive Board is defined in a regulation adopted by the Board of Directors and consists of the following elements:

- Base salary
- Variable cash remuneration (Short-Term Incentive (STI))
- Long-term equity participation plan (Long-Term Incentive (LTI))
- Additional employee benefits, such as pension benefits and perquisites

	Program	Instrument	Purpose	Plan-/ performance period (staged)	Performance metrics in 2015
Fixed base salary	Annual base salary	Monthly cash payments	Pay for the function		
Short-Term Incentive	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract & retain	1-year performance period	Sales, EBIT, EPS, ROIC, individual objectives
	Share Participation Program MSPP	Matching share options in case of an investment of variable cash in restricted shares	Align with shareholders' interests	Shares: 3-year restriction period Share options: 4-year vesting period (staged), 7-year plan period	Share options: ROIC
Long-Term Incentive	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance Align with shareholders' interests Retain	4-year performance period, 7-year plan period*	ROIC
Benefits	Pension	Gemeinschafts-stiftung Wohlfahrtsfonds	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & retain		

* 2016: 5-year performance period (staged), 10-year plan period

Base salary

The base salary is a fixed remuneration paid in cash on a monthly basis. It is determined on the basis of the scope and responsibilities of the position, the market value of the role and the qualifications and experience of the incumbent. The base salary is reviewed annually based on market salary information, the company's financial affordability and performance, and the evolving experience of the individual in the role.

Variable cash remuneration / Short-Term Incentive (STI)

The variable cash remuneration (STI) of the Group Executive Board and some 150 additional members of Group management rewards the achievement of annual financial business goals and of individual objectives agreed and evaluated within the annual performance management process.

The base salary and the variable cash remuneration (assuming 100% achievement of all objectives) form the so-called target income. The base salary makes up 70% of the target income and the variable remuneration 30%, out of which 25% is driven by the achievement of business goals and 5% by the achievement of individual objectives.

Functionality remuneration model

The financial objectives include sales, EBIT, earnings per share (EPS) and return on invested capital (ROIC), equally weighted. These financial objectives have been chosen because they are key value drivers and generally reward for growing the business and gaining market shares (top-line contribution), for increasing profitability over-proportionally through strong operating leverage (bottom-line contribution) and for investing the capital efficiently. Every year, on the basis of a recommendation made by the Nomination & Compensation Committee, the Board of Directors determines the expected target level of performance for each financial objective for the following year. In order to strengthen the company's position as market leader and to continuously strive for superior performance, substantial improvements against the previous year's achievements are generally required in order to meet the target level of performance, in line with the company's

To find out how the functionality remuneration model works, visit the interactive graphic in the online Annual Report at → www.geberit.com/annualreport > **Business report > Remuneration report.**

ambitious financial plan. The intention of this demanding target setting is to deliver best-in-class performance and to stay ahead of the market. In addition, a threshold level of performance, below which no variable remuneration is paid out, and a maximum level of performance, above which the variable remuneration is capped, are determined as well. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives shall not exceed 60% of the target income.

The individual performance component is based on the achievement of individual objectives predefined at the beginning of the year between the CEO and individual members of the Group Executive Board, and for the CEO, between the Board of Directors and the CEO. The individual objectives are of a more qualitative and strategic nature and may include, for example, objectives related to product and service innovation, entry in new markets, management of strategic projects and leadership. The maximum payout for the individual objectives shall not exceed 10% of the target income.

As a result, the total variable cash remuneration for members of the Group Executive Board is capped at 70% of the target income, which corresponds to the annual base salary.

Members of the Group Executive Board have the opportunity to invest part or all their variable cash remuneration in shares of the company through the Management Stock Purchase Plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable cash remuneration to be invested in shares. The shares are blocked for a period of three years. In order to encourage executives to participate in the program, a free share option is provided for each share purchased through the program. The options are subject to a performance-based vesting period of four years: a quarter vest one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant. The other features of the options and the performance condition (return on invested capital ROIC) are the same as those applicable to the options granted under the Long-Term Incentive MSOP plan, see section → **Long-Term Incentive (LTI)**.

In the event of termination of employment, the following provisions apply to MSPP shares and options:

Termination reason	Plan rules		
	Unvested options	Vested options	Restricted shares
Death	Accelerated vesting based on effective performance at date of termination as determined by the Board of Directors	Regular exercise period	Immediate unblocking
Retirement or disability	Regular vesting schedule	Regular exercise period	Immediate unblocking
Other reasons than death, retirement or disability	Forfeiture	90-day exercise period	Regular blocking period
Change of control*	Accelerated vesting based on effective performance at date of termination as determined by the Board of Directors	Regular exercise period	Immediate unblocking

* This rule only applies in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of a change of control or liquidation.

Long-Term Incentive (LTI)

The purpose of the Long-Term Incentive (Management Share Option Plan MSOP) is to ensure long-term value creation for the company, alignment of the interests of executives to those of shareholders and long-term retention of executives. The MSOP was revised, with the introduction of a performance-based vesting condition effective 1 January 2013 and with the extension of the vesting period to five years (one third three years, one third four years and one third five years after grant), effective 1 January 2016.

To find out how the long-term option program (MSOP) works, visit the interactive graphic in the online Annual Report at → www.geberit.com/annualreport > **Business report > Remuneration report**.

Every year, the Board of Directors determines the grant of share options. In 2015, the market value of options granted amounts to 40% of the target income for the CEO and the other members of the Group Executive Board. For some 60 additional participants of the Group management, the market value amounts to 10% of the target income.

The options granted in 2015 are subject to a vesting period staged over four years as follows: a third of the options can be exercised two years after the grant, a further third can be exercised three years after the grant and the remaining third four years after the grant.

For future grants, the vesting period of the options will be extended to five years according to the following schedule: one-third of the grant will vest three years after the grant, a further third will vest four years after the grant and the last third will vest five years after the grant and will have a term of ten years.

The vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested Operating Capital (ROIC) over the respective vesting period. ROIC expresses how well the company is generating cash relative to the capital it has invested in its business. The Board of Directors determines a target level of performance for which the options will vest in full and a minimum level of performance (threshold), below which there is no vesting at all. Both the threshold and the target are ambitious: they are substantially above the weighted average cost of capital. The payout level between the threshold and the target is determined by linear interpolation. There is no over-achievement in the MSOP. The options have a term of seven years (starting 1 January 2016: ten years) after which they expire. They can be exercised between the respective vesting date and the expiration date. The exercise price of the options corresponds to the fair market value of the underlying share at the time of grant.

In the event of termination of employment, the following provisions apply to MSOP options:

Termination reason	Plan rules	
	Unvested options	Vested options
Death	Accelerated pro-rata vesting on the basis of the number of full months worked during the vesting period	Regular exercise period
Retirement or disability	Pro-rata vesting (on the basis of the number of full months worked) at regular vesting date	Regular exercise period
Other reasons than death, retirement or disability	Forfeiture	90-day exercise period
Change of control*	Accelerated vesting based on effective performance at date of termination as determined by the Board of Directors	Regular exercise period

* This rule only applies in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of a change of control or liquidation.

Disclosure of targets

Internal financial and individual targets under the STI and the LTI plans are considered commercially sensitive information. Communicating such targets would allow delicate insight into the strategy of Geberit and therefore may create a competitive disadvantage for the company. Therefore, the decision was made not to disclose the specifics of those targets at the time of their setting, but to provide a general comment on the performance at the end of the cycle. As a general principle, on a comparable basis, substantial improvements against the previous year's achievements are required in order to meet the target level of performance, in line with the company's ambitious financial plan.

Benefits

Members of the Group Executive Board participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to TCHF 146 per annum, with age-related contribution rates equally shared between the company and the individual, and a supplementary plan in which income in excess of TCHF 146 is insured (including

actual variable cash remuneration), up to the maximum amount permitted by law. The company pays for the entire contribution in the supplementary plan.

Furthermore, each member of the Group Executive Board is entitled to a company car and a representation allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

Employment terms and conditions

All members of the Group Executive Board have permanent employment contracts with notice periods of a maximum of one year. Members of the Group Executive Board are not entitled to any severance payment.

In order to ensure good corporate governance, Geberit has implemented a claw-back policy on payments made under the Short-Term Incentive program, which covers situations where the company is required to restate its accounts due to non-compliance with financial reporting requirements under the securities laws at the time of disclosure. In such cases, the Board of Directors is empowered to recalculate the STI payout, taking into account the restated financial results, and to seek reimbursement of any STI amount paid in excess of the newly calculated amount. The claw-back clause is applicable for three years after the payment of the respective variable remuneration.

5. Board of Directors: remuneration and share ownership in 2015

This section is audited by the external auditor.

The remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of cash and non-discounted restricted shares. In 2015, members of the Board of Directors received a total remuneration of TCHF 2,293 (previous year TCHF 995). Remuneration for regular board activities and committee assignments amounted to TCHF 2,100 (previous year TCHF 893). The structure and levels of remuneration of the members of the Board of Directors have not changed compared to the previous year. The increase of remuneration between 2014 and 2015 is entirely due to the following factors:

- The remuneration of the Chairman is now included in the remuneration of the Board of Directors, while it was included in the remuneration of the Group Executive Board in 2014.
- The appointment of Thomas M. Hübner as new member of the Board of Directors.

Please refer to the following table for details pertaining to the remuneration of members of the Board of Directors:

	A. Baehny Chairman CHF	R. Spoerry Vice Chairman CHF	F. Ehrat CHF	T. Hübner CHF	H. Reuter CHF	J. Tang- Jensen CHF	Total CHF
2015							
Remuneration of the Board of Directors							
Accrued remuneration ¹	300,000	320,000	200,000	150,000	245,000	200,000	1,415,000
Cash remuneration	685,000	0	0	0	0	0	685,000
Expenses	15,000	15,000	15,000	11,250	15,000	15,000	86,250
Contributions to social insurance	52,825	15,145	9,788	7,388	11,807	9,794	106,747
Total	1,052,825	350,145	224,788	168,638	271,807	224,794	2,292,997

CHF

Remuneration of former members of the Board of Directors

Accrued remuneration							0
Expenses							0
Contributions to social insurance							0
Total							0

	A. Baehny Chairman ² CHF	R. Spoerry Vice Chairman CHF	F. Ehrat CHF	H. Reuter CHF	J. Tang- Jensen CHF	Total CHF
2014						
Remuneration of the Board of Directors						
Remuneration	-	320,000	150,000	222,500	200,000	892,500
Expenses	-	15,000	15,000	15,000	15,000	60,000
Contributions to social insurance	-	15,071	7,431	10,725	9,716	42,942
Total	-	350,071	172,431	248,225	224,716	995,442

Remuneration of former members of the Board of Directors

Accrued remuneration	46,250
Expenses	3,750
Contributions to social insurance	6,069
Total	56,069

¹ Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2016 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date of CHF 349.15 (previous year CHF 281.95) The blocking period is 4 years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

² In 2014, the remuneration of A. Baehny as Chairman of the Board was compensated with his total CEO remuneration.

For the period from the 2015 General Meeting to the 2016 General Meeting, the remuneration paid to the Board of Directors amounts to CHF 2,299,053. This is within the limit of CHF 2,350,000 approved by the 2015 General Meeting.

As of the end of 2015 and 2014, the members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	T. Hübner	H. Reuter	J. Tang- Jensen	Total
2015							
Shareholdings Board of Directors							
Shares	46,969	8,479	1,251	10	7,004	1,715	65,428
Options	63,688 ¹	0	0	0	0	0	63,688 ¹
Percentage voting rights shares	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.17%

	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	H. Reuter	J. Tang- Jensen	Total
2014						
Shareholdings Board of Directors						
Shares	see Group Executive Board	7,606	706	6,336 ¹	1,284	15,932
Percentage voting rights shares		< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%

¹ A. Baehny options until 2014 as CEO

As of 31 December 2015, there were no outstanding loans or credits between the company and the members of the Board of Directors, closely related parties or former members of the Board of Directors.

6. Group Executive Board: remuneration and share/option ownership in 2015

This section is audited by the external auditor.

6.1. Performance in 2015

The challenging environment in the construction industry, the integration of the acquired Sanitec business and the strong Swiss franc influenced the Geberit Group's results in the 2015 financial year. Despite this, the company managed to achieve a good overall result, maintain performance on a high level and further consolidate our position as the leading supplier of sanitary products.

Net sales increased by 24.2% in 2015, to CHF 2,593.7 million. Total growth comprised organic growth in local currencies of +2.7%, a negative foreign currency effect of 9.6% and an increase of 31.1% due to the Sanitec acquisition. Operating margins for the old Geberit business were positively influenced by higher volume, product mix effects, lower raw material prices and diluted by the effect of the 10% currency rebate granted in Switzerland. However, as expected, overall results were impacted by the lower operating margins from the newly acquired Sanitec business. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 2.4% to CHF 590.9 million and the correspondingly adjusted EBIT margin came to 22.8%. Adjusted net income fell by 1.1% to CHF 493.1 million, with an adjusted return on net sales of 19.0%. Adjusted earnings per share declined by 0.4% to CHF 13.23. Free cashflow rose by 5.1% to CHF 484.0 million. The Return on Invested Capital (ROIC) was 20.1%.

To determine the variable cash remuneration (STI) the following Key Performance Indicators (KPI) are used: Sales, EBIT, Earning per Share (EPS) and ROIC, all equally weighted. Furthermore, the achievement of qualitative individual target is considered. The degree of achievement varies by KPI, and the weighted average of all elements used to calculate the variable cash remuneration slightly exceeded the targets.

6.2. Remuneration awarded in 2015

The remuneration of the Group Executive Board amounted to TCHF 6,764 in 2015 (previous year TCHF 7,707). The remuneration of the CEO amounted to TCHF 1,786 in 2015 (previous year TCHF 2,802). The lower total remuneration in 2015 for the Group Executive Board compared to the previous year is the result of various factors.

Reducing impact on remuneration:

- The lower remuneration of the new CEO compared to his predecessor.
- Target achievement in the STI program was lower than in the previous year.

Increasing impact on remuneration:

- Selected higher option grants (LTI) to align compensation to market.
- The Group Executive Board was increased from five to six members.

The base salaries of the existing Group Executive Board members remained unchanged. Contributions to company pension funds decreased due to the lower results in the variable cash compensation (STI), while the other benefits increased with the additional member of the Group Executive Board.

Further information on the remuneration awarded to the Group Executive Board for the business year 2015, compared to the maximum potential amount of remuneration, is provided as well in the invitation to the Ordinary General Meeting 2016.

The following table – reviewed by the external auditor – shows details of remuneration for 2015 and 2014:

	2015		2014	
	C. Buhl CEO CHF	Total CHF	A. Baehny ⁷ CEO CHF	Total CHF
Salary				
- Fixed salary	756,800	2,819,507	946,803	2,793,345
- Variable salary ¹	401,500	1,459,092	869,486	2,540,674
<i>thereof in shares in 2015²</i>			0	1,113,090
Shares/options				
- Call options MSOP 2015/2014 ³	439,927	1,502,281	685,661	1,347,411
- Call options MSPP 2015/2014 ⁴	18,937	144,005	41,813	112,290
Non-cash benefits				
- Private share of company vehicle ⁵	6,648	39,864	9,660	39,984
Expenditure on pensions				
- Pension plans and social insurance	159,607	786,263	246,523	861,830
- Contribution health/accident insurance	2,238	13,388	2,262	11,903
Total⁶	1,785,657	6,764,400	2,802,208	7,707,437

¹ The amounts to be paid respectively the amounts effectively paid are shown. The payment of the variable salary occurs in the following year. Members of the Group Executive Board are free to choose between a payment in shares or in cash.

² Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 349.15 (PY CHF 281.95).

³ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 349.15 (previous year CHF 281.95); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 34.06 (previous year CHF 23.65) determined using the binomial method.

⁴ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 349.15 (previous year CHF 281.95); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 34.06 (previous year CHF 23.65) determined using the binomial method.

⁵ Valuation in accordance with the guidelines of the Swiss Federal Tax Administration FTA (0.8% of the purchase cost per month).

⁶ Immaterial payments (below CHF 500) are not included in the total. Overall, these payments do not exceed CHF 2,000 per member of the Group Executive Board.

⁷ The remuneration of A. Baehny as Chairman of the Board of Directors in 2014 was compensated with his total CEO remuneration.

The parameters taken into consideration in the option valuation model are set out in
→ [Note 17 Participation plans of the consolidated financial statements.](#)

6.3. Shareholdings of Group Executive Board

As of the end of 2015 and 2014, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt-Sasse	K. Spachmann	R. van Triest	Total
2015									
Shareholdings Group Executive Board									
Shares			3,480	31,300	2,000	1,665	7,462	0	45,907
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0%	0.12%
Call options¹									
Vesting period:									
Vested	2016–2018	194.50	0	0	0	1,208	0	0	1,208
2016	2017	205.50	525	1,417	1,542	583	1,330	0	5,397
2014–2017	2020	231.20	2,008	4,676	4,844	1,244	5,620	0	18,392
2015–2018	2021	281.95	2,172	10,419	10,559	1,872	9,592	0	34,614
2016–2019	2022	349.15	13,696	10,029	10,474	5,860	9,040	0	49,099
Total options			18,401	26,541	27,419	10,767	25,582	0	108,710
Percentage potential share of voting rights options			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0%	0.29%

¹ Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	M. Reinhard	K. Spachmann	Total
2014							
Shareholdings Group Executive Board							
Shares			46,969	31,280	2,000	5,000	85,249
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	0.23%
Call options¹							
Vesting period:							
Vested	2015–2017	207.40	0	0	0	1,038	1,038
2015	2016–2018	228.00	1,792	957	1,017	483	4,249
2016	2017	205.50	6,665	1,417	1,542	1,330	10,954
2014–2017	2020	231.20	24,471	7,014	7,016	5,620	44,121
2015–2018	2021	281.95	30,760	10,810	10,559	9,592	61,721
Total options			63,688	20,198	20,134	18,063	122,083
Percentage potential share of voting rights options			0.17%	< 0.1%	< 0.1%	< 0.1%	0.32%

¹ Purchase ratio 1 share for 1 option

As of 31 December 2015, there were no outstanding loans or credits between the company and the members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

7. Summary of share and option plans 2015

This section has been audited as part of the Financial Notes to the Consolidated Statements of Geberit Group.

In 2015 employees, management and the members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 17** of the consolidated financial statements. Under the three different **share plans**, the following numbers of shares were allocated.

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF ¹
Employee share purchase plan 2015 (ESPP)	2017	2,077	17,928	192.03
Management share purchase plan 2015 (MSPP)	2018	74	12,616	349.15
Directors program 2015 (DSPP)	2019	5	2,610	349.15
Total			33,154	

¹ ESPP: The issuing price is the average closing price during the subscription period 03.-16.03.2015 with a discount of 45% based on the company's performance in 2015, per plan rules.

MSPP and DSPP: Issuing price corresponds to the average closing price of the share during the 10 trading days before the grant date.

The 33,154 shares required for these plans were taken from the stock of treasury shares.

In 2015 Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under the two different option plans, the following numbers of options were allocated.

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2015 (MSPP)	2016–2019	2022	74	12,616	349.15
Option plan 2015 (MSOP) / Group Executive Board	2017–2019	2022	5	44,871	349.15
Option plan 2015 (MSOP) / Other management	2016–2019	2022	62	40,260	349.15
Total				97,747	

The fair value of the options granted in 2015 amounted to CHF 34.06 and CHF 33.48 (MSOP Group Executive Board) at the respective grant date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price ¹ CHF	Expected Ø volatility %	Expected Ø dividend yield %	Contractual period Years	Risk free Ø interest rate %
Management share purchase plan 2015 (MSPP)	349.15	15.95	2.65	7	-0.35
Option plan 2015 (MSOP)	349.15	15.95	2.65	7	-0.35

¹ The exercise price corresponds to the average price of Geberit shares for the period from 3.-16.3.2015.

Costs resulting from participation plans amounted to CHF 3.0 million in 2015 (prior year CHF 2.9 million), those for option plans totalled CHF 3.0 million (prior year CHF 2.5 million).

8. Summary of shares and options held by employees and management as of 31 December 2015

This section has been audited as part of the Financial Notes to the Consolidated Statements of Geberit Group.

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2015, the Board of Directors, the Group Executive Board and the employees owned a combined total of 357,850 (previous year 340,295) shares, i.e. 0.9% (previous year 0.9%) of the share capital of Geberit AG.

The following table summarises all option plans in place as of 31 December 2015:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2016–2021	49,223	232.22	49,223	232.22
2016	2017–2022	109,962	254.97	96,743	242.10
2017	2020–2022	91,060	288.83	62,884	261.81
2018	2021–2022	68,663	311.27	40,486	281.95
2019	2022	28,176	349.15	0	0
Total		347,084	279.07	249,336	251.59

The following movements took place in 2015 and 2014:

	MSOP		MSPP		Total 2015		Total 2014	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding 1 January	274,454	248.26	28,460	245.33	302,914	247.98	263,893	213.39
Granted options	85,131	349.15	12,616	349.15	97,747	349.15	140,395	281.95
Forfeited options	1,111	247.29	15	221.23	1,126	246.95	16,784	249.89
Expired options	0	0	0	0	0	0	0	0
Exercised options	46,263	232.60	6,188	217.77	52,451	230.85	84,590	196.08
Outstanding 31 December	312,211	278.09	34,873	287.80	347,084	279.07	302,914	247.98
Exercisable at 31 December	41,440	232.93	7,783	228.46	49,223	232.22	30,847	208.06

The options outstanding at 31 December 2015 had an exercise price between CHF 192.85 and CHF 349.15 and an average remaining contractual life of 4.6 years.

Report of the statutory auditor



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Report of the statutory auditor
to the General Meeting
Geberit AG
Rapperswil-Jona

Report of the statutory auditor to the General Meeting on the remuneration report 2015

We have audited the accompanying → **remuneration report** dated 8 March 2016 of Geberit AG for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Geberit AG for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'B. Inauen', written in a cursive style.

Beat Inauen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Knöpfel', written in a cursive style.

Martin Knöpfel
Audit expert

Zurich, March 8, 2016