

Geberit Group 2014

Integrated
Annual Report

Busi- ness Report

Geberit Group 2014

Highlights business year



Gala evenings for partners

Since being launched on the market 50 years ago, over 60 million concealed cisterns have been installed. Geberit thanked its wholesalers and sanitary partners for helping the company achieve this impressive feat by inviting them to a stylish gala evening.



9,374 Geberit fans

Straight from the building site to the new products party: Fresh sausage salad from a wheelbarrow, sizzling hamburgers from a wheelbarrow, cool beer from a construction bucket – and all eyes on the latest innovations from Geberit. Geberit's "Building site rocks" events have proven a great success.



The multi-talent

The Monolith Plus sanitary module has it all – effective odor extraction directly from the WC ceramic appliance, an energy-saving LED orientation light in a range of different colors and soft-touch buttons for flushing. An innovation for new buildings and renovations alike.

Highlights business year



The perfect fit

Whether in front of window parapets, under roof pitches or in half-height drywalls – the Geberit Omega concealed cistern fits every time. What's more, the small, elegant actuator plates can be mounted on the top or front of the cistern.



A perfect new home

The new 21,000 m² plant in the Slovenian town of Ruše was ready to move into towards the end of 2014 following just under a year of construction. The production engineers were tasked with optimally designing the production and logistics processes and keeping energy consumption as low as possible.



13 memorable days

Geberit's annual social project saw eight apprentices travel to the northern Indian city of Varanasi, where they spent two weeks renovating the toilet facilities of a school for physically disabled children. They came back home with some lasting memories.

Highlights business year



The hanging gardens

No, they are no longer in Babylon, but right in the heart of Singapore. The countless terraces, balustrades, gardens and water pools of the hotel Parkroyal on Pickering provide 15,000 m² of space for tropical flora and fauna to flourish. The building meets the highest sustainability standards – thanks in part to flush technology from Geberit.



Ensuring the dry dock stays dry

The Danish Maritime Museum in Helsingør is located in a disused dry dock. The original dimensions of the dock were left unchanged: an impressive 150 meters long, 21 meters wide and 8 meters deep. The roofs of the new museum buildings are drained using Geberit technology.

Highlights financial year

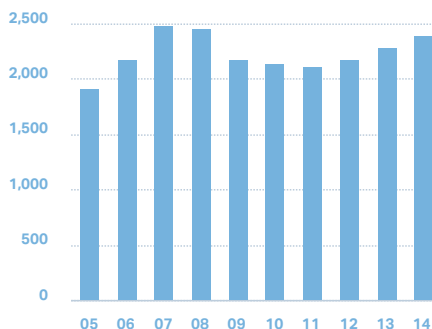
Sales

+6.4%

Currency-adjusted sales growth in 2014

Sales development 2005 – 2014

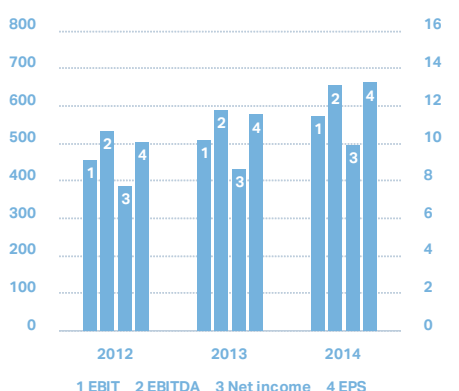
(in CHF million)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2012 – 2014

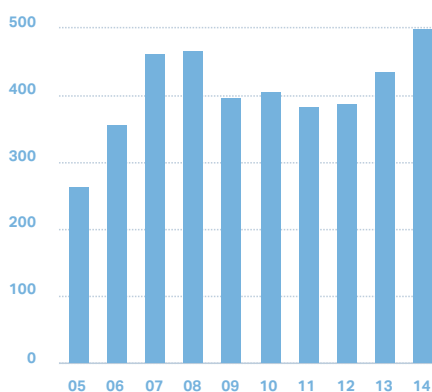
(in CHF million)

(EPS: in CHF)



Net income development 2005 – 2014

(in CHF million)



Operating cashflow margin (EBITDA margin)

27.3%

Above the mid-term target corridor of 23 to 25%

Free cashflow (in CHF)

460.4 Mio.

3.6% above prior year's level

Highlights financial year

Earnings per share
(in CHF)

13.28

+14.6% versus prior year

Payout ratio

62.7%

The payout ratio is in the upper range of the target corridor of 50 to 70%

Expenditures for property, plant and equipment
(in CHF)

104.8 Mio.

+6.9% versus prior year

R&D expenditures
(in CHF)

55.8 Mio.

+4.9 million versus prior year

Sales
(in CHF)

≈ 34 Mio.

negative currency effects

EBIT
(in CHF)

≈ 11 Mio.

negative currency effects

Geberit key figures

2010 – 2014

		2014	2013	2012 ³	2011	2010
Sales	MCHF	2,404.4	2,291.6	2,187.8	2,122.6	2,146.9
Change on previous year	%	+4.9	+4.7	+3.1	-1.1	-1.6
Revenue from sales	MCHF	2,089.1	1,999.9	1,919.6	1,867.6	1,900.0
Change on previous year	%	+4.5	+4.2	+2.8	-1.7	-1.6
Operating profit (EBIT)	MCHF	576.9	510.7	456.5	449.2	486.2
Margin in % of sales	%	24.0	22.3	20.9	21.2	22.6
Net income	MCHF	498.6	435.8	387.5	384.0	406.8
Margin in % of sales	%	20.7	19.0	17.7	18.1	18.9
Operating cashflow (EBITDA)	MCHF	657.1	592.8	536.6	532.0	573.7
Margin in % of sales	%	27.3	25.9	24.5	25.1	26.7
Free cashflow	MCHF	460.4	444.3	391.0	386.0	493.8
Margin in % of sales	%	19.1	19.4	17.9	18.2	23.0
Financial results, net	MCHF	-1.7	-5.5	-7.2	-7.3	-14.3
Capital expenditures	MCHF	104.8	98.0	86.0	92.6	80.5
Research and development expenses	MCHF	55.8	50.9	49.8	48.4	44.2
In % of sales	%	2.3	2.2	2.3	2.3	2.1
Earnings per share¹	CHF	13.28	11.59	10.16	9.82	10.32
Earnings per share, adjusted ²	CHF	13.28	11.59	10.16	9.82	10.32
Number of employees (31.12.)	31.12.	6,247	6,226	6,134	6,004	5,820
Annual average		6,303	6,219	6,150	5,992	5,793
Sales per employee	TCHF	381.5	368.5	355.7	354.2	370.6
Balance sheet		31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Total assets	MCHF	2,431.5	2,226.0	2,007.4	2,122.7	2,171.2
Liquid funds and marketable securities	MCHF	749.7	612.8	423.1	542.0	586.6
Net working capital	MCHF	169.1	127.9	134.4	114.1	108.5
Property, plant and equipment	MCHF	550.9	536.4	521.2	516.2	514.3
Goodwill and intangible assets	MCHF	645.3	645.5	638.1	645.2	658.8
Total debt	MCHF	10.5	11.7	14.7	75.6	73.4
Equity	MCHF	1,717.1	1,664.1	1,431.3	1,419.5	1,520.9
Equity ratio	%	70.6	74.8	71.3	66.9	70.0
Gearing	%	-43.0	-36.1	-28.5	-32.9	-33.7

¹ Based on the 1:10 stock split implemented on May 8, 2007

² Adjusted for amortization of goodwill

³ Restatement see → [Note 1](#) in the Annual Report 2013

Geberit key figures

2005 – 2009

		2009	2008	2007	2006	2005
Sales	MCHF	2,181.2	2,455.1	2,486.8	2,183.5	1,922.9
Change on previous year	%	-11.2	-1.3	+13.9	+13.6	+0.8
Revenue from sales	MCHF	1,931.0	2,178.9	2,206.4	1,935.1	1,718.9
Change on previous year	%	-11.4	-1.2	+14.0	+12.6	-0.7
Operating profit (EBIT)	MCHF	526.7	563.4	553.8	482.2	366.9
Margin in % of sales	%	24.1	22.9	22.3	22.1	19.1
Net income	MCHF	397.5	466.3	463.3	355.0	262.5
Margin in % of sales	%	18.2	19.0	18.6	16.3	13.7
Operating cashflow (EBITDA)	MCHF	611.0	649.1	637.9	569.1	455.9
Margin in % of sales	%	28.0	26.4	25.7	26.1	23.7
Free cashflow	MCHF	349.7	407.9	362.7	355.5	290.2
Margin in % of sales	%	16.0	16.6	14.6	16.3	15.1
Financial results, net	MCHF	-13.5	5.4	-11.4	-16.3	-17.2
Capital expenditures	MCHF	106.4	152.5	103.5	81.3	79.5
Research and development expenses	MCHF	45.6	46.0	48.1	44.3	43.5
In % of sales	%	2.1	1.9	1.9	2.0	2.3
Earnings per share¹	CHF	10.18	11.90	11.67	8.86	6.41
Earnings per share, adjusted ²	CHF	10.18	11.90	11.67	8.86	6.47
Number of employees (31.12.)	31.12.	5,608	5,697	5,344	5,269	5,162
Annual average		5,634	5,684	5,360	5,199	5,237
Sales per employee	TCHF	387.1	431.9	464.0	420.0	367.2
Balance sheet		31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Total assets	MCHF	2,212.2	2,054.1	2,298.3	2,010.7	1,946.6
Liquid funds and marketable securities	MCHF	406.5	302.6	450.1	182.4	180.0
Net working capital	MCHF	180.9	156.5	168.7	131.9	120.8
Property, plant and equipment	MCHF	576.2	555.5	529.3	533.9	528.3
Goodwill and intangible assets	MCHF	753.1	756.2	828.8	825.1	812.4
Total debt	MCHF	110.9	152.3	273.9	323.1	393.4
Equity	MCHF	1,509.2	1,311.9	1,404.4	1,065.9	958.0
Equity ratio	%	68.2	63.9	61.1	53.0	49.2
Gearing	%	-19.6	-11.5	-12.5	13.2	22.3

¹ Based on the 1:10 stock split implemented on May 8, 2007

² Adjusted for amortization of goodwill

An icon of reliability



A) Quiet and dry

Insulation made of expanded polystyrene prevents condensation from forming and also has a sound-absorbing effect.

B) Once blue, always blue

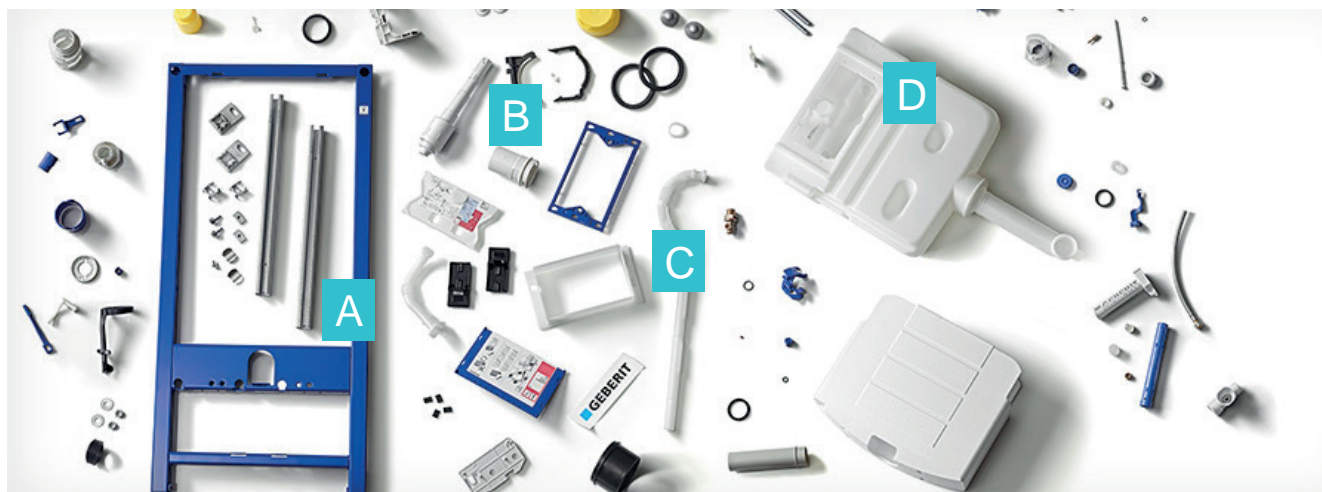
The mounting frame has a robust powder coating. RAL 5002 is the name of the unmistakable ultramarine blue tone.

C) Stable and stainless

The Geberit installation elements for concealed cisterns feature solid feet made of corrosion-resistant die-cast zinc.

D) A sparkling clean start

During installation, yellow plugs made of low density polyethylene reliably protect the interior of the concealed cisterns from construction dust and foreign substances.



A) As strong as an ox

The welded mounting frame made of steel sections is designed so that a toilet mounted on it can bear a load of up to 400 kg – the equivalent of a Harley-Davidson motorcycle.

B) Built-in water savings

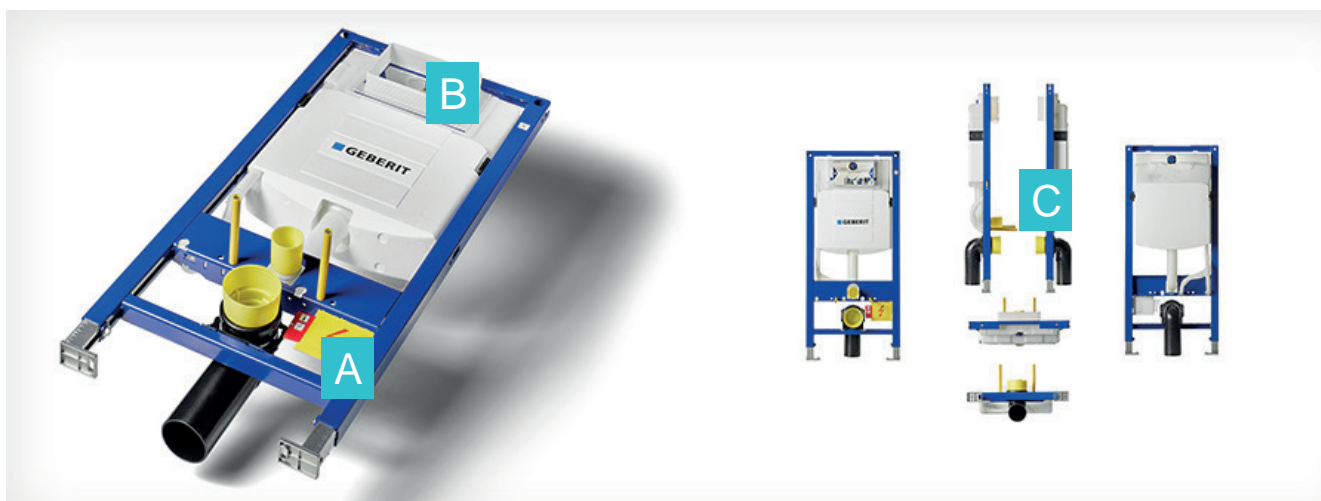
The valve for the tried-and-tested dual flush is designed to handle at least 200,000 flushes and is continuously subjected to extremely tough endurance tests.

C) Ready for an upgrade

If a Geberit AquaClean shower toilet is to be installed, the water supply line can be routed through this conduit pipe and thus remains hidden.

D) Seamless and leakproof

The tank is manufactured in one single step using the extrusion blow molding process and is completely seamless. Every cistern is tested to ensure that it is one hundred percent leakproof.



A) Power at the ready

Comfort functions such as odor extraction and touchless flush actuation require electricity. Geberit installation technology ensures that a connection is available.

B) Open to everyone

In crime movies, jewels and dollar bills are sometimes hidden behind this opening. However, it is actually intended for plumbers on the rare occasions when servicing is required.

C) Slim or slimmer

A standard Geberit concealed cistern is a slim 12 cm. For the Australian market, there is a 7.5 cm version that pushes the concept of slim to the limit.

In 1964, the owners of Geberit made a far-sighted decision and gave the green light for the mass production of the world's first WC cistern made of plastic for installation behind the wall – the concealed cistern was born. And this at a time where the world of sanitary technology was characterized by heavy lead, iron and copper pipes. Items made of plastic were still widely considered to be of inferior quality.

Plumbers were therefore somewhat hesitant in accepting the new cistern. Not so the architects and sanitary engineers! The idea of concealing the cistern and water supply lines behind the wall fitted in perfectly with their concept of modern living.

With well over 60 million units installed over the past 50 years, it would be fair to say that Geberit concealed cisterns have well and truly proven their quality and reliability. Plumbers know from experience that a Geberit cistern made of polyethylene is virtually indestructible, which is why concealed cisterns have become the standard in modern residential construction. As market leader, Geberit has a suitable model for virtually every construction situation.

As concealed cisterns are designed for a very long service life, Geberit guarantees the availability of spare parts for 25 years for all function-related components.



Enzo Ciafardini has been loyal to Geberit products from day one. Termoimpianti Ciafardini was founded in 1986 in Trivento (IT).

“We have been installing Geberit products including concealed cisterns for over 25 years, and we guarantee our customers that spare parts will still be available even years after installation. This represents major added value in terms of our work.”



Manfred Scharpf has been installing concealed cisterns from Geberit since his apprenticeship 50 years ago. His son Daniel is now at the helm of the business in Esslingen (DE), which is currently in its third generation of family ownership.

“The concealed cistern was so well designed from the outset – there were no issues whatsoever.”

“A leaky Geberit cistern is not something I have ever come across.”



Georges Réganély is the owner and Managing Director of the plumbing company of the same name in Yverdon-les-Bains (CH).

“When I sell a Geberit concealed cistern, I know I am installing a quality product for my customer, which I trust completely.”



The concealed cisterns that were to be replaced in the Hotel Eiger in the Swiss resort of Grindelwald were not broken – just old. Not far shy of their 50th birthday, the cisterns were replaced by new ones as part of comprehensive renovation work on the hotel rooms. The sanitary specialists were completely taken aback by the quality of the installations behind the wall.

Learning is a lifelong process



Away game

Geberit know-how is often passed on directly at our partners' premises.

In Switzerland 4,000 professionals were trained at around 600 events in workshops and offices.



Training facility

First-class visual demonstrations are provided at the Geberit information centers.

In Spain over 800 apprentices took part in 48 training courses in the information centers in Barcelona, Madrid and Bilbao – despite the crisis.



Knowledge exchange

Some topics are best discussed as part of an information event.

In Germany over 10,000 plumbers and sanitary engineers caught up on the latest developments at events that focused, among others, on sound insulation and fire protection issues.



On-site training

Concrete challenges require targeted lessons on the ground.

In the United Kingdom and Ireland over 2,000 people were instructed on-site, mostly on how to press Geberit pipes.

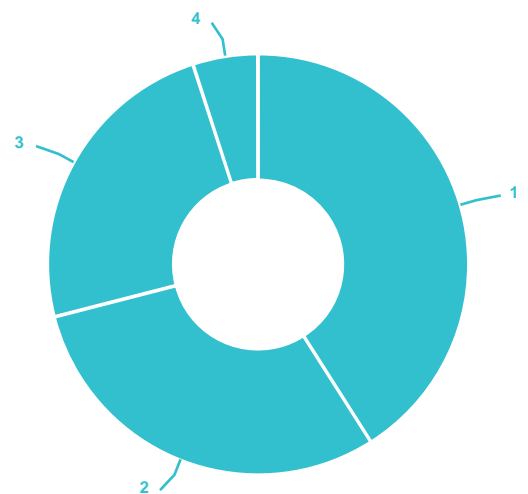
Anyone looking for proof of Geberit's market expertise need only look at the customer training courses. In 2014, over 100,000 professionals from various areas of the construction industry once again took advantage of the diverse training opportunities provided on a wide range of topics by numerous speakers and technical advisors.

The quick call to clarify unresolved issues or the spontaneous flying visit – this is the informal side of customer care that constitutes the lion's share of the work within the Geberit sales team. Dates dedicated explicitly to training round off the day-to-day business. Planned in good time and carefully prepared, these training dates are very much the icing on the cake for the partnerships on the sales front.

Thanks to the great scope for creativity, the training offered by Geberit is highly diverse, innovative and covers a wide range of topics. Presented here are just four of the common formats from the wide world of sales.



Regardless of where and with whom knowledge is shared, partnership is always written at Geberit with a capital "P".

Where are people trained?



- 1 At partners (41%)
- 2 At Geberit information centers (30%)
- 3 At information events (24%)
- 4 At construction sites (5%)

Concentrated know-how



Surprise, surprise

A technical function is truly intelligent when it seems to appear out of nowhere to show what it's made of. The Mera is packed to the brim with such functions.

Anita Peter, Development Engineer



Ingenious solution

The spray functionality has to be thorough, pleasant and economical. Our innovative shower spray combines these three apparently contradictory virtues in exemplary fashion.

Armin Gierer, Head of Product Line Geberit AquaClean



Warm from the get-go

Can you imagine having an immediate and constant supply of warm water at the right intensity? Our hybrid hot water system delivers the perfect result while even saving electricity.

Simon Bachmann, Development Engineer

Eureka!

**How do we utilize the full energy of the water?
By systematically using the basic principles of physics to our
advantage – as can be seen inside the asymmetrical ceramic
appliance.**

Hansjörg Rohr, Head Product Development Appliances



Our masterpiece

**We in sales are the first who need to be convinced by a new
development. The Mera quickly won us over despite our initial
reservations.**

Martin Dörr, Head of Sales at Geberit AquaClean Germany



The Geberit AquaClean brand has become a byword for shower toilets in recent years. More and more people – particularly in the core European markets – swear by the gentle cleaning with water offered by the shower toilet. The ongoing cultural change seen in Western bathrooms is possible thanks to a product range that skillfully combines apparent contradictions: sophisticated comfort functions that do not compromise on design for one part, thorough cleanliness that does not negatively affect the environment for the other.

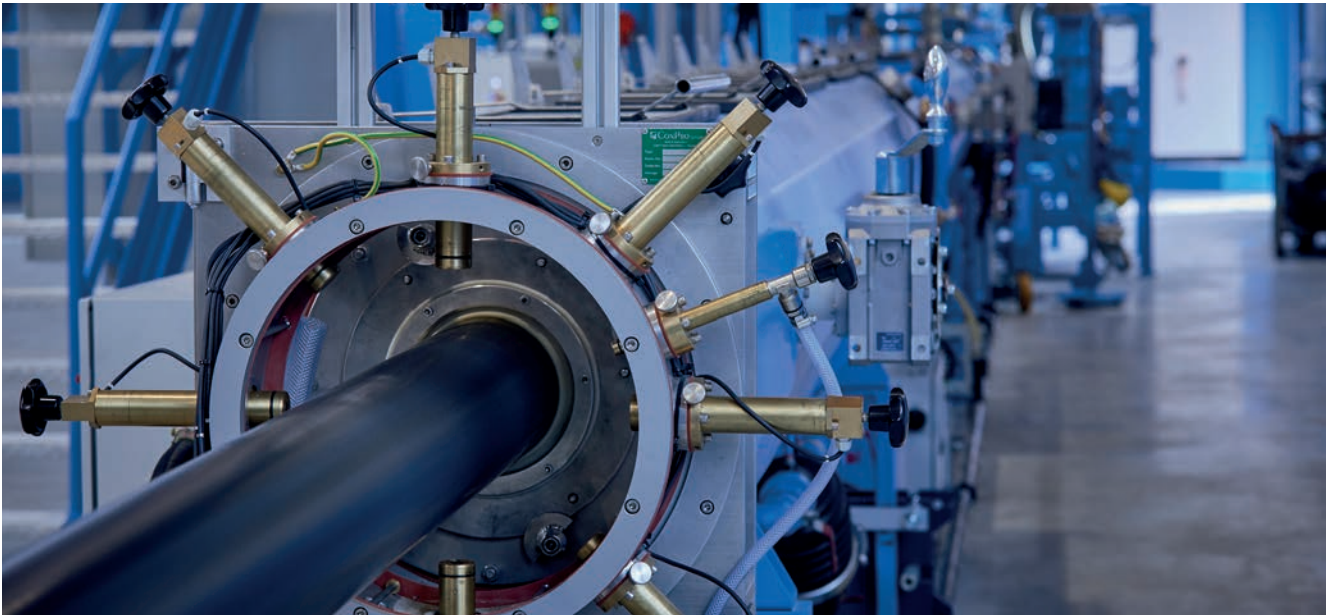
Design, comfort, cleanliness and ecological sustainability – these four key aspects also guided the latest project carried out by the developers at the Swiss headquarters. An interdisciplinary team of engineers, materials scientists, sanitary professionals and draftsmen was responsible for developing the top model – the AquaClean Mera. The results of their work – namely timeless elegance coupled with revolutionary comfort technology – can be seen and felt with every use.

The Geberit AquaClean Mera is a masterpiece in function and design.



**The history behind the development of the
Geberit AquaClean Mera is a perfect example of
the successful cooperation between different
disciplines.**

Quality pipes – made in Europe



The Silent-PP piping system is experiencing high growth rates. The plant in Villadose (IT) was therefore expanded in 2014. With a new, fully automated production line, Geberit is setting new standards in pipe production.

The launch of Silent-PP in 2009 saw Geberit introduce its first plug-in and sound-absorbing piping system for building drainage. Within just five years, production capacities had to be expanded in order to meet the high demand for the Silent-PP pipes. In March 2014, an additional, modern production hall was opened in the Villadose plant in the north of Italy. This site – where Geberit's entire range of building drainage pipes is manufactured – is therefore well equipped for a further growth.

A new, state-of-the-art production line and a new outside storage area were put into operation in 2014, the latter of which greatly improves the efficiency of logistics processes. The integration of the Villadose site into Group logistics enables Geberit to supply its customers in international markets in a timely manner.

In a sector comparison, the Villadose plant performs excellently in the area of energy efficiency. The environmentally friendly cooling system installed in 2014 reduces energy consumption by 50%. The production and office buildings are heated primarily using the waste heat from the compressor units. State-of-the-art electric motors in the production lines also help to save energy. Furthermore, all scrap materials from production are recycled.

Efficient production



358
products



26,000
metric tons of pipes per year



24
hour production



340
days



Rainer Prügl is Managing Director of the Geberit production plant in Villadose (IT). In his interview, he explains the dynamic growth of the Villadose plant and how plastic pipes are being produced in a sustainable manner.

In the thick of it – Geberit apprentices in India



Varanasi in the northeast of India was the scene of Geberit's 2014 social project. At the end of October, eight apprentices, a technical manager and a supervisor traveled to the city with 1.2 million inhabitants for two weeks in order to renovate the sanitary facilities in the Kiran Village, a center for around 300 disabled children and young people.

The Kiran Village was founded in 1990 by a Swiss nun who recognized the enormous need for a facility for physically disabled children in the region. Today, some 60 children live in the Kiran Village, and around 300 travel to the village each day to attend the school there or complete an apprenticeship. The majority of the children and young people suffer from polio and need walking aids, which are manufactured in the village's own orthopedic workshop.

The Geberit team lived and worked in the Kiran Village for two weeks, which enabled them to experience everyday life in the village at first hand. By the end of the visit, the sanitary facilities had been renovated, with toilets for disabled persons now making the life of the villagers a whole lot easier.

"I cannot explain how India is. You have to experience it for yourself," explains Florian Pohl, apprentice industrial tool mechanic at Geberit in Jona (CH) – an enthusiastic participant in Geberit's 2014 social project and a further ambassador for a social commitment that Geberit has been proudly supporting for years.



India up close. During their assignment, the Geberit apprentices gained experiences that they will remember for the rest of their lives.



Worldwide social projects with Geberit apprentices

- India 2014: Kiran Village, Varanasi
- Romania 2013: Hospice Casa Sperantei, Bucharest
- South Africa 2012: Fontein School, Port Elizabeth
- Serbia 2011: Schools in Kraljevo
- India 2010: Pentakatha School, Puri
- Solomon Islands 2009: Island Guadalcanal
- Ecuador 2008: Colegio Pomasqui, Quito



Anna Muzzetto, apprentice Mechatronics Engineer, Geberit Langenfeld (DE)

“Despite the different personalities involved, the work on the construction site was an example of teamwork at its very best. Our team was highly motivated and dedicated, and we maintained high spirits throughout.”



Norbert Peuckmann (right), Technical Manager for the project in India and Sales Consultant at Geberit Pfullendorf (DE), and Parsuram Sahu, Geberit Delhi (IN)

“If anyone had asked me before the project what we wanted to achieve, I would have given a specific number of toilet facilities. Looking back today at what we have actually achieved, I can now see that we managed to bring people together and bring them joy.”



Andre Jaschinski, apprentice Mechatronics Engineer, Geberit Pfullendorf (DE)

“Despite their disabilities and difficult living conditions, the faces of the children in the Kiran Village were a picture of happiness virtually the entire time.”



Maria Friedrich, apprentice Industrial Clerk, Geberit Lichtenstein (DE)

“We walked to the Ganges with the children from the Kiran Village. Countless candles adorned the bank of the holy river in celebration of the festival of lights. It was an incredibly beautiful and magical moment.”

An exemplary metal titan



Resembling a cut diamond, the new SwissTech Convention Center stands proudly at the north entrance to the Swiss Federal Institute of Technology in Lausanne (CH). Featuring a shiny metal roof with an expansive overhang, it represents a new urban landmark on the university campus. However, the striking Convention Center designed by the Lausanne-based architecture firm Richter Dahl Rocha & Associés architectes not only features exemplary architecture, it is also a role model when it comes to sustainability – receiving high praise and plaudits such as “ultra-modern” and “a role model for Europe”.

The SwissTech Convention Center not only features an array of high-tech equipment under its 1,000-ton metal skin, but also a western facade that is equipped with 300 square meters of dye-sensitized solar cells. These colorful cells generate up to 2,000 kilowatts of renewable energy a year while acting as a shading screen and reducing the energy required for cooling. In addition to constituting structural foundation and support elements, five experimental thermic piles also function as heat exchangers and save the energy generated by the solar modules in order to compensate for seasonal fluctuations.

Ecological, economic and social aspects were taken into account throughout this flagship project for sustainable building right down to the smallest detail – from environmentally sustainable materials and exemplary energy efficiency right through to the quality of the interior and the optimal connection to existing infrastructures.



Alain Piller, Managing Director, engineering firm Duchein SA, Villars-sur-Glâne (CH)

“Only sustainable products were permitted in the SwissTech Convention Center. We optimally took care of the sound insulation aspect – a feature of key importance in the Convention Center – by installing the Geberit Silent-db20 piping system and additional insulation in the form of Geberit Isol.”



Christian Röthenmund, Managing Director,
MINERGIE Switzerland, Bern (CH)

“Water efficiency and sound insulation are decisive factors for the Minergie-Eco standard. The sound-absorbing drainage pipes from Geberit emit only extremely low noise levels. From a Minergie standpoint, the water efficiency of the WC flushing systems – with dual-flush actuators or stop-and-go flush – is just as key a step in the right direction.”



Thomas Wälti, Head of Technical Advisory
Services – Central Region, Geberit Vertriebs
AG, Rapperswil-Jona (CH)

“Sustainability is a central theme at research institutes such as the Swiss Federal Institute of Technology in Lausanne. At Geberit, sustainability is practiced from product development right through to use on the construction site. We were thus able to convince everyone involved in the building project that our products were the right choice.”

Editorial

Despite a continued challenging environment, the Geberit Group experienced an excellent 2014. In nearly all markets, impressive sales increases were achieved and market shares gained. The results considerably exceeded the good figures achieved in the previous year.

Cumulative sales in 2014 increased by 4.9% to CHF 2,404.4 million, corresponding to currency-adjusted growth of 6.4%. After experiencing above-average sales growth in the first six months of the year – facilitated in part by winter weather that was favorable for the construction industry – this trend flattened out slightly in the second half of the year, but was still in line with medium-term expectations. The volume growth and a below-average increase in the cost of materials had a positive effect on the results. These factors were partially offset by higher customer bonuses and an increase in personnel expenses. Operating profit (EBIT) rose by 13.0% to CHF 576.9 million, and the EBIT margin reached 24.0% (previous year 22.3%). Net income increased by 14.4% to CHF 498.6 million, with a return on sales of 20.7% (previous year 19.0%). Earnings per share rose in comparison to sales growth by a disproportionately high 14.6% to CHF 13.28. Free cashflow grew by 3.6% to CHF 460.4 million.

Once again in 2014, various new and innovative products were launched. The flow-optimized Sovent fitting facilitates an optimal layout of waste water discharge stacks in high-rises. The flushing system Omega features extra-small actuator plates and a cistern that offers the greatest possible flexibility in any room layout thanks to its three installation heights. The thin actuator plate Sigma70 with patented servo technology floats a few millimeters in front of the wall and impresses with its refined elegance. With an integrated odor extraction unit and a discreet, indirect LED light for orientation at night, the sanitary module Monolith Plus sets new standards in both comfort and style. A further development of a product already successfully introduced on the market is the attractive wall drain for showers.

The concealed cistern celebrated its 50th anniversary in 2014. With more than 60 million cisterns sold to date since its introduction on the market by Geberit in 1964, this constantly evolving product is a real success story. The success of the concealed cistern triggered the development of prewall installations, which allowed bathrooms to be designed with unprecedented levels of freedom. Geberit used the occasion to thank many customers for their years of loyalty, which included hosting carefully prepared events in its markets. A real highlight was the gala evenings to which Geberit invited its most important customers and partners, which included a stage show developed by the company and a meal comprising several courses. A total of 3,800 guests attended these gala events, which represented a milestone for Geberit in terms of its customer activities.

As announced, Geberit made further investments in its production infrastructure over the past year. The new showcase plant in Ruše in Slovenia, which meets the highest standards in terms of green production, commenced operations in the second half of 2014. The pipe manufacturing facility in Villadose in Italy was enlarged by more than 6,500 square meters in order to meet the ambitious growth targets for piping systems.

An increase in logistics capacities was also initiated. The Group's logistics center in Pfullendorf in the south of Germany now supplies customers in more than 100 countries. In addition to laying the groundwork for future growth, the expansion agreed at the end of 2014 will also see the introduction of innovative technologies and a further optimization of processes. Investments totaling some EUR 40 million are planned for this project. Following completion of the planning stage, construction is planned to start in spring 2015. The work is expected to be completed at the beginning of 2017 so that the extensions can commence operations the same year.

On October 14, Geberit announced that it was making a tender offer for Sanitec. With 6,200 employees, 18 production facilities and 24 sales units in Europe as well as net sales of approximately EUR 700 million in 2014, Sanitec is a leading European producer and supplier of bathroom ceramics. An offer was made to Sanitec shareholders to acquire their shares at a price of SEK 97 each, corresponding to a total transaction value of CHF 1.21 billion for 100% of the shares. The transaction was concluded on February 10, 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 combines technical know-how in sanitary technology "behind the wall" with design expertise "in front of the wall". The transaction makes Geberit the market leader for sanitary products and will expand the addressable market. Access to end users and the presence in the showrooms will be strengthened. These aspects are particularly important in those markets where end users are important decision-makers. The transaction enables a promising combination of

leading brands in the areas of sanitary technology and bathroom ceramics. The companies complement each other ideally thanks to the excellent reputation of both in terms of the quality and reliability of their products, not to mention their service and passion for innovative strength, refer also to → [acquisition of Sanitec](#).

The development of the Geberit share price over the past year was once again strong. Beginning the year at around CHF 270, the share price rose over the course of the year and reached a new all-time high of more than CHF 340 towards the end of the year. In doing so, it far exceeded the Swiss Market Index (SMI).

The Board of Directors intends to once again let the shareholders participate in the positive development of the business and will maintain the attractive distribution policy of previous years. A dividend of CHF 8.30 will be proposed at the General Meeting, an increase of 10.7% over that of 2014. The payout ratio of 62.7% of net income is therefore in the upper range of the 50 to 70% corridor defined by the Board of Directors. In addition, the share buyback program announced in March 2014 was launched on April 30, 2014. In the course of this program, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. This share buyback program has been suspended since July 2014 as a result of the acquisition of the Sanitec Group. The Board of Directors will decide whether to resume the program at the appropriate time.

There will be changes to the Board of Directors and the Group Executive Board. Christian Buhl has been appointed as the new Chief Executive Officer (CEO) by the Board of Directors. The Swiss citizen, who had been responsible for the Geberit market in Germany for the last three years, took up his new role at the beginning of 2015. Former CEO Albert M. Baehny stepped down at the end of 2014 following ten years at the helm and – as announced upon his election in 2011 – will concentrate on his role as Chairman of the Board of Directors of Geberit. In addition, Thomas Hübner will be nominated as a new member of the Board of Directors at the ordinary General Meeting on April 1, 2015. The nomination will be made within the context of succession planning, with Jeff Song having stepped down from the Board of Directors at the 2014 General Meeting.

As a consequence of the required amendments to conform to the Ordinance against Excessive Compensation with respect to Listed Companies (OaEC), votes were held this year on numerous amendments to the Articles of Incorporation. The Board of Directors decided to already implement the new rules in the Articles of Incorporation this year as completely as possible, even where the new law would provide for a longer transitional period. The various proposed amendments to the Articles of Incorporation were divided up into two agenda items and put to a vote. The shareholders agreed with the proposals submitted by the Board of Directors and approved the two agenda items. In addition, the General Meeting approved the completely redesigned, comprehensive Remuneration Report for the 2013 business year in a consultative vote.

We credit the strong results in 2014, which noticeably surpassed those of the previous year, to the outstanding commitment, high motivation and skills 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.

Owing to the tense situation in the majority of the European construction markets, 2015 will again be a demanding business year for the Geberit Group. Hopes for a moderate global economic upturn have been dampened in recent months. Market forecasts indicate that this will directly impact the construction industry. The significantly strengthened Swiss franc is also contributing to the more difficult conditions. Accordingly, the present year, measured against the very good results achieved in the previous year, represents a challenge. In spite of everything, the objective – not only in the few markets that are healthy but also in the large number of markets that are shrinking or stagnating – is to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and on the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize business processes. The integration of Sanitec's activities in the Geberit Group will also be driven forward in this and with equally high priority. The management is convinced that the company is very well equipped for the upcoming tasks 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 over the past year was once again satisfying, supported by the favorable climate on the equity markets. Beginning the year at CHF 270.50, the share price – driven by the positive business results – significantly outperformed the Swiss Market Index (SMI) in the first half of the year. Following the third quarter, during which the Geberit share price kept pace with the market, it then once again posted above-average gains up to the end of the year as a result of the announcement of the Sanitec acquisition and the positive expectations with regard to the performance of the business and closed at CHF 338.40, just below the all-time high. This corresponds to a rise of 25.1%. In the same period, the SMI grew by 9.5%. Viewed over the past five years, the Geberit share posted an annual average increase in value of 13.0% (SMI: +6.5%). The Geberit Group's market capitalization reached CHF 12,791 million at the end of 2014.

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

At the end of 2014, the free float as defined by SIX was 100%.

Distribution

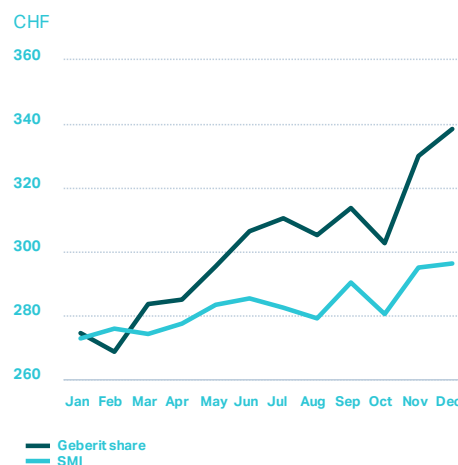
Given a normal market environment, Geberit can achieve solid free cashflows, which are either invested in organic growth, used to repay debts, applied toward any acquisitions or distributed to shareholders. The capital structure is prudently maintained and the company strives for a solid balance sheet 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, and this is also intended to continue unchanged after the acquisition of Sanitec.

Over the last five years, around CHF 1.7 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 183.50 at the end of 2009 to CHF 338.40 at the end of 2014.

The Board of Directors will propose to the General Meeting of Geberit AG on April 1, 2015, a dividend of CHF 8.30, an increase of 10.7% over that of 2014. The payout ratio of 62.7% of 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 April 9, 2015.

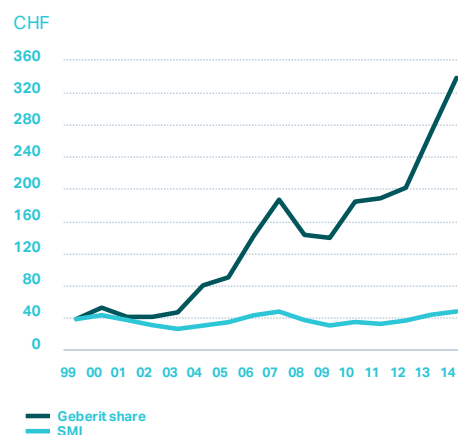
The share buyback program announced in March 2014 was launched on April 30, 2014. In the course of this program, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. The share buyback will be conducted via a separate trading line on the SIX Swiss Exchange. By December 31, 2014, 123,000 shares, which corresponds to around 6% of the entire program, had been acquired at a sum of CHF 37.4 million. The share buyback program has been suspended since July 2014 as a result of the Sanitec acquisition. The Board of Directors will decide whether to resume the program at the appropriate time.

Share price development January 1 until December 31, 2014



Source: Bloomberg

Share price development 22.6.1999 (IPO) – 31.12.2014 Annual average share price



Basis: 1:10 stock split implemented on May 8, 2007

Source: Bloomberg

Communication

Geberit publishes current and comprehensive information simultaneously for all market participants and interested parties on the Internet ([→ 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 Internet at any time. In addition, interested parties may add their names to a mailing list ([→ www.geberit.com/maillinglist](http://www.geberit.com/maillinglist)) in order to receive the most recent information relating to the company.

CEO Christian Buhl, CFO Roland Iff and the Head of Corporate Communications & Investor Relations Roman Sidler are in charge of the ongoing communication with shareholders, the capital market and the general public. Contact details may be found on the Internet 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](#)

Distribution paid (CHF per share)					
	2010	2011	2012	2013	2014
Dividend	6.40*	-	-	3.80	7.50
Capital redemption	-	6.00	6.30	2.80	-
Total	6.40	6.00	6.30	6.60	7.50

* Inclusive special dividend of CHF 1.00

Total distribution to shareholders (CHF million)						
	2010	2011	2012	2013	2014	Total
Distribution	253	236	242	248	282	1,261
Share buyback	0	193	198	0	37	428
Total	253	429	440	248	319	1,689

Major data relating to the Geberit share (as of December 31, 2014)	
Registered shareholders	19,118
Capital stock (CHF)	3,779,842.70
Number of registered shares of CHF 0.10 each	37,798,427
Registered shares	23,286,473
Treasury stock:	
- Treasury shares	179,060
- Share buyback program	123,000
Total treasury stock	302,060
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Reuters	GEBN.VX

Key figures (CHF per share)		
	2013	2014
Net income	11.59	13.28
Net cashflow	14.59	16.20
Equity	44.25	45.74
Distribution	7.50	8.30 ¹

¹ Subject to approval of the General Meeting 2015

Time schedule	
	2015
General Meeting	Apr 1
Dividend payment	Apr 9
Interim report first quarter	Apr 28
Half-year results	Aug 12
Interim report third quarter	Oct 27
2016	
First information 2015	Jan 13
Results full year 2015	Mar 15
General Meeting	Apr 6
Dividend payment	Apr 12
Interim report first quarter	Apr 28

(Subject to minor changes)

Management structure

as of January 1, 2015

Board of Directors

Chairman

Albert M. Baehny

Vice Chairman

Robert F. Spoerry

CEO Division

Chief Executive Officer
Christian Buhl

Human Resources
Roland Held

Communications & Investor Relations
Roman Sidler

Marketing
Egon Renfordt-Sasse

Strategic Planning
Andreas Lange

Environment/Sustainability
Roland Högger

Shower Toilet
Martin Baumüller

Sales Europe

Member Executive Board
Karl Spachmann

Germany
Clemens Rapp

Italy
Giorgio Castiglioni

Switzerland
Hanspeter Tinner

Austria
Stephan Wabnegger

Netherlands
Menno Portengen

Belgium
Paul Forier

Nordic Countries
Lars Risager

France
Patrick Jouvét

United Kingdom
Mark Larden

Poland
Andrzej Dobrut

Czech Republic
Vladimir Sedlacko

Slovakia
Vladimir Sedlacko

Hungary
Tamás Kőszeghy

Adriatic Region
Miran Medved

Iberian Peninsula
David Mayolas

OEM
Tobias Beck

Sales International

Member Executive Board
Christian Buhl a. i.

North America
Andreas Nowak

Far East/Pacific
Ron Kwan

China
Lawrence Leung

Singapore
Stefan Schmied

Australia
Tony Rusten

Middle East/Africa
Christian Steinberg

Products

Member Executive Board
Michael Reinhard

Accredited Test Laboratory
Markus Tanner

Quality
Christian Englisch

Purchasing
Adriaan 't Gilde

Logistics
Gerd Hailfinger

Technology/Innovation
Felix Klaiber

Products Sanitary Systems
Jörn Ikels

Installation Systems
Mario von Ballmoos

Cisterns and Mechanisms
Marcel Heierli

Faucets and Flushing Systems
Daniel Raissle

Waste Fittings and Traps
Thomas Kiffmeyer

Shower Toilet
Armin Gierer

Product Development Appliance Engineering
Hansjörg Rohr

Project Manager Pool
Rolf Kuster

Product Development Sanitary Systems
Erwin Schibig

Products Piping Systems
Pietro Mariotti

Building Drainage Systems
Sandro à Porta

Supply Systems
Michael Schüpbach

Finance

Member Executive Board
Roland Iff

Controlling
Beat Gresser

Treasury
Thomas Wenger

Internal Audit
Martin Reiner

Information Technology
Markus Enz

Legal Services
Albrecht Riebel

Service, Finance and Holding Companies
Rudolf Eberhard/
Jürgen Haas

Management structure

as of January 1, 2015

CEO Division	Sales Europe	Sales International	Products	Finance
			Project Manager Pool Pietro Mariotti	
			Product Development Piping Systems Pietro Mariotti a. i.	
			Production Plant IBA* Robert Lernbecher	
			Pfullendorf (DE) Robert Lernbecher	
			Rapperswil-Jona (CH) Bruno Bünzli	
			Pottenbrunn (AT) Helmut Schwarzl	
			Ruše (SI) Matjaz Lesjak	
			Pune (IN) Heiko Albrecht	
			Chinese Production Sites Christian Steiger	
			Production Plant EXM** Martin Ziegler	
			Langenfeld (DE) Martin Ziegler a. i.	
			Lichtenstein (DE) Thomas Schweikart/ Hartmut Müller	
			Weilheim (DE) Martin Frick	
			Matrei (AT) Josef Rapp	
			Givisiez (CH) Michel Pittet	
			Villadose (IT) Rainer Prügl	
			Rapperswil-Jona (CH), Shower Toilet Karl Zahner	
			US Production Sites Andreas Nowak	

* IBA: Injection and Blow Moulding/Assembly

** EXM: Extrusion / Metal Processing

Business and financial review

Despite a continued challenging environment, the Geberit Group experienced an excellent 2014. In nearly all markets, impressive sales increases were achieved and market shares gained. The considerable volume growth and a below-average increase in the cost of materials had a positive effect on the operating results. These effects were partially offset by higher customer bonuses and an increase in personnel expenses. With these results – which were substantially above the already good results of the previous year – Geberit noticeably outperformed the European market environment and further consolidated its position as a leading provider of sanitary technology.

Market environment

Ongoing challenging business climate

As in previous years, the construction industry in 2014 was shaped by major developments that varied by region. The industry remained challenging and only a few markets experienced a positive construction volume growth. Most of the markets deteriorated further.

Euroconstruct published an updated outlook for the development of construction volumes in **Europe** in November 2014. The figures published therein forecasted a slight increase in building construction volumes of 0.9% in 2014 (previous year -2.3%). This increase was much less significant for new buildings (+0.3%) compared to renovations (+1.4%). When compared to figures from further in the past, new building projects were 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.

In addition to this upbeat trend in the building renovation sector, Geberit also benefited from the generally positive trend in the building construction sector in some important countries for Geberit. The driving force here was Germany (+2.3%), while the United Kingdom (+6.1%) and Austria (+1.8%) also developed positively. By contrast, Italy (-1.9%) and France (-2.8%) sustained downturns. Based on this information, Geberit can assume that it has clearly outperformed the relevant competition once again. In particular, the company also managed to develop better than the market environment in countries experiencing a decline – thus gaining market shares.

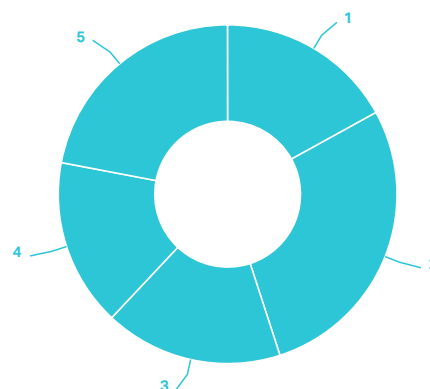
In Europe, 78% of the total construction volume in 2014 of EUR 1,305 billion relates to building construction. Residential construction accounted for just under 60% of this, and non-residential construction for just over 40%. More than half of the building construction volume pertained to renovation projects, primarily as a result of the high proportion within residential construction.

In the **USA**, gross domestic product (GDP) rose by 2.4% and the economy grew slightly stronger than in 2013 (+2.2%). Investments in building construction increased by 5.4% year-on-year. Investments in non-residential construction increased by 7.1% in total, which was considerably more than in the previous year (+0.7%). This trend was dominated by offices, hotels and commercial buildings (+15.2% in the reporting year). In contrast to this, the trend for the healthcare/hospital and school/university sectors important to Geberit remained unsatisfactory (-1.8% in the reporting year compared to -6.1% in the previous year). After two years with very positive signals, the situation for residential construction deteriorated somewhat in the past year. The number of building permits for new private residential units increased by 4.2% in the reporting year (previous year +19.4%; figures on the US construction industry as per the US Department of Commerce, United States Census Bureau).

In line with the global economic trend (from +2.6% in 2013 to +2.7% in the reporting year according to figures from the International Monetary Fund), economic growth at +4.8% in the **Far East/Pacific** region remained practically at the previous year's level (+4.9%). With a share of 55% (previous year 57%), this region was once again the main driver of global growth in 2014, with China accounting for the largest share of this figure at 62%. Despite the relatively stable macroeconomic situation, the region's construction markets suffered a slowdown. For example, residential construction in key markets such as China and Singapore cooled off as expected due to high stocks of unsold residential properties and falling prices. However, the positive trend seen in infrastructure projects continued.

Total construction output Europe 2014

(EUR 1,305 billion)

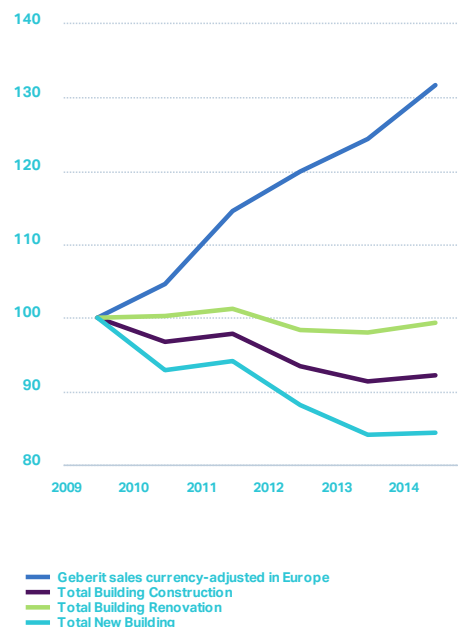


- 1 Residential - New (17%)
- 2 Residential - Renovation (28%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (16%)
- 5 Civil engineering (22%)

Source: 78th Euroconstruct Conference in Milano (IT), November 2014

Construction output and Geberit sales in Europe 2010 – 2014

(Index: 2009 = 100)



Source: 78th Euroconstruct Conference in Milano (IT), November 2014 and 77th Euroconstruct Conference in Oslo (NO), June 2014

Sales

Convincing sales growth

Cumulative sales in 2014 increased by 4.9% to CHF 2,404.4 million. With a growth of 6.4% in local currencies, the increase is slightly above the medium-term growth expectation of 4 to 6%. The total growth figure is made up of a volume effect of +5.0%, a price effect of +1.4% and a negative foreign currency effect of 1.5%.

In spite of the decline in sales experienced between 2008 and 2011, average annual growth for the last ten years in Swiss francs was 2.3%.

The following changes in sales figures refer to local currencies.

Growth in all regions

Europe recorded a currency-adjusted increase in sales of 5.9%, with all markets reporting increases. Double-digit growth was posted in the United Kingdom/Ireland (+19.8%) and Central/Eastern Europe (+11.7%). Switzerland (+6.6%) and Germany (+6.0%) also reported satisfying sales growth. Increases were also recorded in the Benelux Countries (+4.0%), France (+3.0%), the Iberian Peninsula (+3.0%), Italy (+2.7%), Austria (+2.5%) and the Nordic Countries (+2.4%). Despite the ongoing unfavorable conditions in the public sector – an area of importance to Geberit in this region – America posted growth of 6.4%. The Middle East/Africa (+21.2%) and Far East/Pacific (+12.8%) regions reported significant sales growth.

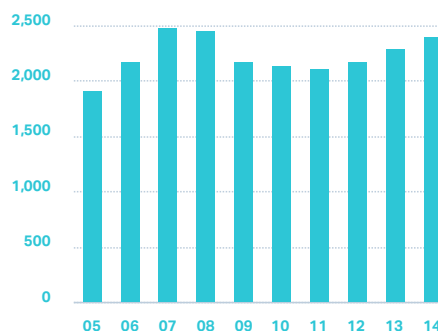
Slightly stronger growth in Sanitary Systems

Sales for the **Sanitary Systems** product area amounted to CHF 1,364.3 million, corresponding to growth of 6.7%.

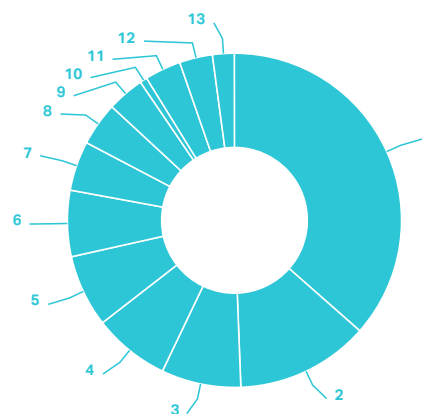
Sales for the **Installation Systems** product line, at 36.5% of Group sales the most important product line, rose by 7.5% in local currencies. Drywall elements and – with double-digit growth rates – designer actuator plates made a decisive contribution to this above-average success. Growth of 7.2% was posted by the **Cisterns and Mechanisms** product line, which accounts for 11.1% of total sales. Sales were largely boosted by the strong growth of the AquaClean shower toilet – with the newly introduced AquaClean Sela model selling very well in particular – and the Monolith sanitary module for WCs, which is successful in more and more markets. Sales of filling and flush valves recovered from the slump experienced in the previous year, mainly because of the good performance of the generally volatile OEM business. In contrast, sales of traditional exposed cisterns stagnated as a consequence of Geberit's efforts over many years to convert to concealed solutions. Sales for the **Faucets and Flushing Systems** product line, which accounts for 5.1% of total sales, increased by 3.3% in 2014. The trend reversal compared with the previous year was attributable to a slight recovery of the market conditions experienced by the US subsidiary Chicago Faucets in business with schools and hospitals, as well as the positive sales growth of urinal flush controls. Sales for the **Waste Fittings and Traps** product line rose slightly by 2.9%. The share of total Group sales came to 4.0%. Positive growth rates were seen in shower drains and traps for urinals and WCs, while bathtub drains and traps for washbasins and bidets stagnated.

Sales development 2005 – 2014

(in CHF million)



2014 sales by markets/regions

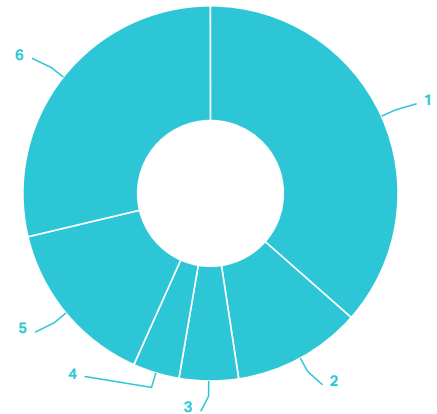


- 1 Germany (36.5%)
- 2 Switzerland (12.9%)
- 3 Benelux (7.7%)
- 4 Italy (7.4%)
- 5 Central/Eastern Europe (7.0%)
- 6 Austria (6.4%)
- 7 Nordic Countries (4.8%)
- 8 France (4.2%)
- 9 United Kingdom/Ireland (3.6%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.5%)
- 12 Far East/Pacific (3.2%)
- 13 Middle East/Africa (2.1%)

Sales for the **Piping Systems** product area were CHF 1,040.1 million. The increase was 6.0%, meaning growth was slightly below that of Sanitary Systems – unlike in the previous year.

The **Building Drainage Systems** product line posted the strongest growth of all product lines at 9.1% in local currencies. The share of total sales reached 14.6%. The Silent-PP and Silent-db20 sound-absorbing drainage systems did well and the business with PE drainage systems also picked up again after having slumped in the previous year. The **Supply Systems** product line posted 4.5% growth. The contribution of this product line, which is the second largest measured by Group sales, came to 28.7%. The Mapress Stainless Steel and Copper product ranges delivered convincing sales increases in particular. On the other hand, Mapress Carbon Steel and the Mepla multilayer piping system experienced below-average growth.

2014 sales by product areas and product lines



- Sanitary Systems (56.7%)**
- 1 Installation Systems (36.5%)
- 2 Cisterns and Mechanisms (11.1%)
- 3 Faucets and Flushing Systems (5.1%)
- 4 Waste Fittings and Traps (4.0%)
- Piping Systems (43.3%)**
- 5 Building Drainage Systems (14.6%)
- 6 Supply Systems (28.7%)

Results

Negative impact of foreign currencies

On the whole, the income statement was negatively affected in the reporting year due to the renewed weakening of the euro against the Swiss franc. The currency losses contained in sales amounted to CHF 34 million. In 2014, Geberit generated 68% of its sales in the eurozone, 5% in US dollars and 4% in British pounds. Accumulated currency effects reduced sales by 1.5%. As a result of the currency trend, the operating profit (EBIT) was negatively impacted by approximately CHF 10 million. However, the corresponding effect on the EBIT margin was just -0.1 percentage points.

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 strategy has been almost completely successful for the euro and US dollar, but slight deviations have arisen from the Swiss franc, the British pound and the Nordic and Eastern European currencies. Consequently, only minor currency gains or losses result from transaction effects.

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

- Sales: +/-8% to +/-10%
- EBIT: +/-9% to +/-11%
- EBIT margin: approximately +/-0.5 percentage points

Please refer to the [→ events after the reporting date](#)

The currency situation within the Geberit Group will be reassessed following the integration of Sanitec's activities. It will then be possible to introduce any additional measures.

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 Risks of the Geberit Group, Notes to the Consolidated Financial Statements, 16. Derivative Financial Instruments](#).

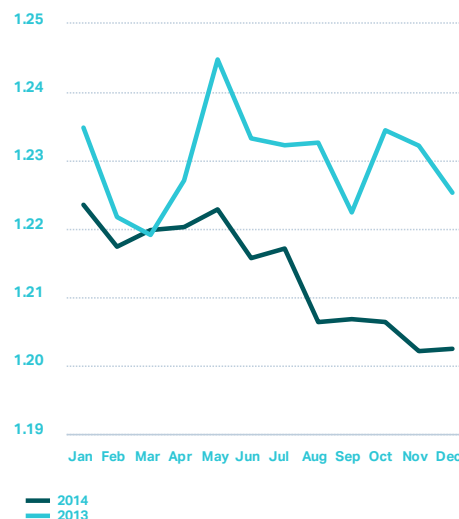
Profitability reaches all-time high

Thanks to healthy sales growth, a positive net price effect and efficient cost control, results were up on the previous year and reached all-time highs in a challenging environment in spite of once again substantial investments in organic growth.

Operating cashflow (EBITDA) rose by 10.8% to CHF 657.1 million. At 27.3%, the EBITDA margin was significantly higher than the previous year (25.9%) and also above the medium-term target range. Over the last decade, average EBITDA growth of 3.8% was better than the corresponding increase in sales of 2.3%. Operating profit (EBIT) rose by 13.0% to CHF 576.9 million, and the EBIT margin reached 24.0% (previous year 22.3%). Net income increased by 14.4% to CHF 498.6 million, which led to a return on sales of 20.7% (previous year 19.0%). As both in percentage of sales and in absolute terms, net income thus reached its highest value since going public in 1999. Earnings per share rose by 14.6% to CHF 13.28. The share buyback program, which was launched at the end of April and is currently suspended, did not yet have any significant impact on this key figure.

EUR/CHF exchange rates 2013/2014

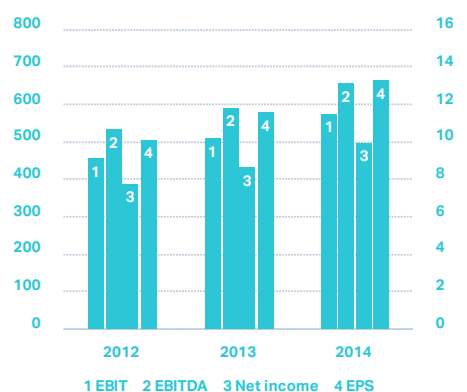
(Period-end exchange rates)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2012 - 2014

(in CHF million)

(EPS: in CHF)



Operating expenses under control

Customer bonuses and cash discounts increased by 8.1% to CHF 315.3 million or from 12.7% to 13.1% of total sales, primarily as a result of the positive sales growth.

In 2014, total operating expenses advanced by 1.5% to CHF 1,512.2 million or to 62.9% of total sales (previous year 65.0%). Foreign currency effects had no significant influence on the operating results, see → [negative foreign currency effect](#).

The cost of materials increased slightly by 1.2% to CHF 604.2 million but dropped from 26.1% of sales in the previous year to 25.1%. A slight decrease in material prices contributed to this development. A slight easing compared with the previous year was recorded above all for plastics and to a lesser extent also for industrial metals. Personnel expenses increased by 1.8% to CHF 483.9 million or 20.1% of sales (previous year 20.7%). This is explained by – largely tariff-related – salary increases and a rise in staff numbers, see → [Business and financial review, employees](#). While depreciation increased by 0.5% to CHF 77.0 million, amortization of intangible assets fell by 41.8% to CHF 3.2 million due to the discontinuation of amortization from the Mapress acquisition carried out in 2004. Other operating expenses grew by 2.8% to CHF 343.9 million. While freight costs owing to the growth in volumes and administrative costs rose slightly, marketing expenses remained at the previous year's level. Also included in other operating expenses were consulting expenses for the Sanitec acquisition amounting to around CHF 3 million.

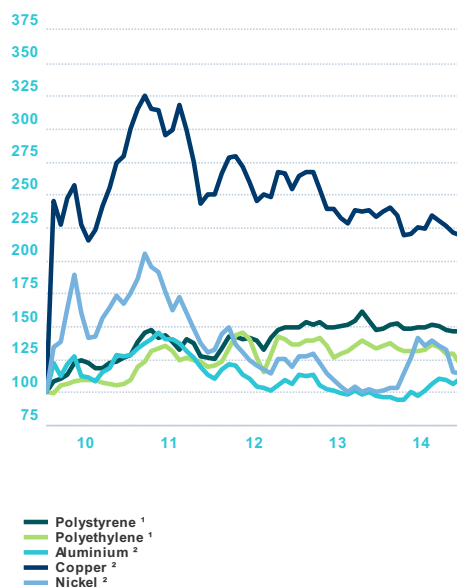
The financial result came to CHF -1.7 million. The improvement by CHF 3.8 million was due to the absence of currency losses compared with the previous year. The tax expense increased by CHF 7.2 million to CHF 76.6 million, resulting in a tax rate of 13.3% (previous year 13.7%).

Increase in free cashflow

The marked upturn in operating cashflow (EBITDA) led to an increase in net cashflow of 10.9% to CHF 608.3 million. Free cashflow grew by 3.6% to CHF 460.4 million. The lower growth posted in comparison to net cashflow resulted from the negative effects of the change in net working capital and higher investments in property, plant and equipment. Free cashflow was largely used to pay distributions of CHF 282.0 million to shareholders and to repurchase shares totaling CHF 37.4 million.

Raw material price development

(Market price; index: December 2009 = 100)



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Financial structure

Strong financial foundation

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy to be continued and a share buyback program to be launched while also maintaining the very solid financial foundation of the Group.

Total assets increased from CHF 2,226.0 million to CHF 2,431.5 million, mainly as a result of a higher reserve of liquid funds and a planned slight increase in inventories.

The cash reserve increased substantially, as the share buyback program launched at the end of April has been suspended since the end of July 2014 due to the Sanitec acquisition, and no further shares were repurchased as a result. In addition to liquid funds and marketable securities of CHF 749.7 million (previous year CHF 612.8 million), the Group had access to an undrawn operating credit line for the operating business of CHF 347.8 million. At CHF 10.5 million, debts were slightly under the previous year's value of CHF 11.7 million. This resulted in positive net cash of CHF 739.2 million at the end of 2014 (previous year CHF 601.1 million).

Net working capital increased by CHF 41.2 million to CHF 169.1 million compared to the previous year. Property, plant and equipment strengthened from CHF 536.4 million to CHF 550.9 million, while goodwill and intangible assets practically remained at the previous year's level at CHF 645.3 million.

The ratio of net cash to equity (gearing) increased from -36.1% in the previous year to -43.0%. The equity ratio reached a solid 70.6% (previous year 74.8%). Based on average equity, the return on equity (ROE) was 29.2% (previous year 28.2%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 1,404.5 million at the end of 2014 (previous year CHF 1,366.0 million). The return on invested capital (ROIC) was 35.5% (previous year 32.1%). For details on the 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 302,060 treasury shares on December 31, 2014, which equals 0.8% of the shares entered in the Commercial Register. Of these, 123,000 (0.3% of the shares entered in the Commercial Register) were acquired as part of the share buyback program that started in 2014. The remaining 179,060 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 program announced in March 2014 was launched on April 30, 2014. In the course of this program, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. This share buyback program has been suspended since July 2014 as a result of the acquisition of the Sanitec Group. The Board of Directors will decide whether to resume the program at the appropriate time.

Debt (in CHF million; as of December 31)			
	2012	2013	2014
Long-term debt	10.9	7.7	6.6
Total debt	14.7	11.7	10.5
Liquid funds and marketable securities	423.1	612.8	749.7
Net cash	408.4	601.1	739.2

Investments

Investment volume slightly above medium-term goals

Investments in property, plant and equipment and intangible assets amounted to CHF 104.8 million in 2014 or CHF 6.8 million (+6.9%) more than in the previous year. Investment volume was therefore slightly above CHF 100 million, the level aimed for over the medium term in order to be prepared for expected growth. As a percentage of sales, the investment ratio was 4.4% (previous year 4.3%). All scheduled larger investment projects were carried out as planned.

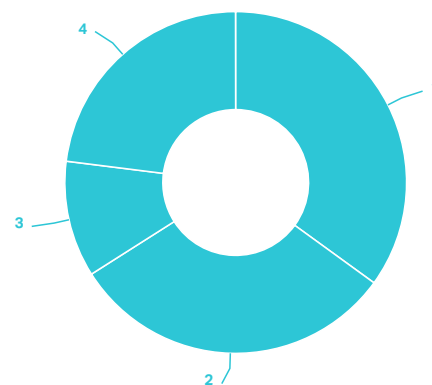
In 2014, 35% of all investments or CHF 37.2 million was used for infrastructure expansion. Geberit used 23% or CHF 23.7 million to acquire tools and equipment for new product developments, 31% or CHF 32.6 million was invested in the modernization of property, plant and equipment, while 11% or CHF 11.3 million was used for rationalization measures relating to property, plant and equipment.

The bulk of investments went toward machinery, the procurement of tools and molds for new products as well as building conversions and new building projects. Among other things, the new plant in Slovenia and the expansion of the Italian plant were completed in the reporting year. Additionally, investments were also made in important development projects and the further optimization of production processes.

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

	2010	2011	2012	2013	2014
	80.5	92.6	86.0	98.0	104.8
In % of sales	3.7	4.4	3.9	4.3	4.4

Investments by purpose



- 1 Capacity expansion (35%)
- 2 Modernization (31%)
- 3 Rationalization (11%)
- 4 New products (23%)

Employees

Number of employees slightly up

At the end of 2014, the Geberit Group employed 6,247 people worldwide – 21 persons or 0.3% more than in the previous year. This change is primarily due to capacity adjustments in the production plants and an expansion within sales.

Based on the average number of 6,303 employees, sales per employee amounted to TCHF 381.5 or 3.5% more than in the previous year.

The number of employees by business process did not change significantly compared to the previous year. At the end of 2014, 29.5% worked in marketing and sales, 54.1% in production, 3.7% in research and development, 9.0% in administration and 3.7% were apprentices.

Attractive employer thanks to transparency and team spirit

First-rate employees are key to the success of Geberit. Not only the best, but also the right employees are to be acquired and retained. Geberit sees itself as a company with an open corporate culture that offers attractive international development opportunities at the interface between the craft, engineering and sales sectors.

The most important findings from the 2011 employee survey revealed that employees identify with the company to a high degree and are very satisfied with their employment conditions. A further survey is planned to review the progress made in further development issues, among other aspects. In recent years, a strong focus has been placed on the standardized global performance assessment, development and compensation process (PDC). The goal is to reinforce the performance culture, increase transparency and better recognize and promote talent. Remuneration policies are to be based on standardized job assessments and salary levels for the relevant country. A central element of the process is that several supervisors assess the performance, development and salary of an employee. Although this group process is time-consuming, experience suggests a high level of acceptance and effectiveness. At the beginning of 2014, the upper hierarchical levels – a total of around 1,000 employees or 15% of the entire workforce – were involved in this PDC process. The process was expanded in the reporting year to include further employees and around 1,250 employees or 20% of the entire workforce are now involved.

For internal communication with employees, there is a focus on interactive, real-time communication that is accessible to all. The intranet plays a central role here. For instance, the CEO regularly informs employees on the current state of the business, the economic parameters, the future prospects and general topics of interest in videos that are accessible on the intranet as well as via electronic newsletters. Special solutions involving newsletters and/or communal large-screens have been developed for production employees without access to personal computers. The intranet is currently being adapted to the latest communication trends. The initial elements of the revised version are to be introduced in 2015. In addition to the intranet, a Group-wide employee magazine is published four times a year and contains articles on issues relevant to the world of Geberit.

Targeted promotion and development

Geberit offers its employees attractive employment conditions. In 2014, salaries and social benefits amounted to CHF 483.9 million (previous year CHF 475.4 million), please also refer to the → [Notes to the Income Statement](#). Employees were also able to participate in share participation plans at attractive conditions, see → [Financial Statements of the Geberit Group, 18. Share Purchase Plans](#) as well as → [Remuneration Report](#).

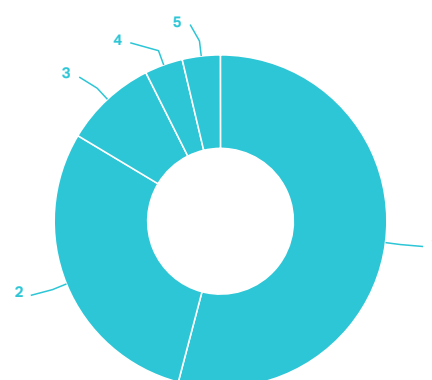
Equal opportunities and equal pay for women and men are self-evident. The proportion of female employees at the end of 2014 was 31% (previous year 31%), and for senior management this figure was 7% (previous year 7%). The five-member Board of Directors and the Group Executive Board do not have any female members.

Geberit employed 232 apprentices at the end of 2014 (previous year 234). The transfer rate of apprentices to a permanent employment relationship was 82% (previous year 59%). The target is a rate of 75%. As a global company, Geberit promotes the internationalization of employees. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Therefore, apprentices have the option of working abroad for a period of six months on completion of their apprenticeship. Such apprentice programs were carried out in India and South Africa in 2014.

Employees by countries
(as of December 31)

	2013	Share in %	2014	Share in %
Germany	2,423	39	2,413	39
Switzerland	1,255	20	1,262	20
China	718	11	688	11
Austria	503	8	507	8
Slovenia	248	4	259	4
USA	227	4	237	4
Italy	113	2	118	2
Others	739	12	763	12
Total	6,226	100	6,247	100

Employees 2014 by business processes
(as of December 31)



- 1 Production (54.1%)
- 2 Marketing and Sales (29.5%)
- 3 Administration (9.0%)
- 4 Research and Development (3.7%)
- 5 Apprentices (3.7%)

The expenditure and measures for → **training and education** are adjusted to the needs of the respective employee groups. The Potentials Management process enjoys a high level of priority. The goal is to identify talent within the company and provide targeted support. Candidates for management functions within the Group are introduced to current issues from the core business as part of an "Action Learning" program and are thus prepared for their first management, project management or specialist function. These measures are intended to ensure that at least half of the open management positions can be filled by internal candidates. In 2014, it was possible for 69% of all vacancies in Group management to be filled with internal candidates (previous year 70%).

The management training program at the International Institute for Management Development (IMD) in Lausanne launched at the end of 2012 for the 160 members of Group management was completed in 2014. The course was tailored individually to Geberit's needs and included further training modules on strategic management, leadership and finance.

Systematic process for improving occupational safety

Group-wide, the absenteeism rate was 3.9% for the reporting year (previous year 4.1%). 3.8% (previous year 4.0%) was due to sickness and 0.1% (previous year 0.1%) to occupational accidents.

The health and safety of employees has the highest priority. Geberit has therefore formulated the vision of an "accident-free company". By 2020, the accident rate is to be reduced by 50% compared with the base year 2010. The greatest potential lies in preventing accidents due to carelessness, and a focus is therefore being placed on changes in behavior. All measures are controlled as part of the Geberit Safety System (GSS). Occupational safety is monitored at the production plants by means of monthly key figures. The accident frequency rate (AFR) in 2014 came to 9.6 (previous year 10.2) and has been reduced by 33% since beginning of 2010. The accident severity rate (ASR) increased slightly to 130.5 in 2014 (previous year 124.3), but has fallen by 14% since the beginning of 2010.

For details of the measures taken to ensure active health management for the employees, also see → **Occupational Health and Safety Management Approach**.

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 self-image 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. In 2014, the Code of Conduct was updated on the basis of its wording from 2007. It is to be introduced and actively communicated to employees in 2015.

in order to do justice to the topic of whistleblowing, the Geberit Integrity Line is available to all employees and is intended to enable employees to anonymously report cases such as sexual harassment or corrupt payments. The Integrity Line is operated by an external company with experience in this area and is available around the clock seven days a week. No major cases were reported through the Integrity Line in 2014. The few registered complaints were all dealt with and issues were settled swiftly.

Customers

Focus on customer needs

In order to ensure the Group's long-term success, Geberit relies on sustainable organic growth. The needs and requirements of the various target groups – whether they are wholesalers, plumbers, sanitary engineers, architects, end users or real estate investors – thus play a central role in all marketing activities.

At the forefront are around 500 technical advisors working in field service at the local sales companies, who are in daily contact with plumbers, sanitary planners and architects. Another central element for retaining customers is Geberit's broad range of training opportunities. During the reporting year, around 30,000 customers were provided with education and further training on Geberit products and software tools in the 25 Geberit information centers in Europe and overseas. Once again around 70,000 customers became more familiar with Geberit know-how and products at external events that took place in 2014. In order for these customer events and training courses to be successful, it was not just the content that had to be constantly updated. In addition to the traditional focus on those in the trade, an increasing orientation towards end users required the sales arguments to be tailored as specifically as possible to the different requirements of the target groups.

Festive events to mark "50 years of concealed cisterns"

The concealed cistern celebrated its 50th anniversary in 2014. With more than 60 million cisterns sold to date since its launch by Geberit in 1964, this constantly evolving product is a real success story. The success of the concealed cistern triggered the development of prewall installations, which allowed bathrooms to be designed with unprecedented levels of freedom. A paradigm shift occurred in European bathrooms – the bathroom was no longer merely a functional room, but instead was transformed into an area of comfort with individual fittings.

Geberit used the occasion to thank many customers for their years of loyalty, which included hosting carefully prepared events in its markets. A real highlight was the five gala evenings in Duisburg and Stuttgart (DE), Bern (CH), Birmingham (UK) and Amsterdam (NL) to which Geberit invited its most important customers and partners, which included a stage show developed by the company and a meal comprised of several courses. A total of 3,800 guests attended these gala events. Similar but locally organized events were held for instance in the Czech Republic, Slovenia and Croatia. Alongside the gala evenings, building site parties were held across Germany under the slogan "the building site rocks". At 36 events, almost 10,000 participants were able to combine a casual after-work get-together with the presentation of new products and catering to match the slogan. All of these events formed a milestone for Geberit in the management of its business relationships.

Various special exhibits served to make the technology and history of the concealed cistern more accessible and tangible. In addition, a film provided an exemplary illustration of the → [history of the concealed cisterns](#) that were first installed in 1964 at the Hotel Eiger in Grindelwald (CH). The 50-year-old installations were subjected to a complete overhaul in 2014. In line with their reputation as icons of reliability, the concealed cisterns from the pioneering era were still in impeccable condition.

Further professionalization of marketing lays the basis for continued growth in the shower toilet market

The Geberit AquaClean advertising campaign already launched in previous years in a total of 11 markets was continued in the reporting year. Furthermore, the marketing processes and instruments were systematically expanded further. This included an extended cross-media communication concept for a direct customer approach in order to convey the benefits of the shower toilet and the AquaClean brand through the "Aqua Times" magazine, the Internet and social media. In addition, tools were provided in all 11 campaign markets to facilitate the decision-making process for the customer. The direct addressing of end users was enhanced by means of a new CRM system. Finally, a new concept for mobile booths was developed.

The → [awareness of the Geberit AquaClean brand](#) has increased significantly in all markets.

Close contact with plumbers and sanitary planners

The close contact with plumbers and sanitary planners remained a focus of marketing activities. The current, tried-and-tested market cultivation activities such as customer visits, training and the provision of technical documentation were continued. Geberit has been holding → **“Geberit On Tour”** events in various markets each year since 2011. The mobile exhibitions at local and regional wholesalers enable plumbers to experience new products and the advantages of Geberit products directly on site. Over 20,000 visitors were addressed at around 750 events in 15 countries in 2014. Such events not only took place in core markets such as Germany and Austria, but also in emerging markets such as South Africa and Israel.

Modern customer service

In order to be able to advise customers comprehensively and professionally, technical advisors in field service in 15 markets have now been equipped with iPads. This means that they can access all the relevant sales documentation online during sales discussions and also send it directly to the customer as required. Geberit has developed an app for its customers that makes it easier to find and order spare parts, among other features. By the end of 2014, this Geberit Pro App had been downloaded over 40,000 times since its launch in March 2013.

Trade fair presence as a tool for fostering customer contact

A large number of trade fairs again served as a suitable platform for Geberit to demonstrate its innovative power and simultaneously maintain and expand its network of contacts in the market in 2014. The most important trade fairs were those in Essen, Nuremberg and Hamburg, Swissbau in Basel, Batibouw in Brussels, Aquatherm in Vienna, Kitchen & Bath China in Shanghai and the Kitchen and Bath Industry Show in Las Vegas. Architects and designers were addressed directly at the Salone del Mobile and the Fuori Salone in Milan, and also at the architect@work series of events taking place in various countries.

It is less the technical facts than the emotional and design aspects that count in communication with end users, designers and architects. Trend shows have established themselves as a suitable venue in this regard. For example, based on the positive experiences gained in previous years in Germany, the Swiss market of Geberit invited architects, sanitary planners, plumbers and wholesalers to a trend show in Baden (CH). Around 350 participants learned what the future holds in the area of bathroom design – and how Geberit is shaping these trends in terms of design and innovations.

Innovation

Innovation as an important foundation for brand value

Innovation is a key factor in Geberit's success as market leader. Substantial resources were once again invested in the development and the improvement of products and technologies in 2014. In addition to features such as top-class quality, durability and ease of installation, the new products are characterized by high resource efficiency and technical finesse.

The innovative power, which is above average in a sector comparison, is essential to the Group's success. It is based on its own successful and wide-ranging research and development (R&D) activities. In the reporting year, the Group invested CHF 55.8 million (previous year CHF 50.9 million) or 2.3% of sales in upcoming products. Expenditures increased by 9.6% year-on-year. 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. The company applied for 20 patents in 2014, bringing the total for the last five years to 103.

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.

Broad know-how in technology and innovation

Design, comfort, drinking water hygiene, fire protection, sound insulation, hydraulics and sustainability – Geberit has in-depth expertise in all these areas. Innovations are developed within the team and are often tested in different markets. To support its internationalization efforts, the Group maintains development competence centers of its own in China and the USA.

The new → **shower toilet Geberit AquaClean Mera**, which will be available from September 2015, is a good example of how networked expertise can trigger a leap in innovation in several respects. Despite possessing many new comfort functions, it was possible to significantly reduce energy and water consumption compared to its similarly positioned predecessor – the AquaClean 8000plus.

New products for technicians and designers

The following products were newly launched on the market in 2014:

- The → **flushing system Omega** features extra-small actuator plates and a cistern that offers the greatest possible flexibility in any room layout thanks to its three installation heights. Depending on the room layout, the high-quality actuator plates can be mounted on the cistern either from the front or the top.
- The thin → **actuator plate Sigma70** floats a few millimeters in front of the wall and impresses with its refined elegance. Thanks to patented servo technology, a gentle press suffices to trigger the dual flush.
- The → **Monolith Plus** sanitary module sets new standards in both comfort and style. It features extras such as an integrated odor extraction unit and a discreet, indirect LED light for orientation at night.
- A further development of a product already successfully introduced on the market is the attractive → **wall drain for showers**. This elegant solution can be installed virtually anywhere thanks to its extra-flat trap and is also ideally suited for renovations.
- The flow-optimized → **Sovent fittings** facilitate an optimal layout of waste water discharge stacks in high-rises. The fitting ensures pressure compensation and increases the discharge rate by 40%, and also permits the use of relatively small-sized discharge stacks even in very tall buildings.
- Drainage pipes made of polyethylene can be connected to one another in a permanent and impermeable manner. This can be achieved using an electrofusion sleeve coupling or an electrofusion coupling with integrated thermal fuse, among others. New tools such as the → **electrofusion machine ESG3 and the pipe scraper** greatly facilitate this work on the building site or in the workshop.

For more details on new products in 2014, see the → **Product Magazine 2014**.

R&D expenditures (in CHF million)

	2010	2011	2012	2013	2014
	44.2	48.4	49.8	50.9	55.8
In % of sales	2.1	2.3	2.3	2.2	2.3

Several new product launches are planned for 2015:

- The new → [shower toilet Geberit AquaClean Mera](#) is a premium-class complete solution featuring the highest levels of comfort. Designed by Christoph Behling and developed by Geberit, the new shower toilet blends harmoniously into any bathroom environment. The patented WhirlSpray shower technology ensures thorough, gentle cleaning while using less energy and water. A hybrid hot water system featuring a combination of continuous flow heater and boiler ensures an immediate and constant supply of warm water. A further innovation is the TurboFlush flush technology, which ensures an efficient and quiet flush using 4.5 liters of water thanks to the specially developed, rimless inner geometry of the WC ceramic appliance. Additional comfort functions include WC-seat heating, odor extraction and an orientation light. All functions can be programmed according to personal preferences using an elegant remote control.
- The launch of the → [shower channels CleanLine](#) will see the introduction of a new generation of drains and shower channels for floor-even showers. These products impress thanks to their attractive design and high practical suitability, the latter of which is evident both during installation and in everyday use. Every detail, from the hydraulic design of the flat trap unit and the installation and sealing technique right through to the design of the shower channel and comb insert, is in line with pioneering standards in sanitary technology. The CleanLine shower channels can also be cleaned both quickly and thoroughly, which represents a major plus for the end user.
- The compact → [Geberit sanitary flush unit](#) with new control and sensor technology helps to prevent microbial contamination of water pipes by automatically flushing them when required, thus ensuring that stagnating drinking water is regularly replaced in buildings such as hotels, schools and sports stadiums. With a flexible flush performance of 4, 10 and 15 liters per minute, the sanitary flush unit can be connected to up to two water pipes. It is equipped with an integrated back-pressure sensor and can be connected to temperature and volumetric flow rate sensors. The unit is operated and programmed via smartphone.

For more details on new products in 2015, see the → [Product Magazine 2015](#).

Logistics and procurement

Logistics solutions that cater to customer needs

The integrated logistics of Geberit enables optimum closeness to customers and responds to customer needs – such as delivery type and frequency – on an individual basis. As the interface between plants, markets and transport service providers, Transport Management coordinates the activities in question and facilitates intelligent and resource-efficient transport solutions; for example, by enabling transport runs between plants to be linked with deliveries to customers. This reduces the number of empty kilometers and increases truck capacity utilization.

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. The Euro 6 emission standard has been implemented for all new truck purchases made by the service providers since 2014. Overall, the share of Euro 5 vehicles was 83% (previous year 87%), with the share of Euro 6 vehicles already at 8% (previous year 3%). In 2014, the transport volume increased by 2.5% to 181.0 million ton-kilometers (previous year 176.6 million ton-kilometers), resulting in an increase in CO₂ emissions of 2.9% to 28,282 metric tons (previous year 27,483 metric tons).

The pilot project with an environmentally friendly, natural gas truck running between Pfullendorf and Rapperswil-Jona went well during the reporting year. The pioneering project, which is being conducted in collaboration with a transport service provider and a truck manufacturer, is now being evaluated in detail. This will include an assessment of whether it can be transferred to other routes.

Supplier management minimizes risks

The centrally organized 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). 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. Up to the end of 2014, 728 suppliers had signed the Code (previous year 701 suppliers). This equates to over 95% of the total procurement value.

When evaluating suppliers, Geberit strives to achieve the greatest possible degree of transparency. All new and existing partners are thus assessed by means of standardized processes and according to the same criteria: company as a whole, quality and sustainability, price, procurement chain and delivery reliability, production and technology. As a rule, the selection of suppliers must include a quality audit covering clarification on environmental, health and safety issues. Where an audit reveals inconsistencies in the area of sustainability, an additional, in-depth audit is conducted.

Overall, the risk assessment is based on the division into risk classes – depending on the production location (country) and production processes at the supplier. To ensure neutrality and the expertise required for the audits, Geberit works with external partners. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedy of the situation.

Comprehensive supplier management minimizes risks and costs. Thanks to digitization, billing too was efficient and already over 60% paperless in 2014.

Sustainability

Long-term thought and action as a basis for success

A sustainable corporate culture makes it possible to increase the value of the company over the long term and minimize risks for its future development. Geberit positions itself as a leader in sustainability and aims to set standards for customers, suppliers and other partners. This applies to water-saving, sustainable products; environmentally friendly and resource-efficient production; procurement and logistics with high environmental and ethical standards; and good, safe working conditions for the more than 6,000 committed and qualified employees worldwide. The corporate social responsibility is realized among other things within the scope of global social projects relating to the core competencies of water and sanitary facilities, and is intensified through partnerships such as that with the non-profit organization Swiss Water Partnership aimed at promoting international dialog on water. There is also a long-term partnership with the Swiss development organization Helvetas.

Geberit's positioning as a sustainable company is playing an increasingly important role in various stakeholder groups' perceptions, as is reflected by a large number of awards. For example, Geberit has made the Corporate Knights Global 100 index – a list of the 100 most sustainable companies in the world – since 2010.

Water management as a defining issue for the future

With its Millennium Development Goals from the year 2000, the United Nations aims to halve the number of people without access to clean drinking water and sanitary facilities by 2015. A look at the progress made to date shows that the ambitious goals are only partially being met. The sustainability goals of the UN for the post-2015 era are currently being negotiated. What is not disputed, however, is the great importance of the topic of water management for a sustainable development. The increase in the world's population, migration, urbanization, 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 significant impact on future sanitary technology: water-saving and resource-efficient products are becoming even more important. The EU is increasingly putting water conservation on its political agenda and has developed ecolabels for efficient toilets, urinals, lavatory taps and showers. The biggest environmental contribution by Geberit products lies in the conservation of water. The analysis of the entire 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 potential for savings is therefore impressive. According to one model calculation, the entire dual-flush and flush-stop "fleet of cisterns" produced since 1998 has so far saved around 17,900 million cubic meters of water in comparison with traditional flushing systems. In 2014 alone, the water saved amounted to around 2,128 million cubic meters. This is more than half of the annual consumption of all German households.

Water footprint throughout the value chain (2014)

Provision of raw materials

0.6% of the total amount of water is required in the manufacture of raw materials for Geberit products.



0.6%
(14.8 Mio. m³)

Manufacturing

A mere 0.01% of the water is used in the manufacturing of products at Geberit in 2014.



0.01%
(0.14 Mio. m³)

Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2014 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.4%
(2 293 Mio. m³)

Disposal

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



0.01%
(0.21 Mio. m³)

System provider of solutions in green building

Green building has long been more than just a trend. European standards are increasingly 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 looking for system providers with holistic know-how regarding green building that can contribute to the respective desired standards being fulfilled in a targeted manner. This is opening up a future market with major potential in which Geberit is present with water-saving, energy-saving, low-noise and durable products, and one in which Geberit specifically positions itself in the area of green building.

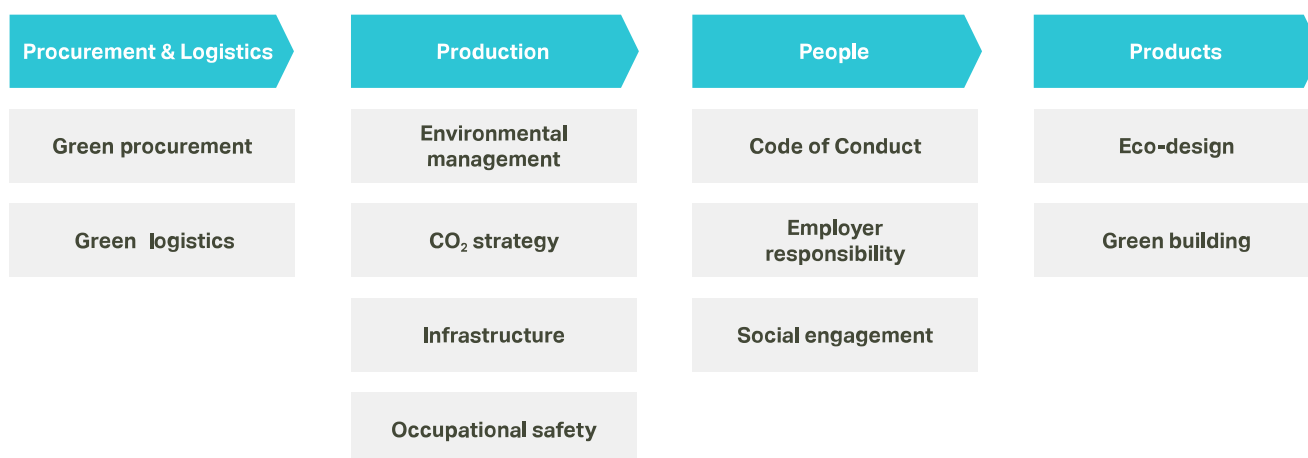
The importance of the topic is reflected in the increasing number of green building reference projects in which Geberit products are installed. One of the world's largest economic centers is currently being built in Riyadh – → [the King Abdullah Financial District \(KAFD\)](#). It is also the world's largest sustainability project in the building sector. The new district has an area of 1.6 million square meters and will be home to 34 high-rise complexes, all of which have been nominated for LEED Gold certification. Geberit is one of the leading suppliers, with the water efficiency of its electronic WC and urinal flush controls and its electronic lavatory taps impressing as a particular strength. Geberit products contribute 10% towards the certification results achieved by the buildings in the KAFD. The → [Library of Birmingham \(UK\)](#) distinguishes itself with its outstanding and sustainable architecture. Geberit products such as Duofix installation systems and cisterns with dual flush contributed to the building achieving BREEAM "Excellent" certification by reducing water consumption in the toilet facilities. The 3-star green building label demands the highest standards with respect to water consumption and recovery in China. To meet these standards, the owner of the 46-story → [Shenzhen Stock Exchange \(CN\)](#) building opted for the Delta concealed cisterns from Geberit with dual flush.

Sustainability strategy and reporting as a foundation

The consistent implementation of the sustainability strategy is an essential objective for all internal organizational units at Geberit. The strategy focuses on individual 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, derived measures and quantified key figures for effective monitoring. Overall,

objectives were achieved to a great extent in 2014. For more information, see the [→ sustainability strategy](#).

Sustainability strategy landscape



Since 2007, a sustainability performance review has been published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). In this regard, the switch from the GRI G3 to the new GRI G4 guidelines was made in 2014. As prescribed by GRI, a process for determining the essential aspects of sustainability was the strategic starting point. These were identified and prioritized as part of an [→ internal process](#). An [→ external stakeholder panel](#) was consulted in September 2014. This was the second such consultation following the first in 2012. Its mandate consisted of scrutinizing the results of the internal materiality analysis and providing feedback on the sustainability strategy and sustainability communication. The results are summarized in a [→ panel statement](#). The [→ response from Geberit to the panel statement](#) illustrates how the results are being taken into consideration in the further development of the sustainability strategy and reporting, also see [→ results of materiality analysis](#).

All aspects of the GRI G4 guidelines can be found in the [→ Sustainability Performance Report](#) for 2014. The information disclosed within the scope of this report fulfills the “comprehensive” transparency grade set out in the GRI G4 guidelines, as has been verified by GRI.

Geberit is committed to internationally recognized principles of sustainability and since 2008 has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalization more socially responsible and environmentally friendly. A [→ Communication on Progress](#) regarding measures in the areas of human rights, labor practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local Swiss network of the UN Global Compact. The anchoring of the subject of sustainability is reinforced by the [→ Code of Conduct for Employees](#) 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 also being rewarded by the capital market. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. For example, the Geberit share is represented in the Dow Jones Sustainability Index (DJSI) and part of the STOXX Europe Sustainability Index, as well as the FTSE4Good Index (Europe/Global), where it is among the super-sector leaders in Construction & Materials. 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 approach adopted for new product developments

In addition to their quality, durability and high degree of water and resource efficiency, Geberit products also impress with their good environmental compatibility and high recyclability. The basis for sustainable products is a systematic innovation and development process. The eco-design approach has been implemented 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. A current example is the new OEM flush valve type 240. Thanks to an intelligent redesign, it was possible to increase the flush performance by 40% while also reducing the quantity of material. In addition, half of the material is made of high-quality ABS regranulate, thus indirectly saving almost 500 metric tons of CO₂.

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. Detailed life cycle assessments have already been prepared for the following products: drainage/supply pipes, AquaClean 8000plus, AquaClean Mera, electronic lavatory taps type 185/186, concealed cisterns and urinal flush controls. The environmental product declarations (EPDs) 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 Geberit lavatory taps presents relevant, comparable and verified information about the product’s environmental performance in a transparent manner. A pilot project for the systematic recording of environmental data at the product level is currently underway, which should greatly simplify a further processing to EPDs and ecological product information.

WELL label highlights leaders in water conservation

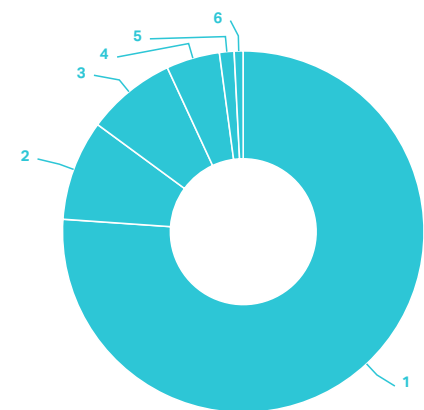
In 2013, the European Commission formally agreed the criteria for an ecolabel aimed at reducing water consumption in European toilets. This label will be awarded to toilets that – in addition to fulfilling other requirements – use a maximum of five liters per toilet flush and therefore contribute to significantly reducing the average water consumption per toilet flush. The WELL label (Water Efficiency Label) introduced in 2011 by the European umbrella organization for valve manufacturers (EUnited) already provides incentives for exceeding these requirements. It takes its direction from the well-known and well-established energy labels for electrical household appliances and serves as an information and orientation aid. WELL provides consumers with information about a product’s water efficiency at a glance. WELL uses a scale of A to D for products for home use and A to F for products for use in public areas. For example, WC flushing systems achieve the A class only if they use a maximum of between four and five liters per flush. Of the nine Geberit product groups already certified, eight are represented in the A class and one in the B class. These product groups account for over 20% of Group sales. This water-efficiency label has been added to packaging and specified in the catalogs since 2013. The list of products certified in the A class also includes one of the most important products in the Geberit range, the Sigma concealed cistern.

Production at “best practice” level

All production sites and logistics as a whole work with an integrated management system and have a → **Group certificate in accordance with ISO 9001 and ISO 14001** that is valid until 2015. By mid-2016, all plants will also integrate the OHSAS 18001 standard for occupational health and safety management and individual sites will integrate the ISO 50001 standard for energy management. The first sites such as Lichtenstein (DE) already set standards in 2014 with the certification of a fully integrated management system for quality, environment, energy and occupational safety. Uniform monitoring of the environmental performance, the energy master plan and occupational safety is carried out Group-wide.

A comprehensive corporate eco-balance is prepared each year as the basis for targeted measures to improve environmental performance. The Group’s absolute environmental impact declined in the reporting year by 1.6% (previous year -2.1%) despite currency-adjusted Group sales over the same period rising by 6.4% (previous year +3.6%). Geberit is therefore on track with its target of reducing its relative environmental impact by an average of 5% per year between 2006 and 2015. The consumption of energy in the form of electricity, combustibles and fuels represents the greatest environmental impact, see → **detailed energy balance**. The longer-term development since 2006 – the year that the CO₂ strategy was launched – is impressive: Despite the increase in currency-adjusted sales, the electricity consumption has remained virtually unchanged. Continuous investment in energy efficiency is resulting in appreciably lower running energy costs per unit produced.

Distribution environmental impact 2014



- 1 Electricity (76.1%)
- 2 Fuels (9.0%)
- 3 Combustibles (8.0%)
- 4 Disposal (4.8%)
- 5 Solvents (1.3%)
- 6 Water (0.8%)

Environmental impact 2007 – 2014

since launch of the CO₂ strategy

(Index: 2006 = 100)



- Environmental impact absolute
- Sales, currency-adjusted
- Environmental impact in relation to sales

The optimization of energy management is an ongoing process: in addition to Lichtenstein, the Pfullendorf and Langenfeld (DE) plants were also certified to ISO 50001 in 2014 for the first time. Among other aspects, the machinery is systematically modernized in line with the energy master plan: the number of injection molding machines retrofitted with energy-efficient drive technology was increased in the reporting year from 94 to 109. Analyses show that a modified machine consumes over 40% less energy on average.

CO₂ emissions in 2014 amounted to 69,230 metric tons (previous year 69,909 metric tons). The ratio of CO₂ emissions to currency-adjusted sales was reduced by 6.9% (previous year -6.1%). This enabled the targets set out in the long-term → **CO₂ strategy** to be met. In addition to targeted and consistent energy management, this is attributable to the increase in the share of renewable energies. In 2014, renewable energy sources accounted for 37% of total electricity consumption (previous year 31%). This figure is to be increased to 60% by 2020. The share of renewable energies in combustibles is also to be gradually increased Group-wide, rising to 25% by 2020. The detailed → **CO₂ balance sheet** and → **all measures taken to reduce CO₂ emissions** are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

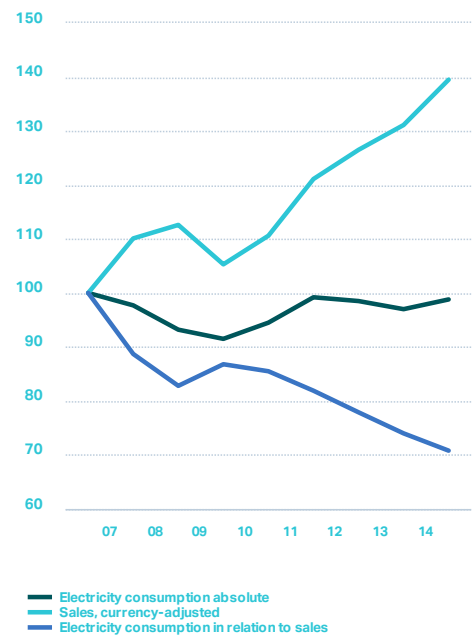
Geberit is investing in the infrastructure of tomorrow through the holistic planning and realization of new buildings and expansion projects. The new factory premises in → **Ruše (SI)** are leading the way in green production. The site's holistic energy concept includes the use of all waste heat from industrial processes, as well as the complete absence of fossil fuels. The available ground water is used for cooling, while rainwater is collected and used both as fire-fighting water and for watering the surrounding area.

All 11 European production plants also began introducing the Geberit Production System (GPS) 2.0 in 2014. Methods such as SMED (Single Minute Exchange of Dies), TPM (Total Production Maintenance), 5S (Workplace Organization Methodology) and CIP (Continuous Improvement Process) aim to ensure the uniform implementation of best-practice standards in production.

Electricity consumption 2007 – 2014

since launch of the CO₂ strategy

(Index: 2006 = 100)



Compliance

Compliance processes designed for effectiveness

The → **Geberit Code of Conduct** describes the basic principles that have to be met in order to be an exemplary, reliable and fair business partner and employer. The content of the Code of Conduct was updated in 2014 and will be introduced and actively communicated to the employees in 2015. For its implementation, Geberit has established an effective system that focuses on compliance in the five key topic areas "antitrust legislation", "corruption", "employee rights", "product liability" and "environmental protection". In practice, it comprises various elements such as guidelines, continuous training, job orientation for new employees, e-learning campaigns, info letters, compliance-related audits and the → **Geberit Integrity Line**, a whistleblower hotline for employees launched in 2013.

Compliance is subject to binding controls each year as part of reporting on the Code of Conduct for Employees. All Geberit Group companies receive 50 questions on the five above-mentioned topic areas. In addition, on-site audits are performed by the Internal Audit department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Group Executive Board and are published in the → **Sustainability Performance Report** in accordance with the guidelines of the Global Reporting Initiative (GRI).

No significant breaches of the Code of Conduct were identified in 2014. In the interests of advancement and risk minimization, the compliance organization itself is also audited. At the end of 2014, the Internal Audit department and external auditors began examining the compliance processes with the specific aim of identifying possible improvements. Geberit is also a member of the compliance working group of SwissHoldings, in which compliance officers from all major Swiss companies exchange views on current compliance issues two to three times a year.

According to the → **materiality analysis**, the prevention of anti-competitive behavior is a key aspect. The comprehensive training on antitrust legislation was continued, with Germany and Austria the countries focused on in the reporting year. Awareness-raising and further training – among other things via e-learning programs – will be continued in the remaining Geberit Group companies in Europe in 2015.

As an active member of Transparency International, Geberit is committed to high standards in combating corruption, which it implements accordingly. Guidelines on donations that apply Group-wide are in place in this regard. A high level of awareness with respect to the correct practice regarding donations – which particularly plays a role during marketing campaigns – can be seen in the company. In cases of uncertainty, local business and marketing managers can have marketing concepts examined early on and consult the Group's Legal department. Awareness of compliance issues is also raised among sales partners at locations without Geberit representation. The company began developing a Code of Conduct for these partners in the reporting year.

Social engagement

Social projects with focus on water

Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology – including in developing regions. This is why it supports social projects each year that exhibit a relationship to the topic of water as well as to Geberit's core competencies and corporate culture. The social projects also play an important role in the area of training. Working on these projects provides Geberit apprentices with the opportunity to develop abilities and social skills that aid their personal and professional development. At the same time, social commitment also contributes to the implementation of the Millennium Development Goal of the United Nations, which has the aim of providing people worldwide with access to clean drinking water and basic sanitation.

Targeted aid throughout the world

In 2014, Geberit supported a [→ project in the northern Indian city of Varanasi](#). The Kiran village, established by a Swiss nun, is a training center with boarding school for around 360 children and young people. In addition to schooling, the village offers apprenticeship positions in the area of horticulture, carpentry and tailoring, as well as in the village's own orthopedic workshop. The majority of the toilet facilities in the Kiran Village were in very poor condition. A Geberit Team comprising eight apprentices and two supervisors renovated these facilities during their two-week stay. They were supported by the employees from the village and a Geberit employee from India, who now also takes care of the maintenance of the newly renovated facilities.

The partnership with the Swiss development organization Helvetas was continued. In addition to its ongoing commitments, 2014 saw Geberit initiate a corporate volunteering project for its employees at the Rapperswil-Jona site. In 2015, 16 employees drawn from a hat will travel to Nepal for two weeks in order to actively take part in ongoing infrastructure, training and structural projects in the WARM (Water Resources Management) project.

The cooperation with the non-profit organization 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 in this area and promote international dialog on water.

Geberit once again made financial contributions to diverse social projects in the reporting year, including a substantial donation to LIV, a South African organization that provides care and shelter for orphans in purpose-built villages.

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 organizations (NGOs).

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.
Please also refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group Organization](#).

Sanitec acquisition

On October 14, 2014, Geberit AG announced that it was making an offer to Sanitec's shareholders to acquire their shares at a price of SEK 97 each, corresponding to a total transaction value of CHF 1.21 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.

The relevant antitrust authorities have granted all the required approvals. At the end of the acceptance period on February 2, 2015, 99.27% of the shares had been tendered to Geberit. The purchase/sale of these shares was effected on February 10, 2015, and was completely financed by Geberit, using its own funds as well as taking on new debt. A squeeze-out procedure is being implemented for the remaining shares.

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

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 market leader for sanitary products in Europe, combining technical know-how in sanitary technology "behind the wall" with design expertise "in front of the wall".

According to a pro forma calculation that was communicated in the announcement on October 14, 2014, and which was based on 2013 figures and did not take into account synergies of the combination, the combined company generated net sales of approximately CHF 2.9 billion with an operating profit (EBIT) of just under CHF 600 million, corresponding to an EBIT margin of around 21%. Net income was just under CHF 500 million, which corresponds to a return on sales of approximately 17%.

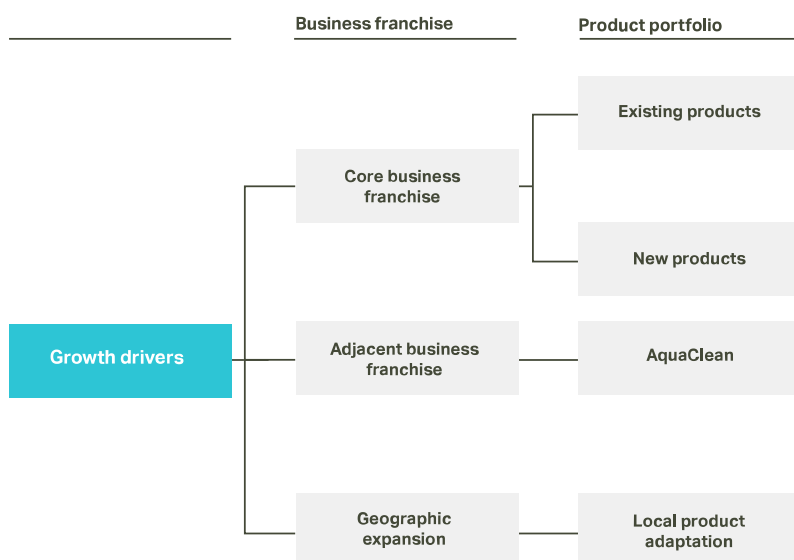
Targets and strategy

Ambitious medium-term goals

Geberit has made the setting of standards in sanitary technology worldwide its goal and aims to entrench these standards in the long term by acting sustainably. This approach is to be reflected among other things in 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. In the medium term, average currency-adjusted sales growth of 4 to 6% and an operating cashflow margin of between 23 and 25% should be achieved annually. These targets will be reassessed following the completion of the Sanitec acquisition. A communication in this regard will follow in due time.

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

Source of organic growth contribution



Medium-term contributions to growth will come from products already launched on the market, new product launches, the AquaClean business and from local product adaptations. Overall, around one-third of growth should result from products that have been launched in the past three years and from the AquaClean business.

In geographical terms, the core European markets generated around 70% of sales at an already high level of market penetration and – compared to the growth of the Group – slightly below-average growth rates. On the other hand, in the emerging markets inside and outside Europe, the great market potential and a lower market penetration should pave the way for above-average growth and market share gains.

A concerted internationalization strategy for the AquaClean business has been pursued since the beginning of 2009 with the objectives of establishing shower toilets as a product category in Europe and strengthening Geberit's position as the market leader in this category.

In addition, further contributions to growth will be generated in the context of geographic expansion from products adapted to the specific local needs outside the core European markets.

In order to be prepared for the expected growth, Geberit also intends to invest on a normalized basis around CHF 100 million annually in property, plant and equipment in the coming years. However, major upcoming projects will see CHF 120 - 130 million invested in property, plant and equipment in 2015 and 2016. These statements are based on the current structures at Geberit; the impact of Sanitec's integration is not taken into account in these figures.

Strategy

In accordance with its vision, Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology. Its proven, focused strategy for doing so is based on the four strategic pillars "Focus on sanitary technology", "Commitment to innovation", "Selective geographic expansion" and "Continuous optimization of business processes". These are practiced daily by the highly motivated and qualified employees.

- With regard to focusing on sanitary technology, Geberit centers on those business areas in the sanitary industry for which in-depth know-how and core competencies are available within the company. Essentially, these are sanitary and piping systems for the transport of water in buildings. Here, superior-quality, integrated, water-saving sanitary systems are offered.
- Continuously optimizing and extending the product range is crucial for future success. Innovation strength is founded on basic research in areas such as hydraulics, statics, fire protection, hygiene and acoustics. The insights gained are systematically applied in the development of products and systems for the benefit of customers.
- The accelerated penetration of markets such as France, the United Kingdom, the Nordic Countries, Eastern Europe and the Iberian Peninsula is an important factor for long-term success. 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 regions. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
- A further strategic focus relates to the continuous optimization of business processes. This is intended to ensure a leading, competitive cost structure in the long term and 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 the sanitary industry
- significant sustainable growth drivers (refer to graphic → [Source of organic growth contribution](#))
- an attractive competitive position
- an innovative product range, developed in accordance with customer needs
- a proven push-and-pull business model
- a stable management structure
- a lean, high-performance organization with optimized processes
- a unique corporate culture

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 operating 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 operating capital. Details can be found in the → [Remuneration Report](#) and in the → [Corporate Governance section](#).

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, Group-relevant projects are tracked over the long term following project completion and the achievement of objectives is evaluated. To this end, a controlling report is discussed annually by the Group Executive Board.

Outlook

Environment for the construction industry will remain difficult

Hopes for a moderate global economic upturn have been dampened in recent months, which is expected to directly impact the construction industry. The challenges in this sector remain complex and, viewed from today's perspective, are expected to become even more pronounced in the medium term. The individual regions/markets and construction sectors are developing very differently. In **Europe**, volumes in the construction industry are continuing to contract overall. With the exception of a few markets such as Germany, Switzerland, the United Kingdom and Poland which are developing positively, no recovery is in sight in most other markets, and markets such as Italy and France are expected to see further falls in demand. Non-residential construction is failing to recover, but this is at least partially being compensated by a flat to slightly positive trend in residential construction. In **North America**, the indicators in public construction projects are currently not pointing to a recovery on a relevant scale, which will significantly affect the Geberit business in this market. In residential construction, signs are pointing to a slowdown in growth. In the **Far East/Pacific** region, China has seen a decrease in the sale of homes, the number of new construction projects and residential property prices; the construction industry overall is showing a downward trend. The outlook for the **Middle East** and South Africa remain positive.

Geberit

The Geberit Group's 2015 business year will be dominated by the integration of Sanitec's activities. The primary aim is to ensure that the two entities are joined in the smoothest possible manner without destroying value while at the same time creating a solid basis for a successful future. Just as important is the focus on the existing Geberit business, which is expected to be a challenging undertaking once again owing to the tense situation in the majority of the European construction markets. The objective, not only in the few markets that are healthy but also in the large number of markets that are shrinking, is to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and on the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize business processes. With regard to the impact of foreign currency effects, please refer to the → [information and the sensitivity analysis](#) in the Results section.

The management is convinced of being very well prepared for the upcoming tasks and will confidently meet the challenges in the new framework involving Sanitec. 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. With experienced and highly motivated employees at both Geberit and Sanitec, 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 organization, an established cooperation based on trust with our market partners in both commerce and trade and – as a result of our industry leadership in terms of financial results in recent years – the Group's continued solid financial foundation following the acquisition of Sanitec, the future looks bright.

1. Group structure and shareholders

1.1 Group structure

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 capitalization, Swiss securities identification number and ISIN code, please refer to → **"Geberit share information"**.

The Group's consolidated subsidiaries are listed in → **Note 34, Group companies as of December 31, 2014** to the Consolidated Financial Statements, stating the company name and head office, share capital and equity interest held by the Group companies. 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 December 31, 2014, as holding more than 3% of the voting rights or share capital recorded in the Commercial Register.

In 2014, the company shareholders listed at right also reported shareholdings of 3% or more or a reduction in their shareholdings to below 3% of the voting rights or share capital of the company recorded in the Commercial Register.

Disclosure notifications reported to Geberit during 2014 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at:

→ www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.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 required amendments to conform to the Ordinance against Excessive Compensation with respect to Listed Companies (OaEC), votes were held this year on numerous amendments to the Articles of Incorporation. The Board of Directors decided to already implement the new rules in the Articles of Incorporation this year as completely as possible, even where the new law would provide for a longer transitional period. The various proposed amendments to the Articles of Incorporation were divided up into two agenda items and put to a vote. The shareholders agreed with the proposals submitted by the Board of Directors and approved the two agenda items.

Significant shareholders¹ (as of December 31, 2014)

Capital Group Companies, Inc., Los Angeles, USA	9.72%
Black Rock, New York, USA	3.23%
MFS Investment Management, Boston, USA	3.03%

¹ In accordance with the corresponding report to SIX Swiss Exchange.

2. Capital structure

2.1 Capital

Amount of ordinary, authorized and conditional capital of the company as of December 31, 2014:

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

For more details, please refer to the following subchapters.

2.2 Authorized and conditional capital details

As of December 31, 2014, the Geberit Group had no conditional or authorized 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 2014 (→ [consolidated statements of changes in equity and consolidated statements of comprehensive income](#) and → [Note 22, capital stock and treasury shares](#)), to the information in the → [Financial Statements of Geberit AG](#) as well as to the 2012 figures in the → [2013 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](#)).

	31.12.2012	31.12.2013	31.12.2014
	MCHF	MCHF	MCHF
Share capital	3.9	3.8	3.8
Reserves	918.4	765.1	875.1
Retained earnings	301.7	408.6	316.4

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 December 31, 2014, the company held 302,060 treasury shares.

No participation certificates of the Geberit Group are outstanding.

2.5 Profit-sharing certificates

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

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 concerned shareholder 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, 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 18, 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

During 2014, the Board of Directors was composed of five members.

Albert M. Baehny (1952)

Executive Chairman of the Board of Directors since 2011
Swiss citizen

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 AG, 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)

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. In 1985, he was admitted to the Zurich Bar Association. He has been Group General Counsel of Novartis since October 2011 and a member of the Executive Committee of the Novartis Group since January 1, 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 is Chairman of the Board of Directors of Globalance Bank AG, Zurich (CH) and a member of the Board of Directors of Hyos Invest Holding AG, Zurich (CH). He is also a member of the Executive Boards of Economiesuisse and Swiss Holdings and a member of the Board of Trustees of Avenir Suisse.



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.

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.



Jeff Song (1946)

Non-executive, independent member of the Board of Directors since 2012 (until April 3, 2014)

US citizen

Jeff Song earned a Master's degree in mechanical engineering at Jiaotong University in Shanghai (CN) and at the University of Toronto (CA). In 1988 he received his Ph.D. at the University of Utah (US). He was responsible for the China business of Ingersoll Rand from 2004 to January 2014 and reported directly to the CEO and Chairman of the Group. He also headed the management body of the Ingersoll Rand Division Heads of the Asia/Pacific region. From 1988–2004, Jeff Song was employed at Honeywell. In the Honeywell Group he held different positions as a development engineer, marketing and sales director as well as managing director, first in the USA and later in China.

Jeff Song 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-seeking legal entities and up to five mandates in non-profit-seeking 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 his/her capacity as 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 which are held by such member in his/her 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 his/her 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.

3.4 Elections and terms of office

Since January 1, 2014, pursuant to Art. 3 of the Ordinance Against Excessive Compensation for Listed Companies (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 January 1, 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 January 1, 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.

Jeff Song stepped down from the Board of Directors for health reasons at the General Meeting on April 3, 2014.

At the General Meeting 2015, the Chairman of the Board of Directors, the Vice Chairman and the remaining members of the Board of Directors and the members of the Nomination and Compensation Committee are standing for re-election for a further year.

The Geberit AG Board of Directors will nominate → **Thomas Hübner** as a new member of the Board of Directors at the ordinary General Meeting on April 1, 2015. The nomination will be made within the context of succession planning for Jeff Song.

3.5 Internal organizational structure

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

Upon the entry into force of the OaEC on January 1, 2014, the Chairman of the Board of Directors and the members of the Nomination and Compensation Committee are now 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.

As part of the reorganization in the Board of Directors – with Albert M. Baehny as Chairman of the Board of Directors while at the same time remaining in office as CEO – the function of Lead Director was created. The Lead Director is invested with additional authorities so that – despite the positions of Chairman of the Board of Directors and CEO being combined – exemplary corporate governance is guaranteed. Following the resignation of Albert M. Baehny as CEO with effect from the end of 2014, the function of Lead Director will no longer be needed and is therefore abolished as of December 31, 2014.

The Board of Directors meets whenever business so requires, usually six times a year for one day each (2014: 12 meetings). 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. The participation rate in 2014 was 96%.

	Mar 7	Apr 3	June 24	Aug 6	Aug 12	Aug 19	Aug 25	Aug 26	Oct 4	Oct 9	Oct 27	Dec 9
Albert M. Baehny	X	X	X	X	X	X	X	X	X	X	X	X
Robert F. Spoerry	X	X	X	X	X	X	X	X	X	X	X	X
Felix R. Ehrat	X	X	–	X	X	X	X	X	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X	X	X	X	X
Jeff Song	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jørgen Tang-Jensen	X	X	X	X	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 or more 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 selected 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 December 31, 2014, are Robert F. Spoerry (Chairman), Hartmut Reuter and Jørgen Tang-Jensen. The committee meets at least three times a year for a half day each (2014: four meetings).

	Mar 6	Apr 2	Aug 25	Dec 9
Robert F. Spoerry	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X
Hartmut Reuter	X	X	X	X

This corresponds to a participation rate of 100%.

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 organization, detailed responsibilities, functioning and reporting of the Nomination and Compensation Committee are stipulated in the → [Organization 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 one of the members 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 December 31, 2014, the Audit Committee is composed of Hartmut Reuter (Chairman), Felix R. Ehrat and Robert F. Sperry. It meets at least twice a year for a half day each (2014: two meetings).

	Mar 6	Aug 25
Hartmut Reuter	X	X
Felix R. Ehrat	X	X
Robert F. Sperry	X	X

This corresponds to a participation rate of 100%.

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 auditors and coordinates them with those of the external auditors. 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 issues, monitors the relevant corporate governance 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 organization, detailed responsibilities, functioning and reporting of the Audit Committee are set out in the → [Organization 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, 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 organization
- 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 Organization Regulations of the Board of Directors and the Supplement to the Organization Regulations.

To the extent legally permissible and in accordance with its Organization 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 Organization Regulations. The Chief Executive Officer (CEO) is authorized 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 2014, the Group Executive Board is composed of the Chief Executive Officer and three 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 Organization Regulations of the Board of Directors regulate the duties and powers of the Board of Directors as a governing body, the Chairman, the Vice Chairman and Lead Director (Lead Director until December 31, 2014) and the committees. The Organization 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 Organization Regulations contains a detailed list of the decision-making powers and Group management duties.

The Organization Regulations of the → [Board of Directors](#), the → [Nomination and Compensation Committee](#) and the → [Audit Committee](#) can be viewed at → www.geberit.com/infocenter.

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, as the case may be. 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 on the 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 about the course of business in the individual product lines and countries as well as an analysis on the share price development. The more extensive quarterly report additionally contains the expectations of the operational management on the development of results until the end of the financial year, information on the development of the workforce 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 12 meetings.

Furthermore, the Vice Chairman and Lead Director of the Board of Directors (Lead Director until December 31, 2014) and the Chief Executive Officer were 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, as the case may be.

Based on the Organization 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 the risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for control 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 optimization proposals of previous audits.

4. Group Executive Board

4.1/4.2 Members of the Group Executive Board

During 2014, the Group Executive Board was composed of five members.

Albert M. Baehny (1952)

Chief Executive Officer (CEO) from 2005 until end of 2014
Member of the Group Executive Board since 2003
with Geberit since 2003
Chairman of the Board of Directors since 2011
Swiss citizen

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, refer also → [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
Member 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](#).



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 organizational 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](#).



William J. Christensen (1973)

**Member of the Group Executive Board from 2009 until October 2014
with Geberit since 2004
Head of Group Division Sales International
Swiss citizen**

William J. Christensen graduated with a Bachelor of Arts (major: economics) from Rollins College (US). In 1995, he started his career as a project manager in Switzerland for Rieter Automotive Systems. He held subsequent positions in finance, sales and general management with Rieter Automotive both in Switzerland and in North America. He left Rieter in 2001 to pursue an MBA at the University of Chicago (US). Upon graduation in 2003, William J. Christensen joined J. P. Morgan Securities Inc. in New York (US) in the Mergers & Acquisitions department. In November 2004, he returned to Switzerland, joining Geberit as Head of Strategic Marketing. He relocated to Chicago in February 2006 to become President and CEO of Geberit's North American business. In 2007, he became Head Group Marketing. From 2009 until October 2014, William J. Christensen was Head of the Group Division Sales International.



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-seeking legal entities and up to four mandates in non-profit-seeking 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 his/her capacity as 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 which are held by such member in his/her 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.

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 recognizes 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 → [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. 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 prior to the General Meeting in writing by stating the items of the agenda and the motions.

Furthermore, 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 defense measures

7.1 Obligation to make an offer

There are no regulations in the Articles of Incorporation with respect to "opting-up" and "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 René Rausenberger has been in charge of the auditing mandate since 2008. His term of office will end with the approval of the Financial Statements and Consolidated Financial Statements 2014. The new lead auditor is Beat Inauen.

8.2 Auditing fees

In 2014, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,194 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 362 relating to tax consultancy and support as well as TCHF 366 for other services. Compared with the previous year, the non-audit fees have therefore been significantly reduced. Altogether they amount to 61% of audit fees.

8.4 Information tools of the external auditors

Prior to 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.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and submits a proposal to the General Meeting for the appointment of the auditors. 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 organizational 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 Internet 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 Internet at → www.geberit.com/contact 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. Further, the report includes details around the remuneration of the members of the Board of Directors and of the Group Executive Board related to the business year 2014.

The report is written in accordance with the provisions of the Ordinance against Excessive Compensation in Stock Listed 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 2014
6. Group Executive Board: remuneration and share ownership in 2014
7. Summary of share and option plans 2014
8. Summary of shares and options held by employees and management as of December 31, 2014

Additional information on business development in 2014 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 behavior that is 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, we undertook a review of our remuneration system leading to a number of changes in 2013, such as the elimination of performance-based remuneration for members of the Board of Directors, the introduction of a performance condition in the long-term incentive plan for the Group Executive Board and the implementation of a claw-back policy on the variable remuneration payments made to the Group Executive Board. Further, we have 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 General Meeting, we believe that shareholders welcome the changes made to our remuneration programs and disclosure.

In 2014, we continued to assess our remuneration system, especially in the context of the implementation of the Ordinance against Excessive Compensation in Stock Listed Corporations. We concluded that while no fundamental changes to the remuneration programs seem necessary, we need to further enhance our compensation disclosure with additional information 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 to the regulatory requirements.

At the 2015 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 2016 business year. Further, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote.

The Board of Directors would like to thank you for the time you took to meet with us and share your views on remuneration. We hope that you find this report informative and are confident that our remuneration system rewards for performance in a balanced and sustainable manner and aligns well with the shareholders' interest.

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 compensation 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 recognized 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 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 means of continuously setting ambitious and stretched targets. The variable remuneration consists of a short-term and a long-term element:

- 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 for inappropriate risk taking or short-term profit maximization 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 Organizational 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 compensation 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 Organizational 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 Incorporation		proposes	approves	
Maximum aggregate amount of remuneration for the Board of Directors and 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 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 2014, it held four meetings. 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.

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 compensation

Benchmarks and external consultants

Geberit regularly reviews the remuneration of its executives, including that of members of the Group Executive Board. This includes regular participation in benchmark studies on comparable functions in other industrial companies. In 2012, a detailed analysis of the remuneration of 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: Barry Callebaut, Bucher, Dätwyler, EMS-Chemie, Georg Fischer, Givaudan, Kaba, Lindt & Sprüngli, Logitech, Lonza, Mettler-Toledo, Nobel Biocare, Oerlikon, Sika, Sonova, Straumann, Sulzer and Zehnder. The study revealed that remuneration of the CEO and other members of the Group Executive Board was broadly in line with that of the peer group. However, it became apparent that the weighting of the different remuneration components deviated from that of the market; in particular, the proportion of the Long-Term Incentive as a percentage of the total remuneration at Geberit was below that of the peer group. The Board of Directors decided to rebalance the remuneration components in line with market practice.

In regard to the remuneration of the Board of Directors, the remuneration of non-financial companies of the Swiss Market Index Mid (SMIM) and of the Swiss Market Index (SMI) is taken into consideration. The remuneration system (structure) is reviewed periodically by the Nomination & Compensation Committee. Such a review took place in 2012 and has led to a fundamental change with the elimination of any performance-related remuneration for the Board of Directors.

Performance management

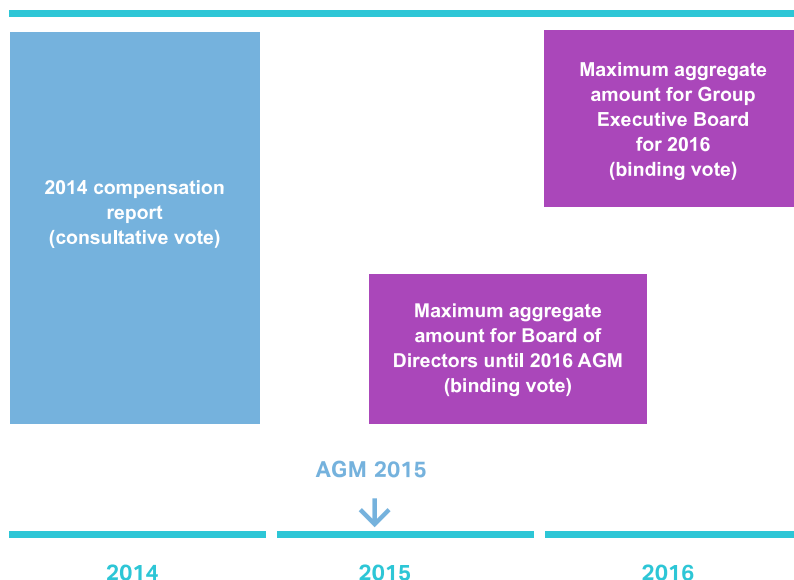
The actual compensation effectively paid out in a given year to the Group Executive Board members depends on the company and on the individual performance. Individual performance is assessed through the formal annual Performance Management process: company and individual performance objectives are approved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



3.3. Shareholder involvement

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

In addition, as required by the Ordinance against Excessive Remuneration in Stock Listed Corporations, shareholders will be asked to approve the amount of compensation 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 Incorporation of Geberit stipulate that shareholders 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.



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 if the achievement of all performance objectives reach the cap level and assuming a maximum investment into the share participation plan (with maximum possible amount of matching options)
- Maximum value of the options at grant assuming that achievement of the performance condition reaches the cap level

Therefore, the maximum aggregate remuneration amount submitted to shareholders' vote is potentially much higher than the amount of compensation 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 compensation report of the respective business year, which will be subject to a consultative shareholders' vote.

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

Articles of Incorporation

As required by the Ordinance, the Articles of Incorporation of Geberit have been revised in 2014 and approved by the shareholders at the last General Meeting. The Articles of Incorporation include the following provisions on remuneration (details available on [→ www.geberit.com](http://www.geberit.com)):

- Principles applicable to performance-related pay:
Members of the Group Executive Board may be paid variable remuneration that 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 Incorporation have been kept generic so that the Board of Directors have sufficient flexibility to make amendments to the compensation programs in the future, if so necessary. The compensation principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned to good practice in terms of corporate governance; for example, the independent members of the Board of Directors are not eligible to 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 members of the Board of Directors is defined in a regulation adopted by the Board of Directors and consists of a fixed retainer and a remuneration for their committee work. The remuneration is paid in the form of restricted shares subject to a four-year blocking period. The restriction on the shares may lapse in case of death. The shares remain blocked in all other instances. In addition, members of the Board of Directors also receive a lump sum to cover their expenses, paid out in cash.

Annual fees	in CHF	Delivery
Vice-Chairman (Lead Director)	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 of the Chairman of the Board of Directors is covered by his reported remuneration as CEO.

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	Performance metrics in 2014
Base salary	Annual base salary	Monthly cash payments	Attract & Retain		
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 performance period - 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 Wohlfahrtsfond	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & Retain		

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 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 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 (please refer to the section on Long-Term Incentive below).

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](#).

In the event of termination of employment, the following provisions apply:

- Termination for other reason than death or retirement: restricted shares remain subject to the regular blocking period and vested options can be exercised within a 90-day period. Non-vested options can be repurchased by Geberit or continue to vest normally and are exercisable over a 90-day period after the vesting date.
- Termination in the event of death: restricted shares are unblocked immediately and unvested options are subject to an accelerated vesting. The exercise period for vested options is 90-days.
- In case of retirement, the restricted shares and options are subject to the regular terms and conditions of the plan.

In the event of termination of employment by the employer following a change of control, the restrictions on the shares and the options lapse. This rule applies only in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of the change of control.

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, effective January 1, 2013, with the introduction of a performance-based vesting condition.

Every year, the Board of Directors determines the grant of share options. Based on a benchmark study conducted in 2012, the Board of Directors decided to gradually increase the grant value for members of the Group Executive Board. The market value of options granted amounts to 50% of the target income for the CEO and to 30% of the target income for 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 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. 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 a multiple of 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 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, vested options can be exercised within a 90-day period. Non-vested options are forfeited on termination, except in case of death or retirement. In case of death, the unvested options are subject to an accelerated full vesting. In case of retirement, the unvested options continue to follow the regular performance-based vesting schedule and the vested options are subject to the regular exercise period.

In the event of termination of employment by the employer following a change of control, the restrictions on the shares and the options lapse. This rule applies only in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of the change of control.

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.

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](#).

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 during three years after the payment of the respective variable remuneration.

5. Board of Directors: remuneration and share ownership in 2014

This section is audited by the external auditor.

In 2014, members of the Board of Directors received a total remuneration of TCHF 995 (previous year TCHF 1,183). Compensation for regular board activities and committee assignments amounted to TCHF 893 (previous year TCHF 1,063). This is equivalent to a 16.0% decrease due to a vacancy on the Board of Directors. The remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of non-discounted restricted shares.

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

	A. Baehny Chairman ² CHF	R. Spoerry Vice Chairman CHF	H. Reuter CHF	F. Ehrat CHF	J. Tang- Jensen CHF	Total CHF
2014						
Remuneration of the Board of Directors						
Accrued remuneration ¹	–	320,000	222,500	150,000	200,000	892,500
Expenses	–	15,000	15,000	15,000	15,000	60,000
Contributions to social insurance	–	15,071	10,725	7,431	9,716	42,942
Total	–	350,071	248,225	172,431	224,716	995,442

CHF

Remuneration of former members of the Board of Directors (J. Song)

Accrued remuneration ¹						46,250
Expenses						3,750
Contributions to social insurance						6,069
Total						56,069

	A. Baehny Chairman ² CHF	R. Spoerry Vice Chairman CHF	H. Reuter CHF	F. Ehrat CHF	J. Song CHF	J. Tang- Jensen CHF	Total CHF
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2013

Remuneration of the Board of Directors

Accrued remuneration ¹	-	320,000	222,500	150,000	170,000	200,000	1,062,500
Expenses	-	15,000	15,000	11,250	15,000	15,000	71,250
Contributions to social insurance	-	15,071	10,714	7,438	6,066	9,701	48,990
Total	-	350,071	248,214	168,688	191,066	224,701	1,182,740

CHF

Remuneration of former members of the Board of Directors (S. Ruoff)

Accrued remuneration ¹	50,000
Expenses	3,750
Contributions to social insurance	2,469
Total	56,219

¹ Directors' fee booked as at December 31. Payment will be made in the first quarter of 2015 in the form of restricted shares paid out in the form of registered shares of the company with a par value of CHF 0.10 each, 4-year blocking period, valued at fair value at grant date of CHF 281.95 (previous year CHF 231.20). The part not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non Swiss board members.

² The remuneration of A. Baehny as Chairman of the Board is compensated with his total CEO remuneration.

As of the end of 2014 and 2013, members of the Board of Directors held the following shares in the company:

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

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	F. Ehrat	J. Song	J. Tang- Jensen	Total
2013							
Shareholdings Board of Directors							
Shares	see Group Executive Board	6,355	5,584	200	448	749	13,336
Percentage voting rights shares		< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%

As of December 31, 2014, there were no outstanding loans or credits between the company and 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 2014

6.1. Performance in 2014

Thanks to healthy sales growth, a positive net price effect and efficient cost control, results far exceeded those achieved in the previous year despite a continued challenging environment. The values of all key figures used to calculate the variable cash remuneration exceeded the targets; the majority of the results reached all-time highs.

6.2. Remuneration awarded in 2014

The remuneration of the Group Executive Board amounted to TCHF 7,707 in 2014 (previous year TCHF 7,391). Remuneration of the CEO amounted to TCHF 2,802 in 2014 (previous year TCHF 2,597). Base salaries for the CEO and other members of the Group Executive Board remained unchanged. This rise in the total remuneration compared with 2013 is a consequence of the higher target achievement in the STI program, the increase in the LTI grant as well as higher social insurance contributions resulting from the exercise of options. The amount of options granted under the MSOP (Long-Term Incentive) was increased from 40% to 50% of the target income for the CEO, and from 20% to 30% of the target income for other members of the Group Executive Board. As described in [→ 3.2 Determination of remuneration, "Benchmarks and external consultants"](#), these are necessary changes to rebalance the different remuneration components so that the total compensation package is aligned with market practice over the coming years. During this process, the base salaries of members of the Group Executive Board remain unchanged. The MSPP options increased slightly compared to the previous year. Contributions to company pension funds and other benefits to the CEO and the other members of the Group Executive Board remained constant.

The following table – reviewed by the external auditor – shows details of remuneration for 2014 and 2013:

	2014		2013	
	A. Baehny CEO ⁷ CHF	Total CHF	A. Baehny CEO CHF	Total CHF
Remuneration of the Group Executive Board				
Salary				
- Base salary	946,803	2,793,345	946,803	2,861,729
- Variable remuneration ¹ <i>thereof in shares in 2014²</i>	869,486	2,540,674	831,086	2,507,682
			498,488	1,338,699
Options				
- Call options MSOP 2013/2014 ³	685,661	1,347,411	548,526	1,110,585
- Call options MSPP 2013/2014 ⁴	41,813	112,290	62,797	108,264
Non-cash benefits				
- Private share of company vehicle ⁵	9,660	39,984	9,660	38,792
Expenditure on pensions				
- Pension plans and social insurance	246,523	861,830	196,283	752,034
- Contribution health/accident insurance	2,262	11,903	2,262	12,390
Total⁶	2,802,208	7,707,437	2,597,417	7,391,476

¹ The amounts to be paid respectively; the amounts effectively paid are shown. Payment of the variable salary occurs in the following year. Member 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 281.95 (PY CHF 231.20).

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 Stock Option Programm (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 281.95 (previous year CHF 231.20); definitive acquisition of the option ("vesting") dependent on various conditions, 2-4-year blocking period (3 tranches at 33.3%), market value of CHF 23.65 (previous year CHF 24.34) 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 281.95 (previous year CHF 231.20); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches of 25%), market value of CHF 23.65 (previous year CHF 24.34) 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 is compensated with his total CEO remuneration.

The parameters taken into consideration in the option valuation model are set out in

→ [Note 18 Participation plans of the consolidated financial statements.](#)

6.3. Shareholdings of Group Executive Board

As of the end of 2014 and 2013, the Group Executive Board held the following shares in the company:

	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

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christensen	M. Reinhard	K. Spachmann	Total
2013								
Shareholdings Group Executive Board								
Shares			45,201	20,000	1,489	1,940	3,084	71,714
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.19%

Call options¹

Vesting period:

Vested	2014–2016	217.60	1,792	957	0	1,017	1,038	4,804
2014	2015–2017	198.53	11,742	4,220	1,891	3,560	2,619	24,032
2015	2016	228.00	1,792	957	753	1,017	483	5,002
2016	2017	205.50	6,665	1,417	1,176	1,542	1,330	12,130
2014–2017	2020	231.20	25,116	7,356	4,968	7,016	5,620	50,076
Total options			47,107	14,907	8,788	14,152	11,090	96,044
Percentage potential share of voting rights options			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.25%

¹ Purchase ratio 1 share for 1 option

As of December 31, 2014, there were no outstanding loans or credits between the company and members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

7. Summary of share and option plans 2014

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

In 2014 employees, management and 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 18](#) 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 2014 (ESPP)	2016	1,845	20,687	155.07
Management share purchase plan 2014 (MSPP)	2017	70	13,320	281.95
Directors program 2014 (DSPP)	2018	6	3,505	281.95
Total			37,512	

¹ ESPP: The issuing price is the average closing price during the subscription period (4.–17.3.2014) with a discount of 45% based on the company's performance in 2014, per plan rules.

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

The 37,512 shares required for these plans were taken from the stock of treasury shares.

In 2014 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 2014 (MSPP)	2015–2018	2021	70	13,320	281.95
Option plan 2014 (MSOP) / Group Executive Board	2016–2018	2021	5	64,647	281.95
Option plan 2014 (MSOP) / Other management	2015–2018	2021	64	62,428	281.95
Total				140,395	

The fair value of the options grant in 2014 amounted to CHF 23.65 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 volatility %	Expected Ø dividend yield %	Contractual period Years	Risk free interest rate %
Management share purchase plan 2014 (MSPP)	281.95	13.500	3.80	7	0.868
Option plan 2014 (MSOP)	281.95	13.500	3.80	7	0.868

¹ The exercise price corresponds to the average price of Geberit shares for the period from 4.–17.3.2014.

Costs resulting from participation plans amounted to CHF 2.9 million in 2014 (prior year 2.6 million), those for option plans totaled 2.5 million (prior year 2.6 million).

8. Summary of shares and options held by employees and management as of December 31, 2014

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 December 31, 2014, the Board of Directors, the Group Executive Board and the employees owned a combined total of 340,295 (previous year 338,788) shares, i.e. 0.9% (previous year 0.9%) of the share capital of Geberit AG.

The following table summarizes all option plans in place as of December 31, 2014:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2015–2017	30,847	208.06	30,847	208.06
2015	2016–2021	66,615	244.72	66,615	244.72
2016	2017–2021	100,838	241.58	100,838	241.58
2017	2018–2021	66,687	260.06	66,687	260.06
2018	2021	37,928	281.95	37,928	281.95
Total		302,915	247.98	302,915	247.98

The following movements took place in 2014 and 2013:

	MSOP		MSPP		Total 2014		Total 2013	
	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 January 1	233,291	214.91	30,603	201.86	263,894	213.39	251,305	185.51
Granted options	127,075	281.95	13,320	281.95	140,395	281.95	107,172	231.20
Forfeited options	16,059	252.65	725	188.73	16,784	249.89	4,624	207.12
Expired options	0	0	0	0	0	0	35	146.60
Exercised options	69,852	197.16	14,738	190.96	84,590	196.08	89,924	157.03
Outstanding December 31	274,455	248.26	28,460	245.33	302,915	247.98	263,894	213.39
Exercisable at December 31	22,433	211.59	8,414	198.65	30,847	208.06	29,509	184.88

The options outstanding at December 31, 2014 had an exercise price of between CHF 189.10 and CHF 281.95 and an average remaining contractual life of 4.7 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 on the Consolidated Financial Statements

We have audited the → [remuneration report](#) dated 3 March 2015 of Geberit AG for the year ended 31 December 2014.

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.

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 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, March 3, 2015