Consolidated Balance Sheets

	Note	31.12.2014 MCHF	31.12.2013 MCHF
Assets			
Current assets			
Cash and cash equivalents		749.7	538.1
Marketable securities	6	0.0	74.7
Trade accounts receivable	7	125.3	114.8
Other current assets and current financial assets	8	55.9	53.4
Inventories	9	205.7	170.9
Total current assets		**1,136.6**	**951.9**
Non-current assets			
Property, plant and equipment	10	550.9	536.4
Deferred tax assets	19	76.3	55.8
Other non-current assets and non-current financial assets	11	22.4	36.4
Goodwill and intangible assets	12	645.3	645.5
Total non-current assets		**1,294.9**	**1,274.1**
Total assets		**2,431.5**	**2,226.0**

	Note	31.12.2014 MCHF	31.12.2013 MCHF
Liabilities and equity			
Current liabilities			
Short-term debt	13	3.9	4.0
Trade accounts payable		62.3	61.6
Tax liabilities and tax provisions		78.3	67.2
Other current provisions and liabilities	14	226.3	146.7
Total current liabilities		**370.8**	**279.5**
Non-current liabilities			
Long-term debt	15	6.6	7.7
Accrued pension obligations	17	256.5	188.9
Deferred tax liabilities	19	48.4	51.2
Other non-current provisions and liabilities	20	32.1	34.6
Total non-current liabilities		**343.6**	**282.4**
Shareholders' equity			
Capital stock	22	3.8	3.8
Reserves		1,944.0	1,886.2
Cumulative translation adjustments		-230.7	-225.9
Total equity		**1,717.1**	**1,664.1**
Total liabilities and equity		**2,431.5**	**2,226.0**

The accompanying → Notes are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2014 MCHF	2013 MCHF
Revenue from sales	29	**2,089.1**	**1,999.9**
Cost of materials		604.2	597.2
Personnel expenses		483.9	475.4
Depreciation	10	77.0	76.6
Amortization of intangible assets	12	3.2	5.5
Other operating expenses, net	24	343.9	334.5
Total operating expenses, net		1,512.2	1,489.2
Operating profit (EBIT)		**576.9**	**510.7**
Financial expenses	25	-4.0	-4.8
Financial income	25	2.1	3.4
Foreign exchange loss (-) /gain	25	0.2	-4.1
Financial result, net		-1.7	-5.5
Profit before income tax expenses		**575.2**	**505.2**
Income tax expenses	26	76.6	69.4
Net income		**498.6**	**435.8**
- Attributable to shareholders of Geberit AG		498.6	435.8
EPS (CHF)	23	13.28	11.59
EPS diluted (CHF)	23	13.26	11.58

The accompanying → **Notes** are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Note	2014 MCHF	2013 MCHF
Net income according to the income statement		**498.6**	**435.8**
Cumulative translation adjustments		-4.8	7.3
Taxes		0.0	0.0
Cumulative translation adjustments, net of tax		**-4.8**	**7.3**
Cashflow hedge accounting	16	-71.5	0.0
Taxes		10.2	0.0
Cashflow hedge accounting, net of tax		**-61.3**	**0.0**
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		**-66.1**	**7.3**
Remeasurements of pension plans	17	-82.3	51.6
Taxes		17.2	-9.0
Remeasurements of pension plans, net of tax		**-65.1**	**42.6**
Total other comprehensive income not reclassified to the income statement in subsequent periods, net of tax		**-65.1**	**42.6**
Total other comprehensive income, net of tax		**-131.2**	**49.9**
Total comprehensive income		**367.4**	**485.7**
- Attributable to shareholders of Geberit AG		367.4	485.7

The accompanying → **Notes** are an integral part of the consolidated financial statements.

Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						
	Ordinary shares MCHF	Reserves MCHF	Treasury shares MCHF	Pension plans MCHF	Hedge accounting MCHF	Cum. translation adjustments MCHF	Total equity MCHF
Balance at 31.12.2012	**3.9**	**2,017.9**	**-228.4**	**-128.9**	**0.0**	**-233.2**	**1,431.3**
Net income		435.8					435.8
Other comprehensive income				42.6		7.3	49.9
Distribution		-248.2					-248.2
Share buyback program							0.0
Purchase (-) /Sale of treasury shares		8.0	-9.7				-1.7
Management option plans		-3.0					-3.0
Capital reduction	-0.1	-197.5	197.6				0.0
Balance at 31.12.2013	**3.8**	**2,013.0**	**-40.5**	**-86.3**	**0.0**	**-225.9**	**1,664.1**
Net income		498.6					498.6
Other comprehensive income				-65.1	-61.3	-4.8	-131.2
Distribution		-282.0					-282.0
Share buyback program			-37.4				-37.4
Purchase (-) /Sale of treasury shares		8.8	-0.4				8.4
Management option plans		-3.4					-3.4
Capital reduction							0.0
Balance at 31.12.2014	**3.8**	**2,235.0**	**-78.3**	**-151.4**	**-61.3**	**-230.7**	**1,717.1**

The accompanying → **Notes** are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2014 MCHF	2013 MCHF
Cash provided by operating activities			
Net income		498.6	435.8
Depreciation and amortization	10/12	80.2	82.1
Financial result, net	25	1.7	5.5
Income tax expenses	26	76.6	69.4
Other non-cash income and expenses		18.1	20.7
Operating cashflow before changes in net working capital and taxes		675.2	613.5
Income taxes paid		-64.5	-56.0
Changes in trade accounts receivable		-2.6	-0.7
Changes in inventories		-35.0	-7.3
Changes in trade accounts payable		0.5	3.0
Changes in other positions of net working capital		1.9	7.4
Net cash from/used (-) in operating activities		**575.5**	**559.9**
Cash from/used (-) in investing activities			
Purchase of property, plant & equipment and intangible assets	10/12	-104.8	-98.0
Proceeds from sale of property, plant & equipment and intangible assets		2.5	2.8
Marketable securities, net	6	73.1	-12.1
Interest received		3.2	2.9
Other, net		-0.3	2.5
Net cash from/used (-) in investing activities		**-26.3**	**-101.9**
Cash from/used (-) in financing activities			
Repayments of borrowings		-4.2	-4.0
Interest paid		0.0	-0.5
Distribution		-282.0	-248.2
Share buyback program		-37.4	0.0
Purchase (-) /Sale of treasury shares		-4.5	-26.8
Other, net		-8.9	-0.5
Net cash from/used (-) in financing activities		**-337.0**	**-280.0**
Effects of exchange rates on cash and cash equivalents		-0.6	-1.2
Net increase/decrease (-) in cash and cash equivalents		**211.6**	**176.8**
Cash and cash equivalents at beginning of year		538.1	361.3
Cash and cash equivalents at end of year		**749.7**	**538.1**

The accompanying → Notes are an integral part of the consolidated financial statements.

For further cashflow figures see → Note 28

Notes to the Consolidated Financial Statements

1. Basic information and principles of the report

The Geberit Group is a leading supplier of sanitary technology products for the residential and commercial new construction and renovation markets. The product range of the Group consists of the Sanitary Systems product area with the Installation Systems, Cisterns & Mechanisms, Faucets & Flushing Systems and Waste Fittings & Traps product lines, and the Piping Systems product area with the Building Drainage Systems and Supply Systems product lines. Worldwide, all products are sold through the wholesale channel. Geberit sells its products in more than 120 countries. The Group is present in 42 countries with its own sales employees.

The consolidated financial statements include Geberit AG and all companies under its control ("the Group" or "Geberit"). The Group eliminates all intra-group transactions as part of the Group consolidation process. Companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The term "MCHF" in these consolidated financial statements refers to millions of Swiss francs, "MEUR" refers to millions of euros, "MGBP" refers to millions of Britain pounds sterling and "MUSD" refers to millions of US dollars. The term "shareholders" refers to the shareholders of Geberit AG.

Main sources of estimation uncertainty
The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates. Estimates and assumptions are continually reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Important estimates and assumptions (with the related uncertainties) were primarily made in the following areas:

- Impairment tests for goodwill and intangible assets with an indefinite useful life (→ Note 12)
- Capitalization of development costs (→ Note 27)
- Assumptions for the recognition of defined benefit pension plans (→ Note 17)
- Future development of tax rates (→ Note 3)

2. Changes in Group structure

2014:

The following companies were newly founded:

- Geberit RUS LLC., Moscow
- Geberit Finanz AG, Rapperswil-Jona
- Geberit Investment Oy, Vantaa (Helsinki)

2013:

No material changes in the Group organization took place.

3. Summary of significant accounting policies

New or revised IFRS standards and interpretations 2014 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 10 – Consolidated Financial Statements; IFRS 12 – Disclosure of Interests in other entities; IAS 27 – Separate Financial Statements	1.1.2014	Amendments related to investment companies. These amendments have no impact on the consolidated financial statements.	1.1.2014
IAS 19 – Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1.7.2014	The amendment clarifies the application of IAS 19R to post-employment benefit plans that require employees or third parties to contribute towards the cost of benefits. The amendment allows contributions that are linked to service, and do not vary with length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. This amendment of IAS 19 was adopted early to take the option of continuing with the present calculation method (without risk sharing).	1.1.2013
IAS 32 – Financial Instruments: Presentation	1.1.2014	Clarification related to the offsetting of financial assets and financial liabilities. This amendment has no material impact on the consolidated financial statements.	1.1.2014
IAS 36 – Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	1.1.2014	This limited scope amendment corrects an amendment to IAS 36 when IFRS 13 was issued and introduces additional disclosures for measurements based on fair value less costs of disposal in case of an impairment or reversal of an impairment. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 39 – Financial Instruments: Recognition and Measurement	1.1.2014	Clarification that there is no need to discontinue hedge accounting if a hedging derivative is novated. This amendment has no impact on the consolidated financial statements.	1.1.2014
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary annual clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements	various

New or revised IFRS standards and interpretations as from 2015 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 9 – Financial Instruments	1.1.2018	The complete version of IFRS 9 'Financial Instruments' includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortized cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. This amendment has no material impact on the consolidated financial statements.	1.1.2018
IFRS 10 – Consolidated Financial Statements; IAS 28 – Investments in Associates and Joint Ventures	1.1.2016	These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments have no impact on the consolidated financial statements.	1.1.2016
IFRS 10 – Consolidated Financial Statements; IFRS 12 – Disclosure of Interests in Other Entities; IAS 28 – Investments in Associates and Joint Ventures	1.1.2016	The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. These amendments have no impact on the consolidated financial statements.	1.1.2016
IFRS 11 – Joint Arrangements	1.1.2016	The additional guidance clarifies that the acquisition of an interest in a joint operation that meets the definition of a business under IFRS 3 is not a business combination as the acquiring party does not obtain control. This amendment has no impact on the consolidated financial statements.	1.1.2016

New or revised IFRS standards and interpretations as from 2015 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 15 – Revenue from Contracts with Customers	1.1.2017	The new standard on the recognition of revenue from contracts with customers is based on a five step approach: 1) Identify the contract with the customer 2) Identify the separate performance obligations in the contract 3) Determine the transaction price 4) Allocate the transaction price to separate performance obligations 5) Recognize revenue when a performance obligation is satisfied These amendments will have an impact on the consolidated financial statements. According to the ongoing assessment, no material impact is expected.	1.1.2017
IAS 16 – Property, Plant and Equipment; IAS 38 – Intangible Assets	1.1.2016	Clarifies which principle for the basis of depreciation and amortization can be used. The objective of the amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortization of items of property, plant and equipment or intangible assets. This amendment has no impact on the consolidated financial statements.	1.1.2016
IAS 27 – Separate Financial Statements	1.1.2016	The amendment restores the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This amendment has no impact on the consolidated financial statements.	1.1.2016
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary annual clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements.	various

Foreign currency translation
The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates the actual rate at the date of the transaction. At the end of the accounting period, receivables and liabilities in foreign currency are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to the income statement. Exchange rate differences related to loans that are part of the net investment in foreign entities are recorded in → "other comprehensive income" and disclosed as cumulative translation adjustments. For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates (weighted sales) for the period. Translation gains or losses are recorded in → "other comprehensive income" and disclosed as cumulative translation adjustments.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, balances with banks and short-term, highly liquid financial investments with maturities of three months or less at their acquisition date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The carrying amount of cash and cash equivalents approximates to their fair value due to the short-term maturities of these instruments.

Marketable securities
Marketable securities are principally traded in liquid markets. Marketable securities with a remaining time to maturity of 4 to 12 months or which are purchased with the intention of selling them in the near future have to be measured at their fair value through the income statement.

Inventories
Inventories are stated at the lower of historical or manufacturing costs, or net realizable value. The manufacturing costs comprise all directly attributable costs of material and manufacture and other costs incurred in bringing the inventories to their present location and condition. Historical cost is determined using the weighted average cost formula, while the manufacturing cost is determined using the standard cost formula. Net realizable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling costs. Allowances are made for obsolete and slow-moving inventories.

Property, plant and equipment
Property, plant and equipment are carried at historical or manufacturing costs less accumulated depreciation. Betterment that increases the useful lives of the assets, substantially improves the quality of the output, or enables a substantial reduction in operating costs is capitalized and depreciated over the remaining useful lives. Depreciation of property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (15–50 years), production machinery and assembly lines (8–25 years), molds (4–6 years), equipment and furnishings (4–25 years) and vehicles (5–10 years). Properties are not m^{2}ly depreciated. Repair and maintenance related to investments in property, plant and equipment is charged to the income statement as incurred.

Borrowing costs of all material qualifying assets are capitalized during the construction phase in accordance with IAS 23. A qualified asset is an asset for which an extensive period (generally more than a year) is required to transform it to its planned usable condition. If funds are specifically borrowed, the costs that can be capitalized are the actual costs incurred less any investment income earned on the temporary investment of these borrowings. If the borrowed funds are part of a general pool, the amount that can be capitalized must be determined by applying a capitalization rate to the expenses related to this asset.

If there is any indication for impairment, the actual carrying amount of the asset is compared to its recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced accordingly and charged to the income statement.

Intangible assets and goodwill
The Group records goodwill as the difference between the purchase price and the net assets of the company acquired, both measured at fair value. If the value of net assets is higher than the purchase price, this gain is credited immediately to the income statement.

Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill and intangible assets with an indefinite useful life are not regularly amortized but tested for impairment on an annual basis. Since the Geberit trademark is an inherent element of the business model of the Geberit Group and therefore is used over an indefinite time period, it is assigned with an indefinite useful life. Impairments are recorded immediately as expenses in the consolidated income statements, and in the case of goodwill, not reversed in subsequent periods. The amortization of intangible assets with a definite useful life is calculated using the straight-line method based on the following useful lives: patents and technology (10 years), trademarks (5 years), software (4–6 years) and capitalized development costs (6 years).

Valuation of intangible assets and goodwill
Intangible assets with an indefinite useful life and goodwill are tested for impairment at each reporting date, at least. In this process, the actual carrying amount of the asset is compared with the recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced correspondingly. The Group records the difference between recoverable amount and carrying amount as expense. The valuation is based on single assets or, if such valuation is not possible, on the level of the group of assets for which separately identifiable cashflows exist. The Geberit trademark is valued at Group level.

For the impairment tests of intangible assets with an indefinite useful life and goodwill, the Group applies the most recent business plans (period of four years) and the assumptions therein concerning development of prices, markets and the Group's market shares. To discount future cashflows, the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in → Note 12.

Provisions
The Group recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and when a reasonable estimate of the size of the obligation can be made. The Group warrants its products against defects and accrues provisions for such warranties at the time of sale based on estimated claims. Actual warranty costs are charged against the accrued provisions when incurred.

Revenue from sales
Revenue from sales is recognized when the risks and rewards are transferred to the customer, which normally happens when the products are shipped to the customer, i.e. when the products are handed over to the carrier at the ramp of a Geberit logistics center. Revenue from sales includes the invoiced net amounts after deduction of the rebates shown on the invoice. Customer bonuses and cash discounts granted subsequently are deducted as well.

Customer bonuses are sales deductions linked to the achievement of predefined sales targets. Cash discounts are sales deductions recognized on receipt of timely payments. Development of these indicators, which are material to Geberit's business model, is shown in the "Segment reporting" (see → Note 29).

Marketing expenses
All costs associated with advertising and promoting products are recorded as expenses in the financial period during which they are incurred.

Taxes
The consolidated financial statements include current income taxes based on the taxable earnings of the Group companies and are calculated according to national tax rules. Significant judgement is required in determining the worldwide provision for income taxes. The accounting for income taxes is subject to the changes of future tax rates, local tax assessments of transactions and specific calculations. As such the accounting for income taxes is subject to estimates and uncertainty. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated either using the current tax rate or the tax rate expected to be applicable in the period in which these differences will reverse. If the realization of future tax savings related to tax loss carryforwards and other deferred tax assets is no longer probable, then the deferred tax assets are reduced accordingly.

A liability for deferred taxes is recognized only for non-refundable taxes at source and other earning distribution-related taxes for subsidiaries for which available earnings are intended to be remitted and of which the parent company controls the dividend policy (see → Note 19).

Research and development expenditures
The majority of the expenses are incurred in relation to basic research, product and product range management, customer software development and R&D support/overhead, and these are charged directly to the income statement. The residual expenses relate to development costs for new products. If these concern major development projects, they are reviewed at each balance sheet date in order to verify if the capitalization criteria of IAS 38.57 are fulfilled. In the case that all criteria are fulfilled, the expenses are capitalized and amortized over a period of six years (see → Note 27).

Retirement benefit plans
The Group manages different employee pension funds structured as both defined benefit and defined contribution plans. These pension funds are governed by the regulations of the countries in which the Group operates.

For defined benefit plans, the present value of the defined benefit obligation is calculated periodically by independent pension actuaries using the projected unit credit method on the basis of the service years and the expected salary and pension trends. Actuarial gains and losses are immediately recognized in other comprehensive income as "Remeasurements pension plans". This item also includes the return on plan assets/reimbursement rights (excluding the interest based on the discount rate) and any effects of an asset ceiling adjustment. For defined benefit plans with an independent pension fund, the funded status of the pension fund is included in the consolidated balance sheet. Any surplus is capitalized in compliance with IAS 19.64 and IFRIC 14. The annual net periodic pension costs calculated for defined benefit plans are recognized in the income statement in the period in which they occur.

For defined contribution plans, the annual costs are calculated as a percentage of the pensionable salaries and are also charged to the income statement. Except for the contributions, the Group does not have any other payment obligations.

Participation plans
Rebates granted to employees when buying Geberit shares under share purchase plans are charged to the income statement in the year the programs are offered.

The fair value of the options allotted as part of the management long term incentive and the management share purchase plan is determined at the grant date and charged on a straight-line basis to personnel expenses over the vesting period. The values are determined using the binomial model.

Earnings per share
The number of ordinary shares for the calculation of the earnings per share is determined on the basis of the weighted average of the issued ordinary shares less the weighted average number of the treasury shares. For the calculation of diluted earnings per share, an adjusted number of shares is calculated as the sum of the total of the ordinary shares used to calculate the earnings per share and the potentially dilutive shares from option programs. The dilution from option programs is determined on the basis of the number of ordinary shares that could have been bought for the amount of the accumulated difference between the market price and exercise price of the options. The relevant market price used is the average Geberit share price for the financial year.

Earnings per share and diluted earnings per share are defined as the ratio of the attributable net income to the relevant number of ordinary shares.

Financial instruments
Trade accounts receivable and other current assets are carried at amortized cost less allowances for credit losses. Trade accounts payable and other payables are carried at amortized cost. The carrying amount of such items basically corresponds to its fair value.

The recognition and measurement of marketable securities is described in the section → "Marketable securities".

Debt is initially recorded at fair value, net of transaction costs, and measured at amortized cost according to the effective interest rate method. The Group classifies debt as non-current when, at the balance sheet date, it has the unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The recognition of derivatives in the Group's balance sheet is based on internal valuations or on the valuation of the respective financial institution (see → Note 16).

Hedge accounting
Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded together with the change in fair value of the underlying item directly in the income statements, net. The effective portion of instruments designated as cashflow hedges is recognized in → "other comprehensive income". The ineffective portion of such instruments is recorded in financial result, net. Changes in value resulting from cashflow hedges recognized in equity through the consolidated statements of comprehensive income are recorded in the income statement in the period in which the cashflow from the hedged transaction is recognized in the income statement.

4. Risk assessment and management

General
The Geberit Group runs a risk-management system approved by the Board of Directors.

The policy defines a structured process according to which the business risks are systematically managed. In this process, risks are identified, analyzed and evaluated concerning the likelihood of occurrence and magnitude, and risk-control measurements are determined. Each member of management is responsible for the implementation of the risk-management measures in his area of responsibility. The Board of Directors is periodically informed about the major changes in the risk assessment and about risk-management actions taken. The permanent observation and control of the risks is a management objective. For risks concerning accounting and financial reporting, a special assessment is carried out as part of the risk control process. The Geberit internal control system for financial reporting defines in this regard control measures that reduce the related risks.

Financial risks are monitored by the treasury department of the Geberit Group, which acts in line with the directives of the treasury policy issued by the Group. Risk-management focuses on recognizing, analyzing and hedging foreign exchange rate, interest rate, liquidity and counterparty risks, with the aim of limiting their effect on cashflow and net income. The Group measures its risks with the value-at-risk method for foreign exchange rate risks and the cashflow-at-risk method for interest rate risks.

Management of counterparty risks from treasury activities
Financial contracts are agreed only with third parties that have at least an A (S&P) or A2 (Moody's) rating, or are considered to be relevant to the financial system. Management believes that the risk of losses from the existing contracts is remote.

In general, liquid funds are invested for less than three months. Part of the liquid funds is invested in government bonds (maximum MCHF 70 per country and usually with terms of less than 12 months). The residual liquid funds are generally put into fixed-term deposits at banks. To avoid cluster risks, the value of an investment per third party may not exceed MCHF 50 (or MCHF 70 for the major Swiss banks). In addition, investments with the same counterparty may not exceed half of the Group's total deposits. The Group has not suffered any losses on such transactions to date.

Management of foreign exchange rate risk
The Geberit Group generates sales and profits in Switzerland and abroad in foreign currencies. Therefore, exchange rate changes have an impact on the consolidated results. in order to limit such risks, the concept of "natural hedging" is considered as the primary hedging strategy. Hereby, the foreign exchange rate risk of cash inflows in a certain currency is neutralized with cash outflows of the same currency. For the most important currencies EUR (approx. 70% of sales) and USD (approx. 5% of sales), in principle, the relative portion of sales and costs is almost equal. Therefore, currency fluctuations influence the profit margin of the Group only to a marginal extent; i.e. the Group is exposed to a relatively small transaction risk. However, the translation risk that results from the translation of profits generated abroad can still substantially influence the consolidated results depending on the level of currency fluctuation, despite the effective "natural hedging". The Group does not hedge translation risks.

Any remaining currency risks are measured with the value-at-risk (VaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the fair value of foreign currency positions and therefore on the financial result of the Group is evaluated. The risk is controlled with the key figure (VaR +/- unrealized gains/losses from foreign exchange positions)/equity. Based on internal limits, it is decided whether any hedging measures have to be taken. Normally, forward exchange contracts are used as hedging instruments. The limit for the key figure is determined annually and amounts to 0.5% (PY: 0.5%) of equity for the reporting period.

The following parameters have been used for the calculation of the value-at-risk (VaR):

Model	Method	Confidence level	Holding period
J. P. Morgan	Variance-covariance approach	95%	30 days

Foreign exchange rate risk as of December 31:

	2014 MCHF	2013 MCHF
Value-at-risk +/- unrealized gains/losses	3.0	3.2
Equity	1,717.1	1,664.1
(Value-at-risk +/- unrealized gains/losses)/equity	**0.2%**	**0.2%**

Management of interest rate risk
Basically, two types of interest rate risk exist:

a) the fair market value risk for financial positions bearing fixed interest rates
b) the interest rate risk for financial positions bearing variable interest rates

The fair market value risk does not have a direct impact on the cashflows and results of the Group. Therefore, it is not measured. The refinancing risk of positions with fixed interest rates is taken into account with the integration of financial positions bearing fixed interest rates with a maturity under 12 months in the measurement of the interest rate risk.

The interest rate risk is measured using the cashflow-at-risk (CfaR) method for the interest balance (including financial positions bearing fixed interest rates with a maturity under 12 months). By using statistical methods, the effect of probable interest rate changes on the cashflow of a financial position is evaluated. The calculation of the CfaR is based on the same model as the calculation of the value-at-risk regarding the foreign exchange rate risk.

The Group's risk is controlled with the key figure EBITDA/(financial result, net, for the coming 12 months + CfaR). Based on internal limits, it is decided whether any hedging measures have to be taken. The limit is reviewed annually and amounts to a minimum of 20 for the reporting period (PY: 20).

Interest rate risk as of December, 31:

	2014 MCHF	2013 MCHF
EBITDA	657.1	592.8
Financial result, net + CfaR	0.9	1.7
EBITDA/(Financial result, net + CfaR)	**730x**	**349x**

Combined foreign exchange rate and interest rate risk
The following table shows the combined foreign exchange rate and interest rate risk according to the calculation method of the value-at-risk model, and includes all foreign exchange rate risk, and interest rate risk positions and instruments described above. Foreign exchange rate risks and interest rate risks are monitored with the key figures as previously mentioned.

	2014 MCHF	2013 MCHF
Combined foreign exchange rate and interest rate risk	4.1	5.6

Management of liquidity risk
Liquid funds (including the committed unused credit lines) must be available in order to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortization payments and capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 864.7 (PY: MCHF 590.5).

The liquidity required for the acquisition of Sanitec is covered by a deal-specific credit facility and surplus liquid funds.

Management of credit risk
Major credit risks to the Group mainly result from the sale of its products (debtor risk). Products are sold throughout the world, but primarily within continental Europe. Ongoing evaluations of the customers' financial situation are performed and, generally, no further collateral is required. Concentrations of debtors' risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses. Actual losses have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of receivables at year-end is not representative because of the low sales volume in December. In 2014, the average balance of receivables is about 150% of the amount at year-end.

Summary

The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed in order to make sure that they meet the requirements of financial markets, changes in the Group organization and regulatory obligations. Management is informed on a regular basis with key figures and reports about the compliance with the defined limits. At the balance sheet date, the relevant risks, controlled with statistical and other methods, and the corresponding key figures are as follows:

Type of risk	Key figure	2014	2013
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/equity	0.2%	0.2%
Interest rate risk	EBITDA/(financial result, net + CfaR)	730x	349x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 864.7	MCHF 590.5

5. Management of capital

The objectives of the Group regarding the management of the capital structure are as follows:

- ensure sufficient liquidity to cover all liabilities
- guarantee an attractive return on equity (ROE) and return on invested capital (ROIC)
- ensure a sufficient debt capacity and credit rating
- ensure an attractive distribution policy

in order to maintain or change the capital structure, the following measures can be taken:

- adjustment of the distribution policy
- share buyback programs
- capital increases
- incur or repay debt

Further measures to guarantee an efficient use of the invested capital and therefore also to achieve attractive returns are:

- active management of net working capital
- demanding objectives regarding the profitability of investments
- clearly structured innovation process

The invested capital is composed of net working capital, property, plant and equipment, goodwill, and intangible assets.

The periodic calculation and reporting of the following key figures to the management ensures the necessary measures in connection with the capital structure can be taken in a timely manner.

The relevant values as of December 31 are outlined below:

	2014 MCHF	2013 MCHF
Gearing		
Debt	10.5	11.7
Liquid funds and marketable securities	749.7	612.8
Net debt	-739.2	-601.1
Equity	1,717.1	1,664.1
Net debt/equity	**-43.0%**	**-36.1%**
Return on equity (ROE)		
Equity (rolling)	1,706.7	1,546.2
Net income	498.6	435.8
ROE	**29.2%**	**28.2%**
Return on invested capital (ROIC)		
Invested capital (rolling)	1,404.5	1,366.0
Net operating profit after taxes (NOPAT)	497.9	437.9
ROIC	**35.5%**	**32.1%**

6. Marketable securities

The government bonds bought in 2013 (Germany and Austria) at a par value of MEUR 60.0 were fully repaid in 2014.

7. Trade accounts receivable

	2014 MCHF	2013 MCHF
Trade accounts receivable	135.1	123.0
Allowances	-9.8	-8.2
Total trade accounts receivable	**125.3**	**114.8**

Of trade accounts receivable, MCHF 4.8 was denominated in CHF (PY: MCHF 5.3), MCHF 63.8 in EUR (PY: MCHF 62.4), MCHF 16.2 in USD (PY: MCHF 13.3), and MCHF 11.3 in GBP (PY: MCHF 9.0).

The following table shows the movements of allowances for trade accounts receivable:

	2014 MCHF	2013 MCHF
Allowances for trade accounts receivable		
January 1	**8.2**	**8.3**
Additions	2.4	1.5
Used	-0.5	-1.1
Reversed	-0.2	-0.5
Translation differences	-0.1	0.0
December 31	**9.8**	**8.2**

	2014 MCHF	2013 MCHF
Maturity analysis of trade accounts receivable		
Not due	106.4	90.8
Past due < 30 days	14.1	18.5
Past due < 60 days	5.7	4.8
Past due < 90 days	1.3	1.5
Past due < 120 days	0.6	0.7
Past due > 120 days	7.0	6.7
Allowances	-9.8	-8.2
Total trade accounts receivable	**125.3**	**114.8**

8. Other current assets and current financial assets

	2014 MCHF	2013 MCHF
Income tax refunds receivable	2.2	2.9
Value-added tax receivables	38.3	34.4
Short-term derivative financial instruments (see → Note 16)[1]	0.8	2.9
Prepaid expenses and other current assets	14.6	13.2
Total other current assets and current financial assets	**55.9**	**53.4**

[1] Is not part of the calculation of net working capital

9. Inventories

	2014 MCHF	2013 MCHF
Raw materials, supplies and other inventories	69.6	61.6
Work in progress	45.5	33.6
Finished goods	79.7	68.0
Merchandise	10.8	7.3
Prepayments to suppliers	0.1	0.4
Total inventories	**205.7**	**170.9**

As of December 31, 2014, inventories included allowances for slow-moving and obsolete items of MCHF 21.7 (PY: MCHF 21.2).

10. Property, plant and equipment

	Total MCHF	Land and buildings MCHF	Machinery and equipment MCHF	Office equipment MCHF	Assets under constr. / advance payments MCHF
2014					
Cost at beginning of year	1,315.1	376.4	834.5	56.8	47.4
Additions	94.2	12.8	40.3	4.4	36.7
Disposals	-12.6	-1.3	-6.7	-4.6	
Transfers	0.0	8.5	20.2	0.2	-28.9
Translation differences	-4.6	-0.2	-4.4	0.1	-0.1
Cost at end of year	**1,392.1**	**396.2**	**883.9**	**56.9**	**55.1**
Accumulated depreciation at beginning of year	778.7	150.3	585.3	43.1	0.0
Depreciation	77.0	10.9	61.1	5.0	
Disposals	-11.8	-1.2	-6.2	-4.4	
Translation differences	-2.7	-0.2	-2.7	0.2	
Accumulated depreciation at end of year	**841.2**	**159.8**	**637.5**	**43.9**	**0.0**
Carrying amounts at end of year	**550.9**	**236.4**	**246.4**	**13.0**	**55.1**
2013					
Cost at beginning of year	1,251.6	361.3	795.8	56.8	37.7
Additions	90.6	11.2	36.3	2.9	40.2
Disposals	-33.9	-0.7	-29.8	-3.4	
Transfers	0.0	3.0	27.0	0.4	-30.4
Translation differences	6.8	1.6	5.2	0.1	-0.1
Cost at end of year	**1,315.1**	**376.4**	**834.5**	**56.8**	**47.4**
Accumulated depreciation at beginning of year	730.4	138.9	550.6	40.9	0.0
Depreciation	76.6	11.3	59.8	5.5	
Disposals	-32.1	-0.4	-28.4	-3.3	
Translation differences	3.8	0.5	3.3		
Accumulated depreciation at end of year	**778.7**	**150.3**	**585.3**	**43.1**	**0.0**
Carrying amounts at end of year	**536.4**	**226.1**	**249.2**	**13.7**	**47.4**

As of December 31, 2014, buildings were insured at MCHF 440.0 (PY: MCHF 433.6) and equipment at MCHF 955.2 (PY: MCHF 928.4) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,395.2 (PY: MCHF 1,362.0).

As of December 31, 2014, there were no qualified assets for which borrowing costs were capitalized during the production phase. As of December 31, 2014, the Group had entered into firm commitments for capital expenditures of MCHF 9.0 (PY: MCHF 20.0).

11. Other non-current assets and non-current financial assets

	2014 MCHF	2013 MCHF
Reinsurance policies for pension obligations (see → Note 17)	16.2	13.7
Employer pension contribution reserve (see → Note 17)	0.0	19.5
Deposits	1.4	0.9
Capitalized transaction costs	3.3	0.3
Other	1.5	2.0
Total other non-current assets and non-current financial assets	**22.4**	**36.4**

The capitalized transaction costs in 2014 amounting to MCHF 3.3 are all related to the financing of the Sanitec acquisition (see → Note 32).

12. Goodwill and intangible assets

	Total MCHF	Goodwill MCHF	Patents and technology MCHF	Trademarks and other intangible assets[1] MCHF
2014				
Cost at beginning of year	1,092.8	775.9	127.2	189.7
Additions	10.6			10.6
Disposals	-7.6			-7.6
Translation differences	-9.3	-10.1		0.8
Cost at end of year	**1,086.5**	**765.8**	**127.2**	**193.5**
Accumulated amortization at beginning of year	447.3	227.9	127.2	92.2
Amortization	3.2			3.2
Disposals	-7.6			-7.6
Translation differences	-1.7	-2.0		0.3
Accumulated amortization at end of year	**441.2**	**225.9**	**127.2**	**88.1**
Carrying amounts at end of year	**645.3**	**539.9**	**0.0**	**105.4**
2013				
Cost at beginning of year	1,079.8	768.6	127.3	183.9
Additions	7.4			7.4
Disposals	-0.8			-0.8
Translation differences	6.4	7.3	-0.1	-0.8
Cost at end of year	**1,092.8**	**775.9**	**127.2**	**189.7**
Accumulated amortization at beginning of year	441.7	226.2	124.4	91.1
Amortization	5.5		2.8	2.7
Disposals	-0.8			-0.8
Translation differences	0.9	1.7		-0.8
Accumulated amortization at end of year	**447.3**	**227.9**	**127.2**	**92.2**
Carrying amounts at end of year	**645.5**	**548.0**	**0.0**	**97.5**

[1] Others: mainly software and capitalized product development costs (see → Note 27: Research and development expenditures).

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2014, there was no need for an impairment of these assets. The following table shows the carrying amount of positions which are material for the Group. The table shows also the parameters used in the impairment analysis.

	Carrying amount 31.12.2014	Carrying amount 31.12.2013	Calculation of recoverable amount (PY numbers in brackets)			
			Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate pre-tax	Discount rate post-tax
	MCHF	MCHF		%	%	%
Goodwill from LBO Geberit	238.0	241.0	U	2.80 (3.00)	7.60 (8.90)	6.90 (7.90)
Goodwill from Mapress acquisition	283.5	289.3	U	2.70 (3.00)	8.80 (10.40)	7.00 (8.20)
Geberit trademarks	84.6	84.6	U	2.80 (3.00)	7.90 (9.20)	6.90 (7.90)
Total	**606.1**	**614.9**				

The growth rates beyond the planning period are based on Euroconstruct estimates and on history-based internal assumptions about price and market share development. From today’s perspective, management believes that a possible and reasonable change of one of the crucial parameters (see → **Note 3**) used to calculate the recoverable amounts would not lead to an impairment. The scenarios used to support this assumption are based specifically on decreases in both, the operating margins and the growth rate beyond the planning periods. Based on the recent decision of the Swiss National Bank (SNB) to stop supporting the Swiss franc, the Group also simulated an impairment test taking into account a strengthening of the Swiss franc by +15% against all other currencies. The simulation did not result in a need for an impairment.

13. Short-term debt

	2014 MCHF	2013 MCHF
Other short-term debt	3.9	4.0
Total short-term debt	**3.9**	**4.0**

Short-term credit lines
The Group maintains credit lines of MCHF 47.8 (PY: MCHF 48.3) from various lenders, which can be canceled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. As of December 31, 2014 and 2013, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Financing of the acquisition of Sanitec is described in detail in → **Note 15**.

Other short-term debt
As of December 31, 2014, the Group had MCHF 3.9 in other short-term debt (PY: MCHF 4.0). This debt incurred an effective interest rate of 5.5% (PY: 5.9%).

Currency mix
Of the short-term debt outstanding as of December 31, 2014, MCHF 3.9 was denominated in EUR (PY: MCHF 4.0).

14. Other current provisions and liabilities

	2014 MCHF	2013 MCHF
Compensation-related liabilities	55.4	53.1
Customer-related liabilities	60.5	53.9
Current provisions	2.0	5.1
Value added tax payables	19.5	14.1
Short-term derivative financial instruments (see → **Note 16**)	71.5	0.0
Other current liabilities	17.4	20.5
Total other current provisions and liabilities	**226.3**	**146.7**

The movements of current provisions for 2014 and 2013 are shown in the following table:

	2014 MCHF	2013 MCHF
Current provisions		
January 1	**5.1**	**2.1**
Additions	1.1	4.2
Used	-1.4	-1.2
Reversed	-2.7	0.0
Translation differences	-0.1	0.0
December 31	**2.0**	**5.1**

15. Long-term debt

	2014 MCHF	2013 MCHF
Credit facilities	0.0	0.0
Other long-term debt	6.6	7.7
Total long-term debt	**6.6**	**7.7**

Credit facilities
On October 14, 2014, various credit facilities were made available to the Group by J. P. Morgan for the purposes of financing the acquisition of Sanitec (see → Note 32) and ensuring the Group's financial flexibility. These credit facilities were syndicated to a group of 10 banks as at November 19, 2014. At the same time the Revolving Facility was added. These credit facilities consist of a tranche A ("Bridge Facility"), a tranche B ("Term Loan Facility") and a firmly committed credit line ("Revolving Facility"). In 2014, no drawdown of these credit facilities took place.

The tranche A ("Bridge Facility") of MCHF 900 represents bridge financing and is to be replaced by the issuing of bonds or other debt at a later date. This facility is available to the Group for 12 months, with the option of extending it twice for a period of six months each. The interest rate is variable and is based on the LIBOR rate plus a margin which increases over the term of the facility.

The tranche B ("Term Loan Facility") of MEUR 400 is used for medium-term financing. This facility has a term of three years. The interest rate is variable and is based on the LIBOR rate plus a margin that is dependent on the net debt to EBITDA ratio.

The firmly committed credit line ("Revolving Facility") of around MCHF 300 is intended to ensure the Group's financial flexibility and replaces the existing credit line ("Revolving Facility") of MCHF 150. The new credit line has a term of five years. The interest rate is variable and is based on the LIBOR rate plus a fixed margin. An additional fee is charged if this credit line is drawn down. Standard commitment fees are due for all credit facilities.

The credit facilities are secured by guarantees from Geberit AG and contain covenants and conditions typical for syndicated financing, including compliance with the following financial ratio:

- Net debt/EBITDA: max. 2.50x

Other long-term debt
As of December 31, 2014, the Group had MCHF 6.6 of other long-term debt (PY: MCHF 7.7). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix
Of the long-term debt outstanding as of December 31, 2014, MCHF 6.6 was denominated in EUR (PY: CHF 7.7).

16. Derivative financial instruments

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments according to the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in Notes → 3 and → 4. As of December 31, 2014 and 2013, the following derivative financial instruments were outstanding:

a) Contingent FX Forward Transactions
The following instruments were used to hedge foreign exchange rate risks arising from the acquisition of the Sanitec Group (purchase price hedging):

2014	Maturity	Strike price	Contract amount buy	Contract amount sell	Fair value 31.12.	Calculation method
			MSEK	MCHF/ MEUR	MCHF	
SEK buy/CHF sell	31.08.2015	7.3560	3900.0	-530.2	-33.7	Mark-to-Market
SEK buy/EUR sell	31.08.2015	8.9263	4830.0	-541.1	-34.9	Mark-to-Market

These instruments were designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value is recognized in the Consolidated Statements of Comprehensive Income.

b) Interest rate swaps
The following instruments were used to hedge interest rate risks arising from the financing of the Sanitec Group acquisition (fixation of the interest rate up to the point of bond take-out):

2014	Trade date	Effective date	Termination date	Notional amount	Fixed rate (payer Geberit)	Floating rate (receiver Geberit)	Fair value 31.12.	Calculation method
				MCHF/ MEUR	%	%	MCHF	
Interest rate swap CHF	20.11.2014	29.01.2015	29.01.2019	150.0	0.1020	6 M CHF-LIBOR	-0.8	DCF[1]
Interest rate swap EUR	20.11.2014	29.01.2015	29.01.2021	250.0	0.5622	6 M EUR-EURIBOR	-2.1	DCF[1]

These instruments were designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value is recognized in the Consolidated Statements of Comprehensive Income.

c) Cross Currency Interest Rate Hedges
The following instrument was used to hedge foreign exchange rate risks arising from the intercompany financing of subsidiaries:

2014	Maturity	Strike price	Contract amount buy	Contract amount sell	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/USD sell	18.12.2015	1.03345	17.6	-17.0	0.8	0.00	0.80	DCF[1]

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 17.0 was not designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in the financial result, net.

2013	Maturity	Strike price	Contract amount buy	Contract amount sell	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/USD sell	18.12.2014	1.03345	20.7	-20.0	2.9	0.00	0.50	DCF[1]

[1] Discounted Cash Flow

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 20.0 was not designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in financial result, net.

d) Forward foreign exchange contracts and foreign exchange options

						Contract values	Fair value 31.12.	Calculation method
2014	MCZK	MEUR	MNOK	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	-7.6	0.0	0.0	-1.2	0.0	-3.0	0.0	Mark-to-Market

2013	MCZK	MEUR	MNOK	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	0.0	-29.0	-3.0	-0.5	-2.5	0.0	0.0	Mark-to-Market

The change in fair value of the instruments is booked in financial result, net.

17. Retirement benefit plans

The Geberit Group manages defined benefit plans for its employees in various countries. Only the Swiss retirement benefit plans, which hold their assets in legally separate pension funds, are funded plans. The biggest plans are managed in Switzerland and Germany, which together account for 98% (PY: 98%) of the total benefit obligations.

The following table provides an overview of the current status of the benefit obligations, plan assets and reimbursement rights of reinsurance policies.

	2014 MCHF	2013 MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	504.3	401.7
Plan assets at fair value	471.0	434.4
Funded status	**-33.3**	**32.7**
Germany		
Benefit obligation (for unfunded retirement benefit plans)	208.6	177.2
Funded status	**-208.6**	**-177.2**
Reimbursement rights	10.3	8.8
Other plans		
Benefit obligation (for unfunded retirement benefit plans)	14.6	11.7
Funded status	**-14.6**	**-11.7**
Reimbursement rights	5.9	4.9
Total		
Benefit obligation (for all retirement benefit plans)	727.5	590.6
Plan assets at fair value	471.0	434.4
Funded status	**-256.5**	**-156.2**
Reimbursement rights	16.2	13.7

Swiss retirement benefit plans
The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) governs occupational benefits in Switzerland. An employer with employees who must be insured is obliged to set up an independent pension fund entered in the register for occupational pension providers or affiliate with such a pension fund. The "Gemeinschaftsstiftung" of the Geberit Group is a foundation legally independent from the Geberit Group that insures all Geberit employees in Switzerland for compulsory and non-compulsory benefits. The Board of Trustees manages the Foundation and consists of employer and employee representatives in a parity ratio. The tasks of the Board of Trustees are set out in the BVG and the regulations based on the BVG adopted by the Board of Trustees.

The benefits provided by the pension plan exceed the minimum prescribed by law. They are funded by the employer and employee contributions, plus the interest paid on the savings assets of the insured party at an interest rate defined annually by the Board of Trustees in accordance with the legal provisions. If an insured party leaves the Geberit Group and/or the pension plan before reaching retirement age, the vested benefits accrued under the BVG are transferred to the new pension fund of the insured party. In addition to the funds brought into the pension plan by the insured party, these vested benefits consist of the employer and employee contributions, plus a supplement prescribed by law. The pension benefits comprise lifelong retirement pensions, disability benefits and death benefits for the surviving dependents. On retirement, a maximum of 50% of the retirement assets can be withdrawn in the form of a lump sum. The employer and employees pay an equal contribution to the pension fund, which is settled monthly. The contribution amount is determined by the employee's age and is calculated as a percentage of the pensionable salary.

If the pension fund is underfunded in accordance with the BVG, the Board of Trustees is obliged by law to initiate measures to rectify the situation, such as reducing the interest paid on retirement assets, reducing the benefit entitlement, or collecting remedial contributions. Legally accrued benefits may not be reduced. With remedial contributions, the risk is shared between the employer and employees and the employer is not legally obliged to pay more than 50% of the additional contributions. The current financial status of the Swiss BVG-based pension plans does not require any remedial measures; the technical funding ratio of this Foundation in accordance with the BVG was 116.6% as of December 31, 2014 (December 31, 2013: 113.6%).

If a pension fund is overfunded as defined in IAS 19, the surplus funds are available to the company only to a very limited extent. The economic benefit for Geberit lies in future reductions in contributions and is calculated in accordance with IFRIC 14.

The Board of Trustees is responsible for deciding on a strategy for investment of the plan assets. The objective is to achieve medium-term and long-term congruence and sustainability between the plan assets and the pension obligations under the BVG. Taking into account the foundation's risk capacity, the investment strategy is defined as a targeted long-term investment structure.

The funded plans also include the "Wohlfahrtsfonds" of the Geberit Group, which provides non-compulsory benefits only. This fund for managerial employees supplements the insurance cover granted by the "Gemeinschaftsstiftung". On retirement, the benefit is drawn as a lump sum or converted into a fixed-term annuity. The employer's contributions must equal at least the total of all contributions by the insured party.

German retirement benefit plans
In Germany, there are capital account plans and annuity plans. The annuity plans are closed-end funds.

Capital account plans
The benefit plans and guidelines for payout are agreed in labor-management contracts. The employer can change the conditions by applying provisos. There can be special commitments based on the labor-management contracts or individual agreements, sometimes with annuity options. There is no minimum financing obligation.

Every year, a pension contribution is determined as a percentage of the pensionable salary or the employees can choose an amount of deferred compensation with or without employer contributions. This then serves as the age-dependent component on which a pension is accrued. The pension components accrued during the years of active service, including any resulting promises of fixed bonus payments and the initial credit from the transitional arrangement, are paid out in the form of a one-off lump sum or in installments. Annuitization is possible with the consent of the employer. The pension is not dependent on the employee's final salary.

The employer manages the retirement accounts, informs the employees of the balance of their retirement assets, manages the claims and makes payments, sometimes involving the services of external service providers. When paying a lifelong pension, the employer must monitor the statutory and contractual obligations to adjust the pension and make adjustments when necessary.

If a lump-sum benefit is annuitized, the lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. Thanks to the contractual adjustment rules applying to annuitization, the statutory obligation to make (and review) adjustments is not currently seen to harbor any inflation risk.

The deferred compensation with/without employer contributions and possible demographic contributions retained by the employer are paid into reinsurance policies where the employer is the beneficiary. This partly covers the pension obligations.

Annuity plans
Annuity plans are governed by labor-management contracts or individual employment contracts. § 16 of the Company Pensions Act imposes an obligation on the employer to review the adjustment of pension payments. The extent of the adjustment requirement is usually determined by the consumer price index. Some individual employment contracts impose a contractual adjustment obligation. There is no minimum financing obligation.

These are closed-end funds. Pension commitments as prescribed by the Essener Verband (Essen Association) have been made to some active employees. Fixed euro entitlements are maintained for departing employees with vested rights. Annuities are paid out to the beneficiaries in the form of lifelong monthly pension payments that include survivors' benefit entitlements.

The employer manages entitlements and claims and makes payments, sometimes involving the services of external service providers. It monitors the statutory and contractual obligations to adjust the pension and makes adjustments when necessary.

The lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. The statutory obligation to make (and review) adjustments can also harbor an inflation risk.

The net periodic pension costs of all defined benefit plans of the Group were as follows:

	2014 MCHF	2013 MCHF
Current service cost	24.7	25.8
Contributions of employees	-8.8	-8.6
Net interest cost for retirement benefit plans	4.2	5.3
Net periodic pension cost	**20.1**	**22.5**

The service cost for the Swiss retirement benefit plans was MCHF 16.0 in 2014 (PY: MCHF 17.1) and for the German retirement benefit plans MCHF 8.1 (PY: MCHF 8.1). The net interest cost for the Swiss retirement benefit plans was MCHF -1.0 in 2014 (PY: MCHF 0.4) and for the German retirement benefit plans MCHF 5.1 (PY: MCHF 4.8).

The following table shows the remeasurements for the defined benefit plans in other comprehensive income in the Consolidated Statements of Comprehensive Income:

	2014 MCHF	2013 MCHF
Actuarial gains (-) / losses:	121.5	-32.7
- of which from changes in demographic assumptions	0.0	0.0
- of which from changes in financial assumptions	109.1	-31.7
- of which from experience adjustments	12.4	-1.0
Return on plan assets (excluding interest based on discount rate)	-26.0	-32.1
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.0
Asset ceiling adjustment	-13.2	13.2
Total pre-tax remeasurements recognized in other comprehensive income	**82.3**	**-51.6**

The remeasurements recognized in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2014 for the Swiss retirement benefit plans amounted to MCHF 54.3 (PY: MCHF -50.3) and for the German retirement benefit plans MCHF 26.5 (PY: MCHF -1.4).

The following tables show the changes in benefit obligations, plan assets, reimbursement rights and the asset ceiling from January 1 to December 31:

	2014 MCHF	2013 MCHF
Benefit obligation		
At beginning of year	590.6	598.0
Current service cost	24.7	25.8
Interest cost	15.2	13.3
Actuarial gains (-) / losses	121.5	-32.7
New plans / plan adjustments	0.5	3.2
Benefits paid	-21.7	-19.4
Translation differences	-3.3	2.4
Benefit obligation at end of year	**727.5**	**590.6**

	2014 MCHF	2013 MCHF
Plan assets at fair value		
At beginning of year	434.4	391.8
Interest income (based on discount rate)	10.4	7.5
Return on plan assets (excluding interest based on discount rate)	26.0	32.1
Contributions of employees	8.3	8.2
Contributions of employers	8.3	8.2
Benefits paid	-16.4	-13.4
Translation differences	0.0	0.0
Plan assets at fair value at end of year	**471.0**	**434.4**
Funded status at end of year	**-256.5**	**-156.2**
Swiss retirement benefit plans: asset ceiling adjustment	0.0	-13.2
Swiss retirement benefit plans: capitalization of employer pension contribution reserve (→ Note 11)	0.0	-19.5
Net funded status at end of year	**-256.5**	**-188.9**

	2014 MCHF	2013 MCHF
Fair value of reimbursement rights		
At beginning of year	13.7	11.7
Interest income (based on discount rate)	0.6	0.5
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.0
Contributions of employers	1.4	1.3
Contributions of employees	0.5	0.4
Benefits paid	-0.3	-0.2
Translation differences	0.3	0.0
Fair value of reimbursement rights at end of year	**16.2**	**13.7**

As of December 31, 2014, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 10.3 (PY: MCHF 8.8).

	2014 MCHF	2013 MCHF
Asset ceiling		
At beginning of year	-13.2	0.0
Change	13.2	-13.2
Translation differences	0.0	0.0
Asset ceiling at end of year	**0.0**	**-13.2**

The following table provides an analysis of the fair value and composition of the plan assets.

	2014			2013		
	Listed on an active market MCHF	Other MCHF	Total MCHF	Listed on an active market MCHF	Other MCHF	Total MCHF
Equity instruments	154.8	11.3	166.1	175.1	9.9	185.0
Bonds and other debt instruments	97.7	37.9	135.6	52.4	36.2	88.6
Real estate property	38.1	93.1	131.2	22.9	94.2	117.1
Cash and cash equivalents	34.9	0.0	34.9	37.1	0.0	37.1
Other	1.4	1.8	3.2	2.0	4.6	6.6
Total	**326.9**	**144.1**	**471.0**	**289.5**	**144.9**	**434.4**

The effective income on the plan assets was +7.3% in 2014 and +8.4% in 2013. As of the end of 2014, the plan assets included MCHF 5.2 (PY: MCHF 4.2) in equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate used by the Group.

The following table provides an analysis of the benefit obligations of the Swiss and German retirement benefit plans:

	2014				2013			
	Active members	Deferred members	Pensioners	Total	Active members	Deferred members	Pensioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,154		478	1,632	1,149		458	1,607
German retirement benefit plans	4,006	437	328	4,771	3,873	409	333	4,615
Total plan members	**5,160**	**437**	**806**	**6,403**	**5,022**	**409**	**791**	**6,222**
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	302.1		202.2	504.3	233.6		168.1	401.7
German retirement benefit plans	156.8	20.7	31.1	208.6	131.8	16.4	29.0	177.2
Total benefit obligation	**458.9**	**20.7**	**233.3**	**712.9**	**365.4**	**16.4**	**197.1**	**578.9**
Share in %	64.4	2.9	32.7	100.0	63.2	2.8	34.0	100.0

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 15 years (PY: approx. 14 years) and for the German retirement benefit plans approx. 12 years (PY: approx. 12 years).

Employer contributions of MCHF 8.3 are expected for the Swiss retirement benefit plans in 2015. In Switzerland, an employer contribution reserve of MCHF 19.5 may be used for future contribution payments.

The calculation of the benefit obligations for the material retirement benefit plans was based on the following assumptions (in %):

	2014		2013	
	CH	DE	CH	DE
Discount rate	1.2	1.9	2.4	3.1
Salary increase rate	2.0	2.5	2.0	2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2010 generations table	2005G actuarial tables	BVG 2010 generations table	2005G actuarial tables

The trend for sickness costs does not affect benefit obligations in Switzerland or Germany.

The following sensitivity analysis shows how the present value of the benefit obligation for the material retirement benefit plans (CH and DE) would change if a single reporting date assumption were changed. Every assumption change was analyzed separately. Interdependencies were not taken into account.

	Swiss retirement benefit plans: increase/reduction (-) in present value of benefit obligation	German retirement benefit plans: increase/reduction (-) in present value of benefit obligation
Discount rate		
Increased by 50 basis points	-7.4%	-5.6%
Reduced by 50 basis points	+8.6%	+6.2%
Salaries		
Increased by 25 basis points	+0.47%	+0.03%
Reduced by 25 basis points	-0.45%	-0.03%

In addition, the Group's income statement for 2014 includes expenses for defined contribution plans of MCHF 2.5 (PY: MCHF 2.2).

18. Participation plans

Share plans
In 2014, employees were able to purchase a limited number of shares at a discount of 45% (PY: 40%) compared to the market price ("Employee share purchase plan 2014"). Geberit management was entitled to draw the previous year's variable remuneration partly or entirely in shares valued at market price ("Management share purchase plan 2014"). For each of these shares, management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2014", non-executive members of the Board of Directors received their compensation for 2013 in shares of Geberit AG at a discount of 0% (PY: 40%). All share plans are subject to blocking periods valid beyond the period of employment.

The share plans introduced in 2014 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
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**	

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

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

Option plans
The management has the opportunity to invest part or all of their variable remuneration in shares of the company through the management share purchase plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable remuneration to be invested in shares. in order to encourage management to participate in the program, a free option is provided for each share purchased through the program. These options are subject to a vesting period of four years: a quarter of the options can be exercised 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.

In connection with an additional option plan (MSOP), the managing directors and members of the Group Executive Board are entitled to additional options. The options of the managing directors are subject to a vesting period of four years: a quarter of the options can be exercised 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 options of the members of the Group Executive Board are also subject to a vesting period of four years: 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 exercise price of the options corresponds to the fair market value of the Geberit shares at the time of grant. The options have a term of seven years after which they expire. They can be exercised between the vesting date and the expiration date. The vesting of share options is subject to the achievement of a performance criterion - the average Return on Invested Capital (ROIC) - over the respective vesting period.

The following is a summary of the options allocated to the management in 2014:

	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 granted in 2014 amounted to CHF 23.65 at the respective granting 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.

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 302,915 options outstanding represent 0.8% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

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.

Costs resulting from participation plans amounted to MCHF 2.9 in 2014 (PY: MCHF 2.6); those for option plans totaled MCHF 2.5 (PY: MCHF 2.6).

19. Deferred tax assets and liabilities

	2014	Movements 2014				2013
	Total	Charged / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	3.2	-0.1	0.0	0.0	0.1	3.2
Accrued pension obligations	28.4	0.7	0.0	13.8	-0.3	14.2
Property, plant and equipment	2.8	-0.5	0.0	0.0	0.0	3.3
Goodwill and intangible assets	16.4	-5.1	0.0	0.0	0.0	21.5
Other	25.5	0.8	0.6	10.2	0.3	13.6
Total deferred tax assets	**76.3**	**-4.2**	**0.6**	**24.0**	**0.1**	**55.8**
Deferred tax liabilities						
Inventories	-6.1	-0.5	0.0	0.0	-0.2	-5.4
Property, plant and equipment	-28.6	2.0	0.0	0.0	-0.2	-30.4
Intangible assets	-8.3	-1.1	0.0	0.0	-0.1	-7.1
Employer contribution reserve	0.0	0.0	0.0	3.4	0.0	-3.4
Other	-5.4	-0.6	0.0	0.0	0.1	-4.9
Total deferred tax liabilities	**-48.4**	**-0.2**	**0.0**	**3.4**	**-0.4**	**-51.2**

[1] Recorded directly in other comprehensive income

	2013	Movements 2013				2012
	Total	Charged / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	3.2	-0.7	0.0	0.0	-0.2	4.1
Accrued pension obligations	14.2	0.3	0.0	-5.6	0.0	19.5
Property, plant and equipment	3.3	0.4	0.0	0.0	0.0	2.9
Goodwill and intangible assets	21.5	-4.7	0.0	0.0	0.0	26.2
Other	13.6	-0.4	-0.1	0.0	0.0	14.1
Total deferred tax assets	**55.8**	**-5.1**	**-0.1**	**-5.6**	**-0.2**	**66.8**
Deferred tax liabilities						
Inventories	-5.4	-0.1	0.0	0.0	0.1	-5.4
Property, plant and equipment	-30.4	0.5	0.0	0.0	-0.2	-30.7
Intangible assets	-7.1	-0.4	0.0	0.0	0.0	-6.7
Employer contribution reserve	-3.4	0.0	0.0	-3.4	0.0	0.0
Other	-4.9	-0.2	0.0	0.0	0.1	-4.8
Total deferred tax liabilities	**-51.2**	**-0.2**	**0.0**	**-3.4**	**0.0**	**-47.6**

[1] Recorded directly in other comprehensive income

In general, deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings in Group companies if earnings are planned to be remitted. As of December 31, 2014 and 2013, there were no such earnings, except for the Chinese subsidiaries. On the unremitted earnings from China, no deferred tax liabilities were recorded, as no plan exists to remit these earnings. Such a transfer of earnings would lead to income tax of MCHF 0.2.

The Group recognizes deferred tax assets from loss carryforwards if they comply with the requirements of IAS 12. The following loss carryforwards (listed by maturity) were used for the calculation of deferred tax assets:

	2014 MCHF	Without deferred tax asset MCHF	With deferred tax asset MCHF	2013 MCHF	Without deferred tax asset MCHF	With deferred tax asset MCHF
Maturity						
1 year	0.0	0.0	0.0	0.0	0.0	0.0
2 years	0.0	0.0	0.0	0.0	0.0	0.0
3 years	0.6	0.0	0.6	0.0	0.0	0.0
4 years	1.0	0.0	1.0	0.6	0.0	0.6
5 years	0.3	0.0	0.3	1.0	0.0	1.0
6 years	0.7	0.3	0.4	0.3	0.0	0.3
> 6 years	7.4	0.0	7.4	8.5	0.0	8.5
Total loss carryforwards	**10.0**	**0.3**	**9.7**	**10.4**	**0.0**	**10.4**

20. Other non-current provisions and liabilities

	2014 MCHF	2013 MCHF
Provisions for operating risks	22.9	21.6
Accrued investment grants	3.7	3.3
Other non-current liabilities	5.5	9.7
Total other non-current provisions and liabilities	**32.1**	**34.6**

Provisions for operating risks mainly include provisions for warranties. Movements for 2014 and 2013 are shown in the following table.

	2014 MCHF	2013 MCHF
Provisions for operating risks		
January 1	**21.6**	**20.6**
Additions	7.9	8.8
Used	-6.2	-7.4
Reversed	-0.3	-0.5
Translation differences	-0.1	0.1
December 31	**22.9**	**21.6**

The provisions for operating risk are on average due for payment within 3.0 years.

21. Contingencies

The Group is involved in various legal proceedings arising from the ordinary course of business. The Group believes that none of these proceedings either individually or in the aggregate is likely to have a material adverse impact on the Group's financial position or operating results. The Group has established insurance policies to cover product liabilities and it makes provisions for potential product warranty claims.

The Group operates in many countries, most of which have sophisticated tax regimes. The nature of its operations and ongoing significant reorganizations result in complex legal structures for the Group and its subsidiaries. The Group believes that it performs its business in accordance with the local tax laws. However, it is possible that there are areas where potential disputes with the various tax authorities could arise. The Group is not aware of any dispute that either individually or in the aggregate is likely to have a material adverse effect on the Group's financial position or operating results.

22. Capital stock and treasury shares

	2014 pcs.	2013 pcs.
Issued shares		
January 1	**37,798,427**	**38,821,005**
Capital reduction as at June	0	-1,022,578
December 31	**37,798,427**	**37,798,427**

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 can be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. The share buyback is conducted via a separate trading line on the SIX Swiss Exchange. By December 31, 2014, 123,000 shares corresponding to around 6% of the entire program have been acquired at a sum of MCHF 37.4. This share buyback program has been suspended since July 2014 due to the acquisition of Sanitec and the decision on its resumption remains open.

As of December 31, 2014, the Group held a total of 302,060 (PY: 212,382) treasury shares with a carrying amount of MCHF 78.3 (PY: MCHF 40.5). In 2014, the Group increased the net number of treasury shares by 89,678. Treasury shares are deducted at cost from equity.

	2014 pcs.	2013 pcs.
Stock of treasury shares		
From share buyback programs	123,000	0
Other treasury shares	179,060	212,382
Total treasury shares	**302,060**	**212,382**

For transactions in connection with the participation plans, see → Note 18.

23. Earnings per share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares issued and outstanding during the year, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares.

	2014	2013
Attributable net income according to income statement (MCHF)	498.6	435.8
Weighted average number of ordinary shares (thousands)	37,544	37,606
Total earnings per share (CHF)	**13.28**	**11.59**

For diluted earnings per share, the weighted average number of ordinary shares issued is adjusted to assume conversion of all potentially dilutive ordinary shares (see → Note 3) The Group has considered the share options granted to the management to calculate the potentially dilutive ordinary shares.

	2014	2013
Attributable net income according to income statement (MCHF)	498.6	435.8
Weighted average number of ordinary shares (thousands)	37,544	37,606
Adjustments for share options (thousands)	53	27
Weighted average number of ordinary shares (thousands)	37,597	37,633
Total diluted earnings per share (CHF)	**13.26**	**11.58**

24. Other operating expenses, net

	2014 MCHF	2013 MCHF
Outbound freight costs and duties	68.2	67.0
Energy and maintenance expenses	74.0	74.1
Marketing expenses	83.8	84.2
Administration expenses	44.2	43.1
Other operating expenses	86.2	78.2
Other operating income	-12.5	-12.1
Total other operating expenses, net	**343.9**	**334.5**

Other operating income includes, among other things, insurance benefits received, rental income, gains from sales of fixed assets and catering revenues.

In 2014, costs of MCHF 15.3 (PY: MCHF 12.0) were capitalized as property, plant and equipment or intangible assets. This includes in particular tools and assembly lines that are part of the production process, as well as capitalized product development costs. The amount was deducted pro-rata from “personnel expenses”, “cost of materials” and “other operating expenses, net”.

25. Financial result, net

	2014 MCHF	2013 MCHF
Interest expenses	-1.7	-1.3
Amortization of deferred financing fees	-0.3	-0.3
Other financial expenses	-2.0	-3.2
Total financial expenses	**-4.0**	**-4.8**
Interest income	2.1	3.4
Total financial income	**2.1**	**3.4**
Foreign exchange loss (-) /gain	0.2	-4.1
Total financial result, net	**-1.7**	**-5.5**

"Other financial expenses" mainly includes the valuation losses from marketable securities. The interest income of marketable securities is included in "interest income". The foreign exchange loss in 2013 resulted mainly from the valuation of receivables and liabilities in foreign currencies and was largely due to the weakening of the currencies of emerging markets in the second half of 2013.

26. Income tax expenses

	2014 MCHF	2013 MCHF
Current taxes	72.2	64.1
Deferred taxes	4.4	5.3
Total income tax expenses	**76.6**	**69.4**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.7% (PY: 13.4%) and the effective income tax expenses were as follows:

	2014 MCHF	2013 MCHF
Income tax expenses, at applicable rate	78.7	67.9
Operating losses with no current tax benefit	0.1	0.0
Changes in future tax rates	-0.1	-0.2
Taxable goodwill amortization	-4.6	-4.9
Non-deductible expenses	3.4	3.4
Other	-0.9	3.2
Total income tax expenses	**76.6**	**69.4**

The expected business development in the different regions and markets will not lead to a material change of the weighted average tax rate of the Group.

27. Research and development expenditures

	2014 MCHF	2013 MCHF
Research and development expenses, gross	55.8	50.9
Capitalized development costs	-5.9	-3.3
Amortization of capitalized development costs	0.2	0.0
Research and development expenses, net	**50.1**	**47.6**

Geberit spends around 2.6% of revenue from sales (around 2.3% of sales) on research and development (R&D) every year. The expenditure has remained relatively constant over the years.

In 2014, gross research and development costs totaling MCHF 55.8 (PY: MCHF 50.9) were charged directly to the income statement. The costs are included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net".

For three major development projects, the capitalization criteria according to IAS 38.57 were met and costs of MCHF 5.9 (PY: MCHF 3.3) were capitalized.

28. Cashflow figures

Net cashflow is calculated as follows:

	2014 MCHF	2013 MCHF
EBITDA[1]	657.1	592.8
Financial result, net	-1.7	-5.5
Income tax expenses	-76.6	-69.4
Deferred taxes charged/credited (-) to net income (→ Notes 19 and → 26)	4.4	5.3
Changes in non-current provisions	25.8	26.5
Changes in other non-current assets and liabilities and other	-0.7	-1.0
Net cashflow	**608.3**	**548.7**

[1] EBIT + Depreciation + Amortization

"Changes in non-current provisions" mainly includes the changes in provisions for operating risks, accrued pension obligations and non-cash expenses resulting from share participation and option plans charged or credited to net income. "Changes in other non-current assets and liabilities and other" mainly includes the changes in prepaid pension assets booked to net income and gains from the disposal of property, plant and equipment.

Free cashflow is calculated as follows:

	2014 MCHF	2013 MCHF
Net cashflow	608.3	548.7
Purchase of property, plant and equipment and intangible assets, net	-102.3	-95.2
Changes in net working capital	-35.2	2.4
Payments charged to non-current provisions	-10.4	-11.6
Free cashflow	**460.4**	**444.3**

As per the Group definition, the term "Free cashflow" does not include cashflows from divestments or acquisitions of subsidiaries, proceeds or repayments of borrowings, the purchase or sale of treasury shares and dividend payments.

"Changes in net working capital" comprises the changes in the aggregate of trade accounts receivable, inventories and other current assets, less the aggregate of trade accounts payable and other current provisions and liabilities.

"Payments charged to non-current provisions" mainly includes outflows resulting from pension and warranty obligations.

"Net cashflow" and "Free cashflow" are no substitute for figures shown in the consolidated income statements and the consolidated statements of cashflows, but they may give an indication of the Group's capability to generate cash, to pay back debt, to finance acquisitions, to buy back shares and to pay dividends.

29. Segment reporting

The Geberit Group consists of one single business unit, the purpose of which is to develop, produce and distribute sanitary products and systems for the residential and industrial construction industry. All products are distributed using the same distribution channel – wholesale – in general to plumbers, who resell the products to the end users. Products are produced by plants that specialize in particular production processes. As a general rule, one specific article is produced at only one location. Distribution is carried out by country or regional distribution subsidiaries, which sell to wholesalers. A distribution subsidiary is always responsible for the distribution of the whole range of products in its sales area. The main task of the distribution subsidiary is local market development, which comprises as a main focus the support of plumbers, sanitary planners and wholesalers. Research and development of the whole range of products is carried out centrally by Geberit International AG. All corporate tasks are also centralized at Geberit International AG.

Due to the unity and focus of the business, the top management (Group Executive Board) and the management structure of the Geberit Group are organized by function (overall management, products, sales, finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on sales by markets and product lines and on the consolidated income statements, balance sheets, and statements of cashflows.

Segment reporting is therefore prepared according to IFRS 8.31 et seq. (one single reportable segment) and the valuation is made according to the same principles as the consolidated financial statements. The geographical allocation of sales is based on the domicile of customers.

The information is as follows:

	2014 MCHF	2013 MCHF
Sales by product lines		
Installation Systems	878.6	830.5
Cisterns and Mechanisms	265.7	251.1
Faucets and Flushing Systems	122.9	120.6
Waste Fittings and Traps	97.1	95.4
Sanitary Systems	**1,364.3**	**1,297.6**
Building Drainage Systems	349.6	324.8
Supply Systems	690.5	669.2
Piping Systems	**1,040.1**	**994.0**
Total sales	**2,404.4**	**2,291.6**
Customer bonuses and cash discounts	315.3	291.7
Total revenue from sales	**2,089.1**	**1,999.9**
Operating cashflow (EBITDA)	**657.1**	**592.8**
Margin in % sales	27.3%	25.9%

	2014 MCHF	2013 MCHF
Sales by markets		
Germany	881.2	842.0
Switzerland	309.7	290.5
Italy	177.4	174.9
Other Europe	825.8	791.4
Other markets	210.3	192.8
Total sales	**2,404.4**	**2,291.6**
Customer bonuses and cash discounts	315.3	291.7
Total revenue from sales	**2,089.1**	**1,999.9**
Operating cashflow (EBITDA)	**657.1**	**592.8**
Margin in % sales	27.3%	25.9%

	2014 MCHF	2013 MCHF
Share of sales by customers		
Customers with more than 10% of sales: customer A	406.0	362.1
Total > 10%	**406.0**	**362.1**
Remaining customers with less than 10% of sales	1,998.4	1,929.5
Total sales	**2,404.4**	**2,291.6**
Customer bonuses and cash discounts	315.3	291.7
Total revenue from sales	**2,089.1**	**1,999.9**

30. Related party transactions

In 2014 and 2013, total booked compensations for the Group Executive Board and the Board of Directors were as follows:

	2014 MCHF	2013 MCHF
Remuneration and salary fixed	3.7	4.0
Remuneration and salary variable	2.5	2.5
Options	1.5	1.2
Expenditures on pensions	0.9	0.8
Other	0.1	0.1
Total	**8.7**	**8.6**

Further information regarding compensations and investments of the Group Executive Board and the Board of Directors are disclosed in the Remuneration Report.

In 2014 and 2013, there were no further material related party transactions.

31. Foreign exchange rates

The following exchange rates were used for the consolidated financial statements:

	Currency		2014		2013	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.2024	1.2155	1.2253	1.2310
United Kingdom	GBP	1	1.5408	1.5074	1.4642	1.4484
USA	USD	1	0.9891	0.9158	0.8884	0.9271
Poland	PLN	100	28.1400	29.0510	29.5400	29.3210
China	CNY	100	15.9400	14.9410	14.6800	15.1110
Denmark	DKK	100	16.1510	16.2950	16.4250	16.5080
Australia	AUD	1	0.8110	0.8274	0.7929	0.8910
Czech Republic	CZK	100	4.3360	4.4170	4.4720	4.7430
Hungary	HUF	100	0.3811	0.3940	0.4132	0.4150
Norway	NOK	100	13.3690	14.5670	14.6140	15.8440
Sweden	SEK	100	12.8150	13.3660	13.8280	14.2460
Singapore	SGD	1	0.7483	0.7227	0.7021	0.7397
South Africa	ZAR	100	8.5500	8.4310	8.4900	9.6280
Turkey	TRY	100	42.4880	41.8410	41.8350	48.6940
Russia	RUB	100	1.6850	2.4199	-	-
India	INR	100	1.5700	1.5040	1.4400	1.5690

32. Subsequent events

Acquisition of Sanitec
On October 14, 2014, Geberit AG made an offer to the shareholders of Sanitec Oyj, Helsinki, Finland (Sanitec) to acquire all Sanitec shares at a price of SEK 97 per share in cash. With this transaction Geberit becomes the European market leader in the area of sanitary technology and bathroom ceramics, and also improves its access to the end users.

The Sanitec shares are listed on the NASDAQ Stockholm stock exchange. By the end of the extended offer deadline on February 2, 2015, 99.2% of the Sanitec shares were tendered and the transaction was successfully settled on February 10, 2015. The acceptance period was further extended until March 2, 2015 in order to give the remaining shareholders the possibility to tender their shares under the offer. Settlement for shares tendered during this additional acceptance period is expected to take place on or around March 5, 2015. As at March 2, 2015, a squeeze-out process for the residual shares will be initiated.

To finance the transaction, Geberit raised in total MCHF 1,170 new debt and used own funds of MCHF 247. Out of these resources MCHF 1,210 were and will be used to purchase 100% of the shares of Sanitec (of which MCHF 1,203 were used on February 10, 2015, to settle the 99.2% of total shares tendered as at February 2, 2015), MCHF 184 to repay the existing Sanitec debt and MCHF 23 to pay the transaction cost.

Of the total estimated transaction cost of MCHF 23, MCHF 10 are advisory fees (of which MCHF 3 were already included in 2014 and recorded under other operating expenses). The estimated financing related transaction cost amount to approx. MCHF 13 which will be amortized over the expected term of the underlying debt instruments using the effective interest rate method.

According to Sanitec's audited financial report from 2014, the carrying amounts of the assets amounted to MEUR 438.5 and the liabilities amounted to MEUR 392.3 as of December 31, 2014. The company recorded revenue from sales of MEUR 689.4 and the EBIT was MEUR 78.9 which corresponds to a margin of 11.4%. The fair values of the identifiable assets and debt (purchase accounting) have not yet been determined as Geberit gained access to detailed financial information only after the transaction was executed on Feburary 10, 2015.

Fluctuations of currencies
The Swiss National Bank canceled the minimum limit for EUR against CHF of 1.20 on January 15, 2015. This decision resulted in fluctuations of currencies and the Swiss franc gaining in strength against all major currencies. As Geberit is exposed to foreign currencies on the asset and liability side and in sales and cost respectively, the impact of such currency fluctuations on the financial statements are mitigated (see Note 4 risk assessment and management). In the balance sheet a 15 percent devaluation of the EUR against CHF leads to an estimated negative translation impact on the consolidated equity of approx. MCHF 130 – 150 (7.6% to 8.7% of total consolidated equity as at December 31, 2014).

In the profit and loss statement a strengthening of the Swiss franc has a negative impact on sales and profitability. In terms of a sensitivity analysis, the following changes in the consolidated profit and loss statement can be assumed if the Swiss franc loses 10% or gains 10% in value against all other relevant currencies:

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

This sensitivity analysis does not include potential FX-related selling price adjustments.

Approval for publication of the consolidated financial statements
The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on March 3, 2015.

33. Additional disclosures on financial instruments

Measurement of financial instruments by categories according to IAS 39
Based on the relevant balance sheet item of financial instruments, the following table shows an allocation of the balance sheet items to the classification by categories according to IAS 39. In addition, a fair value measurement hierarchy was introduced for assets and liabilities that are measured at fair value. Level 1 contains all financial instruments with quoted prices in active markets. Level 2 contains all financial instruments with inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 contains all financial instruments with inputs for determining the assets and liabilities that are not based on observable market data.

	Carrying amount as of 31.12.2014 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	749.7	749.7	0.0	
Trade accounts receivable	125.3	125.3	0.0	
Other current assets	55.1	55.1	0.0	
Other non-current assets	6.2	5.9	0.3	Level 2
Derivative financial instruments	0.8	0.0	0.8	Level 2
Total	**937.1**	**936.0**	**1.1**	

	Carrying amount as of 31.12.2014 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.9	3.9	0.0	
Trade accounts payable	62.3	62.3	0.0	
Other financial liabilities	6.6	6.6	0.0	
Derivative financial instruments	71.5	0.0	71.5	Level 2
Total	**144.3**	**72.8**	**71.5**	

	Carrying amount as of 31.12.2013 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	538.1	538.1	0.0	
Marketable securities	74.7	0.0	74.7	Level 1
Trade accounts receivable	114.8	114.8	0.0	
Other current assets	50.5	50.5	0.0	
Other non-current assets	3.2	2.7	0.5	Level 2
Derivative financial instruments	2.9	0.0	2.9	Level 2
Total	**784.2**	**706.1**	**78.1**	

	Carrying amount as of 31.12.2013 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	4.0	4.0	0.0	
Trade accounts payable	61.6	61.6	0.0	
Other financial liabilities	7.7	7.7	0.0	
Derivative financial instruments	0.0	0.0	0.0	Level 2
Total	**73.3**	**73.3**	**0.0**	

Fair value measurement hierarchy:
Level 1: quoted prices in active markets for identical assets
Level 2: observable prices, either directly or indirectly
Level 3: input factors that are not based on observable market data

Maturity analysis of financial instruments
The following table shows the carrying amount of all contractually defined future (not discounted) interest and amortization payments of derivative and non-derivative financial instruments as of the balance sheet date:

	Carrying amount	Maturity				
	31.12.2014 MCHF	2015 MCHF	2016 MCHF	2017 MCHF	2018 MCHF	2019 and later MCHF
Short-term debt	3.9	4.1	0.0	0.0	0.0	0.0
Trade accounts payable	62.3	62.3	0.0	0.0	0.0	0.0
Other financial liabilities	6.6	0.4	2.6	2.1	1.3	1.5
Total non-derivative financial liabilities	**72.8**	**66.8**	**2.6**	**2.1**	**1.3**	**1.5**
Derivative financial liabilities	71.5	1,183.7	0.0	0.0	0.0	0.0
Derivative financial assets	-0.8	19.7	0.0	0.0	0.0	0.0
Total derivative financial instruments	**70.7**	**1,203.4**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**143.5**	**1,270.2**	**2.6**	**2.1**	**1.3**	**1.5**

	Carrying amount	Maturity				
	31.12.2013	2014	2015	2016	2017	2018 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	4.0	4.0	0.0	0.0	0.0	0.0
Trade accounts payable	61.6	61.6	0.0	0.0	0.0	0.0
Other financial liabilities	7.7	0.5	3.1	2.3	1.7	1.6
Total non-derivative financial liabilities	**73.3**	**66.1**	**3.1**	**2.3**	**1.7**	**1.6**
Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial assets	-2.9	55.4	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-2.9**	**55.4**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**70.4**	**121.5**	**3.1**	**2.3**	**1.7**	**1.6**

34. Group companies as of December 31, 2014

Switzerland	Ownership in %	Activity
Geberit AG, Rapperswil-Jona		O
Geberit Holding AG, Rapperswil-Jona	100	O
Geberit International AG, Rapperswil-Jona	100	O
Geberit International Sales AG, Rapperswil-Jona	100	Δ
Geberit Verwaltungs AG, Rapperswil-Jona	100	O
Geberit Vertriebs AG, Rapperswil-Jona	100	Δ
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	100	Δ
Geberit Produktions AG, Rapperswil-Jona	100	▢
Geberit Apparate AG, Rapperswil-Jona	100	▢
Geberit Fabrication SA, Givisiez	100	▢
Geberit Finanz AG, Rapperswil-Jona	100	O
Australia		
Geberit Pty Ltd., North Ryde NSW	100	Δ
Austria		
Geberit Vertriebs GmbH & Co. KG, Pottenbrunn	100	Δ
Geberit Produktions GmbH & Co. KG, Pottenbrunn	100	▢
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn	100	O
Geberit Huter GmbH, Matrei	100	▢
Belgium		
Geberit N.V., Machelen	100	Δ
Channel Islands		
Geberit Finance Ltd., Jersey	100	O
Geberit Reinsurance Ltd., Guernsey	100	O
China		
Geberit Flushing Technology Co. Ltd., Daishan	100	▢
Geberit Plumbing Technology Co. Ltd., Shanghai	100	▢
Geberit Shanghai Trading Co. Ltd., Shanghai	100	Δ
Geberit Shanghai Investment Administration Co. Ltd., Shanghai	100	O
Czech Republic		
Geberit spol. s.r.o., Brno	100	Δ
Denmark		
Geberit A/S, Lystrup	100	Δ
Finland		
Geberit OY, Helsinki	100	Δ
Geberit Investment Oy, Vantaa (Helsinki)	100	O
France		
Geberit S.a.r.l., Rungis Cedex	100	Δ
Germany		
Geberit Verwaltungs GmbH, Pfullendorf	100	O
Geberit Service GmbH & Co. KG, Pfullendorf	100	O
Geberit Vertriebs GmbH, Pfullendorf	100	Δ
Geberit Produktions GmbH, Pfullendorf	100	▢
Geberit Logistik GmbH, Pfullendorf	100	O
Geberit Mapress GmbH, Langenfeld	100	▢
Geberit RLS Beteiligungs GmbH, Langenfeld	100	O
Geberit Lichtenstein GmbH, Lichtenstein	100	▢
Geberit Weilheim GmbH, Weilheim	100	▢

Hungary	Ownership in %	Activity
Geberit Kft, Budapest	100	Δ
India		
Geberit Plumbing Technology India Pvt. Ltd., Bangalore	100	Δ
Geberit India Manufacturing Pvt. Ltd., Bangalore	100	▢
Italy		
Geberit Produzione S.p.a., Villadose	100	▢
Netherlands		
Geberit B.V., Nieuwegein	100	Δ
Geberit International B.V., Nieuwegein	100	O
Norway		
Geberit AS, Lysaker	100	Δ
Poland		
Geberit Sp.z.o.o., Warsaw	100	Δ
Portugal		
Geberit Tecnologia Sanitária S.A., Lisbon	100	Δ
Russia		
Geberit RUS LLC., Moscow	100	Δ
Singapore		
Geberit South East Asia Pte. Ltd., Singapore	100	Δ
Slovakia		
Geberit Slovensko s.r.o., Bratislava	100	Δ
Slovenia		
Geberit Sanitarna tehnika d.o.o., Ruše	100	▢
Geberit prodaja d.o.o., Ruše	100	Δ
South Africa		
Geberit Southern Africa (Pty.) Ltd., Sandton	100	Δ
Spain		
Geberit S.A.U., Barcelona	100	Δ
Sweden		
Geberit AB, Malmö	100	Δ
Turkey		
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100	Δ
United Kingdom		
Geberit Sales Ltd., Warwick	100	Δ
USA		
Duffin Manufacturing Co., Elyria	100	▢ / Δ
The Chicago Faucet Company, Des Plaines	100	▢ / Δ

O Services, holding functions
Δ Distribution ▢ Production

Report of the Statutory Auditor

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Report of the Statutory Auditor
to the General Meeting of
Geberit AG
Rapperswil-Jona

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Geberit AG, which comprise the → **balance sheet**, → **income statement**, → **statement of comprehensive income**, → **statement of changes in equity**, → **statement of cashflows** and → **notes**, for the year ended December 31, 2014.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, March 3, 2015