Geberit Group

Consolidated Balance Sheets

	Note	31.12.2016	31.12.2015
		MCHF	MCHF
Assets			
Current assets			
Cash and cash equivalents		509.7	459.6
Trade accounts receivable	6	174.4	130.6
Other current assets and current financial assets	7	111.0	90.7
Inventories	8	275.6	279.9
Total current assets		**1,070.7**	**960.8**
Non-current assets			
Property, plant and equipment	9	726.5	715.4
Deferred tax assets	18	96.7	95.7
Other non-current assets and non-current financial assets	10	26.1	24.8
Goodwill and intangible assets	11	1,681.1	1,757.1
Total non-current assets		**2,530.4**	**2,593.0**
Total assets		**3,601.1**	**3,553.8**

Liabilities and equity			
Current liabilities			
Short-term debt	12	4.2	3.7
Trade accounts payable		112.3	105.5
Tax liabilities and tax provisions		120.0	108.5
Other current liabilities	13	263.5	217.0
Current provisions	13	37.7	31.6
Total current liabilities		**537.7**	**466.3**
Non-current liabilities			
Long-term debt	14/15	966.7	1,135.5
Accrued pension obligations	16	325.8	300.8
Deferred tax liabilities	18	89.7	128.0
Other non-current liabilities	19	11.2	10.1
Non-current provisions	19	34.8	30.9
Total non-current liabilities		**1,428.2**	**1,605.3**
Equity			
Capital stock	21	3.7	3.8
Reserves		2,084.9	1,912.5
Cumulative translation adjustments		-453.4	-434.1
Total equity		**1,635.2**	**1,482.2**
Total liabilities and equity		**3,601.1**	**3,553.8**

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

Consolidated Income Statements

	Note	2016 MCHF	2015 MCHF
Net sales	29	**2,809.0**	**2,593.7**
Cost of materials		774.9	784.4
Personnel expenses		702.0	671.6
Depreciation	9	102.0	95.9
Amortisation of intangible assets	11	43.1	37.5
Other operating expenses, net	23	546.9	506.0
Total operating expenses, net		2,168.9	2,095.4
Operating profit (EBIT)		**640.1**	**498.3**
Financial expenses	24	-13.5	-20.1
Financial income	24	1.9	1.2
Foreign exchange loss (-) /gain	24	2.3	-4.6
Financial result, net		-9.3	-23.5
Profit before income tax expenses		**630.8**	**474.8**
Income tax expenses	25	82.6	52.4
Net income		**548.2**	**422.4**
- Attributable to shareholders of Geberit AG		548.2	422.4
EPS (CHF)	22	14.88	11.33
EPS diluted (CHF)	22	14.85	11.31

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

Consolidated Statements of Comprehensive Income

	Note	2016 MCHF	2015 MCHF
Net income according to the income statement		**548.2**	**422.4**
Cumulative translation adjustments[1]		-19.0	-203.7
Taxes		-0.3	0.3
Cumulative translation adjustments, net of tax		**-19.3**	**-203.4**
Cashflow hedge accounting	15	0.0	71.5
Taxes		0.0	-10.2
Cashflow hedge accounting, net of tax		**0.0**	**61.3**
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		**-19.3**	**-142.1**
Remeasurements of pension plans	16	-20.8	-14.8
Taxes		4.5	2.7
Remeasurements of pension plans, net of tax		**-16.3**	**-12.1**
Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax		**-16.3**	**-12.1**
Total other comprehensive income, net of tax		**-35.6**	**-154.2**
Total comprehensive income		**512.6**	**268.2**
- Attributable to shareholders of Geberit AG		512.6	268.2

[1] 2015: The Swiss National Bank abandoned the minimum exchange rate of CHF 1.20 per euro on January 15, 2015. This decision triggered currency fluctuations and led to an appreciation of the Swiss franc against all other key currencies. As Geberit is exposed to currency risks on both the assets and liabilities side, this contributed significantly to the negative translation effect of MCHF 203.7.

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						
	Ordinary shares	Reserves	Treasury shares	Pension plans	Hedge accounting	Cum. translation adjustments	Total equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2014	**3.8**	**2,235.0**	**-78.3**	**-151.4**	**-61.3**	**-230.7**	**1,717.1**
Net income		422.4					422.4
Other comprehensive income				-12.1	61.3	-203.4	-154.2
Distribution		-310.7					-310.7
Share buyback programme			-167.6				-167.6
Purchase (-)/Sale of treasury shares		7.6	-30.6				-23.0
Management option plans		-1.8					-1.8
Balance at 31.12.2015	**3.8**	**2,352.5**	**-276.5**	**-163.5**	**0.0**	**-434.1**	**1,482.2**
Net income		548.2					548.2
Other comprehensive income				-16.3		-19.3	-35.6
Distribution		-309.3					-309.3
Share buyback programme			-42.9				-42.9
Purchase (-)/Sale of treasury shares		7.0	-8.0				-1.0
Capital reduction	-0.1	-247.9	248.0				0.0
Management option plans		-6.4					-6.4
Balance at 31.12.2016	**3.7**	**2,344.1**	**-79.4**	**-179.8**	**0.0**	**-453.4**	**1,635.2**

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

Consolidated Statements of Cashflows

	Note	2016 MCHF	2015 MCHF
Cash provided by operating activities			
Net income		548.2	422.4
Depreciation and amortisation	9/11	145.1	133.4
Financial result, net	24	9.3	23.5
Income tax expenses	25	82.6	52.4
Other non-cash income and expenses		18.5	22.6
Operating cashflow before changes in net working capital and taxes		803.7	654.3
Income taxes paid		-98.6	-82.6
Changes in trade accounts receivable		-29.4	20.8
Changes in inventories		-2.6	9.7
Changes in trade accounts payable		13.4	-17.2
Changes in other positions of net working capital		28.7	27.1
Net cash from/used (-) in operating activities		**715.2**	**612.1**
Cash from/used (-) in investing activities			
Acquisitions of subsidiaries	2	0.0	-1,185.4
Sales of subsidiaries	2	32.8	0.0
Purchase of property, plant & equipment and intangible assets	9/11	-139.1	-147.3
Proceeds from sale of property, plant & equipment and intangible assets		6.2	6.3
Interest received		0.9	1.3
Other, net		-0.5	-0.1
Net cash from/used (-) in investing activities		**-99.7**	**-1,325.2**
Cash from/used (-) in financing activities			
Proceeds from borrowings	2/14/15	50.3	1,985.5
Repayments of borrowings	2/14/15	-223.1	-1,033.6
Interest paid		-6.2	-3.5
Distribution		-309.3	-310.7
Share buyback programme		-50.7	-159.8
Purchase (-) /Sale of treasury shares		-22.2	-44.5
Financing cost paid		-0.4	-14.5
Other, net		-1.3	-1.2
Net cash from/used (-) in financing activities		**-562.9**	**417.7**
Effects of exchange rates on cash and cash equivalents		-2.5	5.3
Net increase/decrease (-) in cash and cash equivalents		**50.1**	**-290.1**
Cash and cash equivalents at beginning of year		459.6	749.7
Cash and cash equivalents at end of year		**509.7**	**459.6**

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 an international company that focuses on the sanitary industry and, specifically, the areas of sanitary technology and bathroom ceramics. The Group's product range consists of the Sanitary Systems, Piping Systems and Sanitary Ceramics product areas. Worldwide, the vast majority of its products are sold through the wholesale channel. Geberit sells its products in 122 countries. The Group is present in 49 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. A company is consolidated for the first time or deconsolidated from the date on which the Group exercises or loses control over the company.

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 British pounds sterling and "MUSD" refers to millions of US dollars. The term "shareholders" refers to the shareholders of Geberit AG.

In 2016, all functions (production, marketing and sales, R&D, corporate functions) of the Sanitec Group acquired in 2015 were integrated fully into the Geberit Group's functional business model. Among other things, the Sanitec sales organisations were decoupled from the individual Sanitec companies and merged with the corresponding Geberit sales companies. As a result, there is no longer any profit responsibility and information at the level of the group that was originally acquired. The same is true of earlier acquisitions. Management thus no longer monitors the goodwill items at the level of the original cash generating units, but rather at Group level. This also fits in with the current reporting structure. Consequently, the original cash generating units (CGU) were combined into a single CGU and only a single goodwill item is now tested for impairment. The disclosure made in → Note 11 was adjusted accordingly.

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 (see → Note 11)
- Capitalisation of development costs (see → Note 27)
- Assumptions for the recognition of defined benefit pension plans (see → Note 16)
- Valuation of deferred tax assets and liabilities (see → Note 3)

2. Changes in Group structure

2016
Sale of the Koralle Group

The Group sold the Koralle Group to AFG Arbonia-Forster-Holding AG on July 1, 2016. The sales price was MEUR 33.0 plus net cash and cash equivalents. The Koralle Group companies are Bekon Koralle AG, Koralle Sanitärprodukte GmbH, Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft mbH and Servico Gesellschaft für Sanitärtechnik mbH. The Koralle Group was acquired as part of the Sanitec acquisition in 2015. The provider of shower enclosures primarily operates in the Swiss, German and Austrian markets and employed 240 people as of June 30, 2016. The Koralle Group contributed MCHF 22.6 to the Geberit Group's net sales, MCHF 2.1 to the EBIT, and MCHF 1.7 to the net income as of June 30, 2016. In 2015 (11 months), the Koralle Group contributed MCHF 42.2 to the Geberit Group's net sales, MCHF 2.4 to the EBIT, and MCHF 1.9 to the net income. On June 30, 2016, the Koralle Group had current assets of MCHF 17.1, non-current assets of MCHF 33.7, current liabilities of MCHF 7.3, and non-current liabilities of MCHF 7.3.

In addition there were various changes to the legal structure of the Group mainly in connection with the integration of the Sanitec Group but with no effect on the consolidated results.

2015
Acquisition of the Sanitec Group

Geberit AG submitted a takeover bid to the shareholders of Sanitec Oyj, Helsinki, Finland (Sanitec) on October 14, 2014, to acquire all Sanitec shares at a price of SEK 97 per share in cash. The Sanitec shares were listed on the NASDAQ Stockholm stock exchange. Sanitec is a leading European producer and supplier of bathroom ceramics. The Group achieved net sales of MEUR 689 and an EBIT margin of 11.4% in 2014. The company employed 6,200 people in 18 production facilities and 24 sales units. Sanitec sold its products primarily in Europe under 14 leading brands that are firmly established in their local markets. For Geberit, the acquisition of Sanitec represents an expansion of its product range. Its portfolio will be enhanced with the addition of the Sanitary Ceramics area. The new company will be the European market leader for sanitary products and will, in particular, strengthen its position in those European markets in which Geberit had not yet gained a firm foothold, i.e. the Nordic Countries, France, UK and Eastern Europe. It combines technical know-how in sanitary technology “behind the wall” with design expertise “in front of the wall”. The acquisition also bolsters the Group's key sales and earnings drivers.

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

The purchase price for the Sanitec Group in cash amounted to MCHF 1,203.5 plus additional transaction costs of MCHF 22. Of the latter, MCHF 10 is attributable to consultation fees (of which MCHF 3 was already incurred in 2014) and MCHF 12 was incurred in connection with the financing. Of the financing costs, MCHF 6 is recognised in the 2015 income statement and a further MCHF 6 is being amortised over the term of the financing instruments. In addition debt of MCHF 184 had to be refinanced.

The acquisition was financed by means of bond issuance, bank loans and from own funds. Geberit issued the following three bonds: a bond for MCHF 150 with a term of four years and a coupon of 0.05%, a bond for MCHF 150 with a term of eight years and a coupon of 0.3%, and a bond for MEUR 500 with a term of six years and a coupon of 0.688%. A bridge facility in the form of a syndicated bank loan amounting to MCHF 900 was available for the period between the closing of the transaction and the issuance of the bonds. In addition, a second syndicated bank loan (“term loan facility”) amounting to MEUR 325 was drawn on and existing funds of MCHF 247 were used.

The instruments for hedging the foreign exchange risks were released on the closing and reflected in the acquisition price. The corresponding effect is contained in the “Cashflow hedge accounting” item in the consolidated statements of comprehensive income.

As the first consolidation of the Sanitec Group took place in February 2015, the consolidated income statement for the previous year included the Sanitec Group’s figures for 11 months only. No subsequent changes were made to the already disclosed values in the annual report 2015. Additional information of the acquisition is disclosed in the 2015 annual report (→ **Note 2**).

Further changes in the Group structure for 2015 were as follows:

- Geberit Service AB, Bromölla (newly founded)
- Keramag Service GmbH & Co. KG, Pfullendorf (newly founded)
- Contura Steel AB, Bromölla (sold)

3. Summary of significant accounting policies

New or revised IFRS standards and interpretations 2016 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 11 – Joint Arrangements	1.1.2016	The additional guidance clarifies that an 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 had no impact on the consolidated financial statements.	1.1.2016
IAS 16 – Property, Plant and Equipment; IAS 38 – Intangible Assets	1.1.2016	This amendment clarifies which principle for the basis of depreciation and amortisation 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 amortisation of items of property, plant and equipment or intangible assets. This amendment had 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 had no impact on the consolidated financial statements.	1.1.2016

New or revised IFRS standards and interpretations as from 2017 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IAS 12 – Income Taxes	1.1.2017	These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. This amendment has no impact on the consolidated financial statements.	1.1.2017
IFRS 9 – Financial Instruments	1.1.2018	The main characteristics of the new standard are on: 1) Classification and measurement of financial instruments: Financial assets are classified and subsequently measured at amortised cost or fair value through income statement depending on the business model followed for managing them and their contractual cash flow characteristics. Classification of financial liabilities remains unchanged. 2) Impairment of financial assets: The new impairment model is an expected credit loss (ECL) model which implies both an earlier recognition of credit losses and disclosure of additional forward looking information. A simplified approach is applied for trade receivables or contract assets that do not contain a significant financing component for which the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. 3) Hedge accounting: The new hedge accounting model is less rules-based, aligns hedge accounting more closely with the Group`s risk management practices and enables a wider range of economic hedging strategies to achieve hedge accounting. The early adoption of the above standard does not have a material impact on the consolidated financial statements.	1.1.2017
IFRS 15 – Revenue from Contracts with Customers	1.1.2018	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) Recognise revenue when a performance obligation is satisfied. Based on a preliminary assessment the Group does not expect any material impact on recognition and measurement of revenue, and is expected to result in additional disclosures.	1.1.2018
IFRS 2 – Share-based Payment	1.1.2018	The amendment clarifies the accounting treatment of: 1) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (clarification that the valuation is not in the scope of IFRS 13 ‘Fair Value Measurement’) 2) Share-based payment transactions with a net settlement feature for withholding tax obligations 3) Modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. This amendment has no impact on the consolidated financial statements.	1.1.2018
IFRS 16 – Leases	1.1.2019	Under current IAS 17 lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The new standard requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB included an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. These amendments will have an impact on the consolidated financial statements and they are currently under evaluation, e.g. a significant leasing commitment will have to be recognised in the balance sheet.	1.1.2019

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 to 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.

Inventories
Inventories are stated at the lower of historical or manufacturing costs, or net realisable 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 realisable 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 capitalised 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), moulds (4–6 years), equipment and furnishings (4–25 years) and vehicles (5–10 years). Properties are not regularly depreciated. Repair and maintenance related to investments in property, plant and equipment are charged to the income statement as incurred.

Borrowing costs of all material qualifying assets are capitalised 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 capitalised 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 capitalised must be determined by applying a capitalisation 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 the difference is 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, trademarks and other intangible assets with an indefinite useful life are not regularly amortised but tested for impairment on an annual basis. Since the capitalised trademarks are an inherent element of the business model of the Geberit Group and are therefore used over an indefinite time period, they are assigned 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 amortisation of intangible assets with a definite useful life is calculated using the straight-line method based on the following useful lives: patents and technology (4–10 years), trademarks (5 years), software (4–6 years) and capitalised 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.

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 11**.

Provisions
The Group recognises 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.

Net sales
Net sales are recognised when the risks and rewards are transferred, which normally happens when the products are shipped, i.e. when they are handed over to the carrier at the ramp of a Geberit logistics centre. Net sales include the invoiced amounts after deduction of the rebates shown on the customer's 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 recognised on receipt of timely payments.

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. 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 realisation of future tax savings related to tax loss carryforwards and other deferred tax assets is not or no longer probable, then the deferred tax assets are reduced accordingly.

A liability for deferred taxes is recognised 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 18**).

Leasing
Property, plant and equipment acquired on a lease and deemed to be owned in respect of their risks and rewards are classified under finance leasing. Leased property, plant and equipment are capitalised and depreciated over their estimated useful life. The corresponding lease obligations are recognised as liabilities. Payments under operating leases are reported as operating expenses on a straight-line basis and charged directly to the income statement accordingly.

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/overheads, 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 capitalisation criteria of IAS 38.57 are fulfilled. In the case that all criteria are fulfilled, the expenses are capitalised and amortised over a period of six years (see → **Note 27**).

Retirement benefit plans
The Group manages different employee pension plans structured as both defined benefit and defined contribution plans. These pension funds are usually 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 recognised 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 capitalised in compliance with IAS 19.64 and IFRIC 14. The annual net periodic pension costs calculated for defined benefit plans are recognised 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 future 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 programmes 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 programmes. The dilution from option programmes 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 amortised cost less allowances for credit losses. Trade accounts payable and other payables are carried at amortised cost. The carrying amount of such items virtually corresponds to their fair value.

Debts are initially recorded at fair value, net of transaction costs, and measured at amortised cost according to the effective interest rate method. The Group classifies debts 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 15).

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 recognised in → "other comprehensive income". The ineffective portion of such instruments is recorded in financial result, net. Changes in value resulting from cashflow hedges recognised in other comprehensive income are recorded in the income statement in the period in which the cashflow from the hedged transaction is recognised in the income statement.

4. Risk assessment and management

General
The 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, analysed 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 recognising, analysing 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 a period of less than three months. Part of the liquid funds may be invested in government bonds (maximum MCHF 70 per country and usually with terms of less than 12 months). The residual liquid funds are generally held at banks on a short-term basis. 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 Group generates sales and costs 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 neutralised with cash outflows of the same currency. 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 +/- unrealised 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:

	2016	2015
	MCHF	MCHF
Value-at-risk +/- unrealised gains/losses	6.3	5.6
Equity	1,635.2	1,482.2
(Value-at-risk +/- unrealised gains/losses)/equity	**0.4%**	**0.4%**

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:

	2016	2015
	MCHF	MCHF
EBITDA	785.2	631.7
Financial result, net + CfaR	9.8	12.7
EBITDA/(Financial result, net + CfaR)	**80x**	**50x**

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.

	2016	2015
	MCHF	MCHF
Combined foreign exchange rate and interest rate risk	9.7	19.1

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 amortisation 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 561.2 (PY: MCHF 516.8).

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 trade receivables at year-end is not representative because of the low sales volume in December. In 2016, the average balance of trade receivables is about 141% (PY: 176%) 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 organisation and regulatory obligations. Management is informed on a regular basis with key figures and reports about 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	2016	2015
Foreign exchange rate risk	(VaR +/- unrealised gains/losses)/equity	0.4%	0.4%
Interest rate risk	EBITDA/(financial result, net + CfaR)	80x	50x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 561.2	MCHF 516.8

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
- ensure 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 programmes
- capital increases
- draw 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:

	2016 MCHF	2015 MCHF
Gearing		
Debt	970.9	1,139.2
Liquid funds and marketable securities	509.7	459.6
Net debt	461.2	679.6
Equity	1,635.2	1,482.2
Net debt/equity	**28.2%**	**45.9%**
Return on equity (ROE)		
Equity (rolling)	1,526.3	1,530.2
Net income	548.2	422.4
ROE	**35.9%**	**27.6%**
Return on invested capital (ROIC)		
Invested capital (rolling)	2,704.6	2,504.9
Net operating profit after taxes (NOPAT)	545.8	425.6
ROIC	**20.2%**	**17.0%**

6. Trade accounts receivable

	2016 MCHF	2015 MCHF
Trade accounts receivable	187.1	145.4
Allowances	-12.7	-14.8
Total trade accounts receivable	**174.4**	**130.6**

Of the total trade accounts receivable, MCHF 8.7 were denominated in CHF, MCHF 64.4 in EUR, MCHF 20.1 in USD, MCHF 17.0 in GBP, MCHF 15.6 in SEK, MCHF 9.6 in DKK, MCHF 13.1 in NOK and MCHF 3.6 in PLN.

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

	2016 MCHF	2015 MCHF
Allowances for trade accounts receivable		
January 1	**14.8**	**9.8**
Changes in scope of consolidation	-0.2	6.6
Additions	4.5	0.8
Used	-5.4	-0.5
Reversed	-0.8	-0.9
Translation differences	-0.2	-1.0
December 31	**12.7**	**14.8**

	2016 MCHF	2015 MCHF
Maturity analysis of trade accounts receivable		
Not due	120.0	95.5
Past due < 30 days	43.0	33.5
Past due < 60 days	5.2	4.2
Past due < 90 days	4.0	0.9
Past due < 120 days	3.8	1.0
Past due > 120 days	11.1	10.3
Allowances	-12.7	-14.8
Total trade accounts receivable	**174.4**	**130.6**

7. Other current assets and current financial assets

	2016 MCHF	2015 MCHF
Value-added tax receivables	77.0	53.7
Income tax refunds receivable	13.9	15.6
Short-term derivative financial instruments (see → **Note 15**)[1]	0.3	0.5
Prepaid expenses	9.7	6.8
Other current assets	10.1	14.1
Total other current assets and current financial assets	**111.0**	**90.7**

[1] Not part of the calculation of net working capital

8. Inventories

	2016 MCHF	2015 MCHF
Raw materials, supplies and other inventories	94.2	92.0
Work in progress	46.3	48.8
Finished goods	116.8	130.3
Merchandise	18.2	8.8
Prepayments to suppliers	0.1	0.0
Total inventories	**275.6**	**279.9**

As of December 31, 2016, inventories included allowances for slow-moving and obsolete items of MCHF 37.9 (PY: MCHF 44.3).

9. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr. / advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2016					
Cost at beginning of year	2,122.2	614.4	1,361.2	58.7	87.9
Changes in scope of consolidation	-26.3	-6.0	-20.3		
Additions	127.9	15.3	54.3	7.7	50.6
Disposals	-114.3	-15.1	-82.5	-16.7	
Transfers	0.0	16.4	50.3	6.8	-73.5
Translation differences	-20.8	-5.2	-13.7	-0.8	-1.1
Cost at end of year	**2,088.7**	**619.8**	**1,349.3**	**55.7**	**63.9**
Accumulated depreciation at beginning of year	1,406.8	324.4	1,039.1	43.3	0.0
Changes in scope of consolidation	-24.6	-5.0	-19.6		
Depreciation	102.0	18.3	75.9	7.8	
Disposals	-107.2	-12.5	-78.5	-16.2	
Translation differences	-14.8	-1.6	-12.5	-0.7	
Accumulated depreciation at end of year	**1,362.2**	**323.6**	**1,004.4**	**34.2**	**0.0**
Carrying amounts at end of year	**726.5**	**296.2**	**344.9**	**21.5**	**63.9**
2015					
Cost at beginning of year	1,392.1	396.2	883.9	56.9	55.1
Changes in scope of consolidation	724.4	236.0	482.3		6.1
Additions	133.3	5.2	45.9	7.2	75.0
Disposals	-62.7	-9.6	-49.8	-3.3	
Transfers	0.0	2.7	41.6	1.0	-45.3
Translation differences	-64.9	-16.1	-42.7	-3.1	-3.0
Cost at end of year	**2,122.2**	**614.4**	**1,361.2**	**58.7**	**87.9**
Accumulated depreciation at beginning of year	841.2	159.8	637.5	43.9	0.0
Changes in scope of consolidation	559.2	159.0	400.2		
Depreciation	95.9	15.0	75.7	5.2	
Disposals	-58.5	-7.2	-48.0	-3.3	
Translation differences	-31.0	-2.2	-26.3	-2.5	
Accumulated depreciation at end of year	**1,406.8**	**324.4**	**1,039.1**	**43.3**	**0.0**
Carrying amounts at end of year	**715.4**	**290.0**	**322.1**	**15.4**	**87.9**

As of December 31, 2016, there were no qualified assets for which borrowing costs were capitalised during the production phase. As of December 31, 2016, the Group had entered into firm commitments for capital expenditures of MCHF 7.8 (PY: MCHF 23.3).

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

	2016	2015
	MCHF	MCHF
Reinsurance policies for pension obligations (see → Note 16)	19.3	17.2
Assets from defined benefit plans (see → Note 16)	0.4	1.4
Deposits	2.6	2.1
Capitalised financing costs	0.5	0.6
Other	3.3	3.5
Total other non-current assets and non-current financial assets	**26.1**	**24.8**

11. Goodwill and intangible assets

	Total	Goodwill	Patents and technology	Trademarks	Other intangible assets[1]
	MCHF	MCHF	MCHF	MCHF	MCHF
2016					
Cost at beginning of year	2,256.4	1,508.0	260.9	381.5	106.0
Changes in scope of consolidation	-32.9	-31.3			-1.6
Additions	11.2				11.2
Disposals	-7.7				-7.7
Translation differences	-13.8	-9.1	-0.9	-3.7	-0.1
Cost at end of year	**2,213.2**	**1,467.6**	**260.0**	**377.8**	**107.8**
Accumulated amortisation at beginning of year	499.3	213.2	158.5	59.8	67.8
Changes in scope of consolidation	-1.4				-1.4
Amortisation	43.1		34.4		8.7
Disposals	-7.5				-7.5
Transfer	0.0			2.0	-2.0
Translation differences	-1.4	-0.7	-0.8		0.1
Accumulated amortisation at end of year	**532.1**	**212.5**	**192.1**	**61.8**	**65.7**
Carrying amounts at end of year	**1,681.1**	**1,255.1**	**67.9**	**316.0**	**42.1**

	Total	Goodwill	Patents and technology	Trademarks	Other intangible assets[1]
	MCHF	MCHF	MCHF	MCHF	MCHF
2015					
Cost at beginning of year	1,086.5	765.8	127.2	144.4	49.1
Changes in scope of consolidation	1,302.8	900.3	129.2	229.1	44.2
Additions	14.0				14.0
Disposals	-2.9				-2.9
Translation differences	-144.0	-158.1	4.5	8.0	1.6
Cost at end of year	**2,256.4**	**1,508.0**	**260.9**	**381.5**	**106.0**
Accumulated amortisation at beginning of year	441.2	225.9	127.2	59.8	28.3
Changes in scope of consolidation	35.4				35.4
Amortisation	37.5		30.8		6.7
Disposals	-2.5				-2.5
Transfer	0.0				0.0
Translation differences	-12.3	-12.7	0.5		-0.1
Accumulated amortisation at end of year	**499.3**	**213.2**	**158.5**	**59.8**	**67.8**
Carrying amounts at end of year	**1,757.1**	**1,294.8**	**102.4**	**321.7**	**38.2**

[1] Others: mainly software and capitalised product development costs (see → Note 27: Research and development cost)

In 2016, the original cash generating units (CGU) were combined into a single CGU and only a single goodwill item is now tested for impairment. For further details see → Note 1. The following table lists the carrying amounts and parameters of the items that are material for the Group.

	Carrying amount	Carrying amount	Calculation of recoverable amount (PY numbers in brackets)			
	31.12.2016	31.12.2015	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	1,255.1	1,277.5	U	2.4 (2.1 - 2.5)	7.3 (8.0 - 9.4)	6.4 (7.1 - 7.3)
Geberit trademarks	84.6	84.6	U	2.4 (2.1)	7.4 (8.2)	6.4 (7.1)
Various other trademarks	231.4	237.1	U	2.4 (2.1)	5.7 - 8.5 (6.1 - 9.3)	5.6 - 7.2 (6.0 - 7.8)

The discounted cashflow method is applied to test the goodwill for impairment. The Group bases the impairment test on the current business plan (for a four-year period) and its assumptions regarding price, market and market share developments. Growth rates after the end of the planning period are based on Euroconstruct forecasts and the Group's own assumptions based on past experience regarding price and market share trends. A discount rate based on the Group's weighted cost of capital is used to calculate the discounted future cashflows. Management regards the discount rate, growth rates and development of the operating margin as the key factors in calculating the recoverable amount.

Trademarks are tested using the relief from royalty method. The item “Various other trademarks” mainly includes the trademarks Ifö, Keramag, Kolo, IDO, Twyford, Allia and Sphinx. Impairment is tested against the Group’s estimated net sales attributable to the trademarks according to the current business plan (four-year period). Growth rates after the end of the planning period are based on Euroconstruct forecasts and the Group's own assumptions based on past experience regarding price and market share trends. Discounted future cashflows are calculated using discount rates based on the Group’s weighted cost of capital taking into account country- and currency-specific risks.

The sensitivity analysis shows that changes to the material assumptions (discount rate +0.5% and growth rate -1.0%) that are possible and realistic from today's perspective would not result in any need to impair the goodwill or the trademarks.

12. Short-term debt

	2016 MCHF	2015 MCHF
Other short-term debt	4.2	3.7
Total short-term debt	**4.2**	**3.7**

Short-term credit lines
The Group maintains credit lines of MCHF 40.6 (PY: MCHF 45.6) from various lenders, which can be cancelled 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, 2016 and 2015, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Other short-term debt
As of December 31, 2016, the Group had MCHF 4.2 in other short-term debt (PY: MCHF 3.7). This debt incurred an effective interest rate of 5.4% (PY: 5.6%).

Currency mix
Of the short-term debt outstanding as of December 31, 2016, MCHF 4.1 was denominated in EUR (PY: MCHF 3.7).

13. Other current liabilities and provisions

	2016 MCHF	2015 MCHF
Compensation-related liabilities	89.9	88.6
Customer-related liabilities	77.3	58.0
Value added tax payables	49.7	28.3
Short-term derivative financial instruments (see → Note 15)	0.1	0.0
Short-term interest payables	3.5	5.1
Other current liabilities	43.0	37.0
Total other current liabilities	**263.5**	**217.0**

The position “other current liabilities” mainly includes accruals for services and deliveries which are not invoiced.

	2016 MCHF	2015 MCHF
Current provisions	25.8	15.4
Provisions for restructuring	11.9	16.2
Total current provisions	**37.7**	**31.6**

The movements of current provisions for 2016 and 2015 are shown in the following table:

	2016 MCHF	2015 MCHF
Current provisions		
January 1	15.4	2.0
Changes in scope of consolidation	0.0	12.6
Additions	15.9	4.0
Used	-4.3	-2.3
Reversed	-0.6	-1.2
Translation differences	-0.6	0.3
December 31	**25.8**	**15.4**

The current provisions increased mainly due to pending legal cases.

The movements of provisions for restructuring for 2016 and 2015 are shown in the following table:

	2016 MCHF	2015 MCHF
Provisions for restructuring		
January 1	16.2	0.0
Changes in scope of consolidation	0.0	13.5
Additions	1.5	4.0
Transfers	2.8	0.0
Used	-8.0	-1.9
Reversed	-0.2	0.0
Translation differences	-0.4	0.6
December 31	**11.9**	**16.2**

The restructuring provisions and the current provisions generated in 2015 relate primarily to the integration of the Sanitec Group into the functional organisational structure of the Geberit Group.

14. Long-term debt

	2016 MCHF	2015 MCHF
Bonds	829.5	831.4
Syndicated bank loan (term loan facility)	128.4	295.7
Credit facility (revolving facility)	0.0	0.0
Other long-term debt	8.8	8.4
Total long-term debt	**966.7**	**1,135.5**
Short-term portion of long-term debt	0.0	0.0
Total long-term debt	**966.7**	**1,135.5**

Bonds
Geberit has the following three bonds outstanding: a bond for MCHF 150 (fair value as of December 31, 2016: MCHF 150.8) with a term of four years and a coupon of 0.05% due 2019, a bond for MCHF 150 (fair value as of December 31, 2016: MCHF 152.6) with a term of eight years and a coupon of 0.3% due 2023, and a bond for MEUR 500 (fair value as of December 31, 2016: MEUR 513.1) with a term of six years and a coupon of 0.688% due 2021.

Syndicated bank loan (term loan facility)
The term loan facility is used for medium-term financing and has a term of three years due 2018. Its variable interest rate is based on the LIBOR plus a margin that depends on the ratio of net debt to EBITDA. MEUR 120 of the loan had been drawn as of December 31, 2016 (PY: MEUR 275). MEUR 155 was repaid in 2016. Its fair value of MEUR 120.1 was calculated by discounting all future cashflows at the current interest rate (swap rate for residual term plus credit spread).

Credit facility (revolving facility)
The firmly committed credit line ("revolving facility") of MCHF 300 is intended to ensure the Group's financial flexibility and has a term of five years due 2019. The interest rate is variable and is based on the LIBOR plus a fixed margin. An additional fee is charged if this credit line is drawn down. None of this credit facility was drawn down as of December 31, 2016. A commitment fee is charged in respect of the portion not drawn down.

The MEUR 500 bond, the syndicated bank loan and the credit facility are secured by guarantees from Geberit AG. The syndicated bank loan and the credit facility contain covenants and conditions typical for syndicated financing, including compliance with the following financial ratio:

- Net debt/EBITDA: max. 2.50x

This ratio was 0.59x in the reporting period.

Other long-term debt
As of December 31, 2016, the Group had MCHF 8.8 of other long-term debt (PY: MCHF 8.4). This debt incurred an effective interest rate of 5.9% (PY: 6.0%).

Currency mix
Of the total long-term debt outstanding as of December 31, 2016, MCHF 669.3 was denominated in EUR (PY: MCHF 839.1) and MCHF 297.4 in CHF (PY: MCHF 296.4).

15. Financial instruments

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, 2016 and 2015, the following derivative financial instruments were outstanding.

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

2015	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	18.12.2016	1.03345	12.4	-12.0	0.4	0.00	2.22	DCF[1]

[1] Discounted Cash Flow

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 12.0 was not designated as a cashflow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognised directly in the financial result, net. This instrument was terminated in 2016 as per maturity date.

b) Forward foreign exchange contracts and foreign exchange options

	Contract values					Fair value 31.12.	Calculation method
2016	MCZK	MEUR	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	-5.0	-55.0	-1.0	0.0	0.0	0.2	Mark-to-Market

2015	MCZK	MEUR	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	-5.0	-10.0	0.0	-2.0	0.0	0.1	Mark-to-Market

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

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 31.12.2016	Loans and receivables	Financial assets at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	509.7	509.7	0.0	
Trade accounts receivable	174.4	174.4	0.0	
Other current assets	110.7	110.7	0.0	
Other non-current assets	5.4	5.2	0.2	Level 2
Derivative financial instruments	0.3	0.0	0.3	Level 2
Total	**800.5**	**800.0**	**0.5**	

	Carrying amount as of 31.12.2016	Financial liabilities at amortised cost	Financial liabilities at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt	4.2	4.2	0.0	
Trade accounts payable	112.3	112.3	0.0	
Bonds	829.5	829.5	0.0	
Syndicated bank loan	128.4	128.4	0.0	
Other financial liabilities	8.8	8.8	0.0	
Derivative financial instruments	0.1	0.0	0.1	Level 2
Total	**1,083.3**	**1,083.2**	**0.1**	

	Carrying amount as of 31.12.2015	Loans and receivables	Financial assets at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	459.6	459.6	0.0	
Trade accounts receivable	130.6	130.6	0.0	
Other current assets	90.2	90.2	0.0	
Other non-current assets	5.2	5.0	0.2	Level 2
Derivative financial instruments	0.5	0.0	0.5	Level 2
Total	**686.1**	**685.4**	**0.7**	

	Carrying amount as of 31.12.2015	Financial liabilities at amortised cost	Financial liabilities at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt	3.7	3.7	0.0	
Trade accounts payable	105.5	105.5	0.0	
Bonds	831.4	831.4	0.0	
Syndicated bank loan	295.7	295.7	0.0	
Other financial liabilities	8.4	8.4	0.0	
Derivative financial instruments	0.0	0.0	0.0	
Total	**1,244.7**	**1,244.7**	**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 amortisation payments of derivative and non-derivative financial instruments as of the balance sheet date:

	Carrying amount	Maturity				
	31.12.2016	2017	2018	2019	2020	2021 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	4.2	4.4	0.0	0.0	0.0	0.0
Trade accounts payable	112.3	112.3	0.0	0.0	0.0	0.0
Bonds	829.5	4.2	4.2	154.2	4.1	691.8
Syndicated bank loan	128.4	1.0	129.8	0.0	0.0	0.0
Other financial liabilities	8.8	0.5	2.7	2.3	2.1	3.1
Total non-derivative financial liabilities	**1,083.2**	**122.4**	**136.7**	**156.5**	**6.2**	**694.9**
Derivative financial assets, net	-0.2	60.5	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-0.2**	**60.5**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**1,083.0**	**182.9**	**136.7**	**156.5**	**6.2**	**694.9**

	Carrying amount	Maturity				
	31.12.2015	2016	2017	2018	2019	2020 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	3.7	3.9	0.0	0.0	0.0	0.0
Trade accounts payable	105.5	105.5	0.0	0.0	0.0	0.0
Bonds	831.4	4.2	4.2	4.2	154.2	700.2
Syndicated bank loan	295.7	2.2	2.2	297.8	0.0	0.0
Other financial liabilities	8.4	0.5	2.7	2.1	1.7	3.1
Total non-derivative financial liabilities	**1,244.7**	**116.3**	**9.1**	**304.1**	**155.9**	**703.3**
Derivative financial assets	-0.5	23.9	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-0.5**	**23.9**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**1,244.2**	**140.2**	**9.1**	**304.1**	**155.9**	**703.3**

Additional information to the cashflow statement
The following table shows the reconciliation of the items for which cashflows were or in future will be generated and that are reported as net cash from financing activities in the consolidated statements of cashflows:

	2016		Noncash movements			2015
	Total	Cashflows	Changes in scope of consolidation	Translation differences	Others	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Long-term debt	966.7	-172.5	0.0	-3.8	7.5	1,135.5
Short-term debt	4.2	-0.3	0.0	0.0	0.8	3.7
Interest liabilities	3.5	-6.2	0.0	0.0	4.6	5.1
Total	**974.4**	**-179.0**	**0.0**	**-3.8**	**12.9**	**1,144.3**

16. Retirement benefit plans

The Group manages defined benefit plans for its employees in various countries. The most relevant defined benefit plans exist in Switzerland and in Germany and account together for 92% (PY: 92%) 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.

	2016 MCHF	2015 MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	582.9	554.9
Plan assets at fair value	510.6	496.1
Funded status	**-72.3**	**-58.8**
Germany		
Benefit obligation (for unfunded retirement benefit plans)	220.9	210.6
Plan assets at fair value	0.0	0.0
Funded status	**-220.9**	**-210.6**
Reimbursement rights	12.3	10.8
Other plans		
Benefit obligation (for funded retirement benefit plans)	42.2	39.6
Benefit obligation (for unfunded retirement benefit plans)	30.8	29.1
Plan assets at fair value	40.8	38.7
Funded status	**-32.2**	**-30.0**
Reimbursement rights	7.0	6.4
Total		
Benefit obligation (for all retirement benefit plans)	876.8	834.2
Plan assets at fair value	551.4	534.8
Funded status	**-325.4**	**-299.4**
Reimbursement rights	19.3	17.2

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 114.6% as of December 31, 2016 (PY: 115%).

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.

A pension plan of Bekon-Koralle AG was acquired with the Sanitec Group in 2015. This company belongs to the Koralle Group, which was sold on July 1, 2016 (see → **Note 2**).

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 labour-management contracts. The employer can change the conditions by applying provisos. There can be special commitments based on the labour-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 instalments. Annuitisation 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 annuitised, 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 annuitisation, the statutory obligation to make (and review) adjustments is not currently seen to harbour 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 labour-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 harbour an inflation risk.

The acquisition of the Sanitec Group also added various pension plans in Germany. In respect of Keramag Keramische Werke GmbH, Ratingen, there exists a benefit obligation arising from certain pension commitments made as well as a benefit obligation with reinsurance assets.

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

	2016 MCHF	2015 MCHF
Current service cost	33.2	31.1
Contributions of employees	-9.2	-8.9
Net interest cost for retirement benefit plans	4.2	4.2
Net periodic pension cost	**28.2**	**26.4**

The service cost for the Swiss retirement benefit plans was MCHF 22.5 in 2016 (PY: MCHF 21.5) and for the German retirement benefit plans MCHF 9.7 (PY: MCHF 8.6). The net interest cost for the Swiss retirement benefit plans was MCHF 0.4 in 2016 (PY: MCHF 0.3) and for the German retirement benefit plans MCHF 3.5 (PY: MCHF 3.6).

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

	2016 MCHF	2015 MCHF
Actuarial gains (-) / losses:	43.1	21.8
- of which from changes in demographic assumptions	-1.0	-0.3
- of which from changes in financial assumptions	43.4	22.2
- of which from experience adjustments	0.7	-0.1
Return on plan assets (excluding interest based on discount rate)	-22.2	-6.9
Return on reimbursement rights (excluding interest based on discount rate)	-0.1	-0.1
Asset ceiling adjustment	0.0	0.0
Total pre-tax remeasurements recognised in other comprehensive income	**20.8**	**14.8**

The remeasurements recognised in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2016 for the Swiss retirement benefit plans amounted to MCHF 13.6 (PY: MCHF 15.6) and for the German retirement benefit plans to MCHF 5.4 (PY: MCHF 2.7).

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

	2016 MCHF	2015 MCHF
Benefit obligation		
At beginning of year	834.2	727.5
Changes in scope of consolidation	-15.1	87.6
Current service cost	33.2	31.1
Interest cost	10.0	11.9
Actuarial gains (-) / losses	43.1	21.8
New plans / plan adjustments	1.5	0.1
Benefits paid	-22.8	-26.8
Translation differences	-7.3	-19.0
Benefit obligation at end of year	**876.8**	**834.2**

	2016 MCHF	2015 MCHF
Plan assets at fair value		
At beginning of year	534.8	471.0
Changes in scope of consolidation	-9.5	47.3
Interest income (based on discount rate)	5.3	7.2
Return on plan assets (excluding interest based on discount rate)	22.2	6.9
Contributions of employees	8.7	8.5
Contributions of employers	9.0	9.3
New plans / plan adjustments	0.0	-0.1
Benefits paid	-13.8	-17.2
Translation differences	-5.3	1.9
Plan assets at fair value at end of year	**551.4**	**534.8**
Funded status at end of year	**-325.4**	**-299.4**
Asset ceiling adjustment	0.0	0.0
Assets from defined benefit plans (→ Note 10)	-0.4	-1.4
Net funded status at end of year	**-325.8**	**-300.8**

	2016 MCHF	2015 MCHF
Fair value of reimbursement rights		
At beginning of year	17.2	16.2
Changes in scope of consolidation	0.0	0.0
Interest income (based on discount rate)	0.5	0.5
Return on reimbursement rights (excluding interest based on discount rate)	0.1	0.1
Contributions of employers	1.3	1.3
Contributions of employees	0.5	0.4
Benefits paid	-0.3	-0.3
Translation differences	0.0	-1.0
Fair value of reimbursement rights at end of year	**19.3**	**17.2**

As of December 31, 2016, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 12.3 (PY: MCHF 10.7).

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

	2016			2015		
	Listed on an active market MCHF	Other MCHF	Total MCHF	Listed on an active market MCHF	Other MCHF	Total MCHF
Equity instruments	192.8	9.0	201.8	184.4	8.8	193.2
Bonds and other debt instruments	108.5	38.0	146.5	109.7	36.0	145.7
Real estate property	54.8	121.1	175.9	50.7	114.8	165.5
Cash and cash equivalents	20.1	0.0	20.1	15.4	0.0	15.4
Other	2.4	4.7	7.1	2.8	12.2	15.0
Total	**378.6**	**172.8**	**551.4**	**363.0**	**171.8**	**534.8**

The plan asset of the Swiss retirement benefit plans was MCHF 510.6 as of December 31, 2016 and the effective income on the plan assets was +3.45% in 2016 and +2.6% in 2015. As of the end of 2016, the plan assets included MCHF 6.3 (PY: MCHF 5.2) 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:

	2016				2015			
	Active members	Deferred members	Pensioners	Total	Active members	Deferred members	Pensioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,238		500	1,738	1,248	4	487	1,739
German retirement benefit plans	4,254	525	355	5,134	4,065	500	371	4,936
Total plan members	**5,492**	**525**	**855**	**6,872**	**5,313**	**504**	**858**	**6,675**
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	346.6		236.3	582.9	335.6	0.7	218.6	554.9
German retirement benefit plans	156.4	23.7	40.8	220.9	147.7	22.9	40.0	210.6
Total benefit obligation	**503.0**	**23.7**	**277.1**	**803.8**	**483.3**	**23.6**	**258.6**	**765.5**
Share in %	62.6	2.9	34.5	100.0	63.1	3.1	33.8	100.0

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 17 years (PY: approx. 16 years) and for the German retirement benefit plans approx. 12 years (PY: approx. 12 years).

Employer contributions of MCHF 8.9 are expected for the Swiss retirement benefit plans in 2017. 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 %):

	2016		2015	
	CH	DE	CH	DE
Discount rate	0.6	1.6	0.8	1.8
Salary increase rate	1.2	0 - 2.5	1.2	0 - 2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2015 generations table	2005G actuarial tables	BVG 2010 generations table	2005G actuarial tables

The trend for sickness cost 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 was changed. Every assumption change was analysed 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	-7.6%	-5.5%
Reduced by 50 basis points	+8.7%	+6.2%
Salaries		
Increased by 25 basis points	+0.43%	+0.03%
Reduced by 25 basis points	-0.42%	-0.03%

In addition, the Group's consolidated income statement for 2016 included expenses for defined contribution plans of MCHF 7.4 (PY: MCHF 10.0).

17. Participation plans

Share plans
In 2016, employees were able to purchase a defined number of shares at a discount of 35% (PY: 45%) compared to the market price ("Employee share purchase plan 2016"). 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 2016"). For each of these shares, management participants received one option (see part 2: → "Option plans"). As part of the "Directors programme 2016", members of the Board of Directors received their compensation for 2015 in shares of Geberit AG (measured at current market value). All share plans are subject to blocking periods valid beyond the period of employment.

The share plans introduced in 2016 are summarised below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan 2016 (ESPP)	2018	2,234	18,661	235.14
Management share purchase plan 2016 (MSPP)	2019	91	8,600	361.75
Directors programme 2016 (DSPP)	2020	6	3,616	361.75
Total			**30,877**	

The 30,877 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2016, the Board of Directors, the Group Executive Board and the employees owned a combined total of 353,688 (PY: 357,850) shares, i.e. 1.0% (PY: 0.9%) of the share capital of Geberit AG under these plans.

Option plans
The management has the opportunity to invest part or all of their variable remuneration in shares of Geberit AG 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 programme, a free option is provided for each share purchased through the programme. 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 members of the Group Executive Board and managing directors are entitled to additional options. The options are subject to a vesting period of five years: a third of the options can be exercised three years after the grant, a further third four years after the grant and a further third five 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 (MSPP) resp. ten years (MSOP) after which they expire. They can be exercised between the vesting date and the maturity 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 2016:

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2016 (MSPP)	2017 - 2020	2023	91	8,600	361.75
Option plan 2016 (MSOP)	2019 - 2021	2026	88	122,619	361.75
Total				**131,219**	

The fair value of the options granted in 2016 amounted on average to CHF 26.81 (PY: 34.06) for MSPP and CHF 31.42 (PY: 34.06 resp. 33.48 for the members of the Group Executive Board) for MSOP 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]	Expected Ø volatility	Expected Ø dividend yield	Contractual period	Riskfree Ø interest rate
	CHF	%	%	Years	%
Management share purchase plan 2016 (MSPP)	361.75	17.06	2.33	7	-0.61
Option plan 2016 (MSOP)	361.75	17.43	2.33	10	-0.42

[1] The exercise price corresponds to the average price of Geberit shares for the period from 8. – 21.3.2016.

The following table summarises all option plans in place as of December 31, 2016:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2017 - 2022	86,867	260.16	86,867	260.16
2017	2020 - 2023	94,138	292.12	94,138	292.12
2018	2021 - 2023	70,845	311.26	70,845	311.26
2019	2022 - 2026	67,393	357.15	67,393	357.15
2020	2023 - 2026	42,811	361.75	42,811	361.75
2021	2026	40,661	361.75	40,661	361.75
Total		**402,715**	**313.91**	**402,715**	**313.91**

The following movements took place in 2016 and 2015:

	MSOP		MSPP		Total 2016		Total 2015	
	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	**312,211**	**278.09**	**34,873**	**287.80**	**347,084**	**279.07**	**302,914**	**247.98**
Granted options	122,619	361.75	8,600	361.75	131,219	361.75	97,747	349.15
Forfeited options	3,248	295.82	21	327.98	3,269	296.03	1,126	246.95
Expired options	0	0	0	0	0	0	0	0
Exercised options	66,744	231.59	5,575	253.10	72,319	233.25	52,451	230.85
Outstanding December 31	**364,838**	**314.35**	**37,877**	**309.68**	**402,715**	**313.91**	**347,084**	**279.07**
Exercisable at December 31	75,933	259.10	10,934	267.56	86,867	260.16	49,223	232.22

The 402,715 options outstanding represent 1.1% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares. The options outstanding at December 31, 2016 had an exercise price of between CHF 192.85 and CHF 361.75 and an average remaining contractual life of 5.8 years. Cost resulting from participation plans amounted to MCHF 2.6 in 2016 (PY: MCHF 3.0); those for option plans totalled MCHF 2.9 (PY: MCHF 3.0).

18. Deferred tax assets and liabilities

	2016	Movements 2016					2015
	Total	(Charged) / credited to income	Through equity	Through OCI[1]	Changes in scope of consolidation	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets							
Loss carryforwards	8.2	4.0	0.0	0.0	0.0	0.0	4.2
Accrued pension obligations	37.2	0.4	0.0	3.8	-0.6	-0.1	33.7
Property, plant and equipment	7.5	1.6	0.0	0.0	0.0	-0.3	6.2
Intangible assets	19.0	-9.6	0.0	0.0	0.0	0.0	28.6
Other	24.8	0.9	0.8	0.2	0.1	-0.2	23.0
Total deferred tax assets	**96.7**	**-2.7**	**0.8**	**4.0**	**-0.5**	**-0.6**	**95.7**
Deferred tax liabilities							
Inventories	-5.0	-0.2	0.0	-0.1	0.1	-0.1	-4.7
Property, plant and equipment	-31.0	-1.5	0.0	0.0	0.1	0.2	-29.8
Intangible assets	-48.7	40.1	0.0	-0.4	0.0	0.0	-88.4
Employer contribution reserve	-0.2	0.0	0.0	0.7	0.0	0.1	-1.0
Other	-4.8	-1.0	0.0	0.0	0.2	0.1	-4.1
Total deferred tax liabilities	**-89.7**	**37.4**	**0.0**	**0.2**	**0.4**	**0.3**	**-128.0**

[1] Recorded in other comprehensive income

	2015	Movements 2015					2014
	Total	(Charged) / credited to income	Through equity	Through OCI[1]	Changes in scope of consolidation	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets							
Loss carryforwards	4.2	-2.6	0.0	0.0	3.8	-0.2	3.2
Accrued pension obligations	33.7	0.2	0.0	3.5	3.8	-2.2	28.4
Property, plant and equipment	6.2	0.4	0.0	0.0	3.1	-0.1	2.8
Intangible assets	28.6	11.8	0.0	0.0	0.4	0.0	16.4
Other	23.0	-1.7	0.7	-10.2	8.9	-0.2	25.5
Total deferred tax assets	**95.7**	**8.1**	**0.7**	**-6.7**	**20.0**	**-2.7**	**76.3**
Deferred tax liabilities							
Inventories	-4.7	6.0	0.0	0.0	-4.6	0.0	-6.1
Property, plant and equipment	-29.8	-0.3	0.0	0.0	-2.1	1.2	-28.6
Intangible assets	-88.4	5.3	0.0	0.0	-81.7	-3.7	-8.3
Employer contribution reserve	-1.0	-0.1	0.0	-0.8	-0.1	0.0	0.0
Other	-4.1	0.5	0.0	0.3	-0.2	0.7	-5.4
Total deferred tax liabilities	**-128.0**	**11.4**	**0.0**	**-0.5**	**-88.7**	**-1.8**	**-48.4**

[1] Recorded 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, 2016 and 2015, 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 taxes of MCHF 0.1.

The Group recognises 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:

	2016	Without deferred tax asset	With deferred tax asset	2015	Without deferred tax asset	With deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Maturity						
1 year	0.2	0.0	0.2	0.7	0.0	0.7
2 years	0.0	0.0	0.0	0.6	0.0	0.6
3 years	16.7	15.3	1.4	0.9	0.0	0.9
4 years	7.2	0.0	7.2	20.3	16.1	4.2
5 years	2.0	0.0	2.0	6.0	5.4	0.6
6 years	10.6	8.7	1.9	6.7	6.2	0.5
> 6 years	149.0	128.3	20.7	130.8	119.6	11.2
Total loss carryforwards	**185.7**	**152.3**	**33.4**	**166.0**	**147.3**	**18.7**

19. Other non-current liabilities and provisions

	2016	2015
	MCHF	MCHF
Accrued investment grants	3.6	3.6
Other non-current liabilities	7.6	6.5
Total other non-current liabilities	**11.2**	**10.1**
Provisions for operating risks	31.6	28.6
Other non-current provisions	3.2	2.3
Total non-current provisions	**34.8**	**30.9**
Total other non-current liabilities and provisions	**46.0**	**41.0**

Movements of the provisions for operating risks in 2016 and 2015 are shown in the following table.

	2016	2015
	MCHF	MCHF
Provisions for operating risks		
January 1	**28.6**	**22.9**
Changes in scope of consolidation	0.0	6.7
Additions	14.0	7.6
Used	-8.4	-6.0
Reversed	-2.5	-0.9
Translation differences	-0.1	-1.7
December 31	**31.6**	**28.6**

Provisions for operating risks mainly include provisions for warranties. The payments for the warranty claims delay on average 3.6 years (PY: 3.9 years).

	2016 MCHF	2015 MCHF
Other non-current provisions		
January 1	**2.3**	**1.6**
Changes in scope of consolidation	0.0	0.7
Additions	0.0	0.0
Transfers	1.6	0.0
Used	-0.6	0.0
Reversed	-0.2	0.0
Translation differences	0.1	0.0
December 31	**3.2**	**2.3**

20. Contingencies

The Group is involved in several 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 reorganisations 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.

The product area Bathroom Ceramics was exposed to many challenges in the past. Declining export markets on a European level but also for the local demand in France led to production over-capacities and an ongoing cost pressure. As a result, in France the strategic options regarding the production sites of Allia SAS in La Villeneuve-au-Chêne and Digoin are being discussed. For this purpose, an information and consultation process was initiated with the central work council of the company. Closure of the two French production plants is considered in the contemplated project for the sites. This project is submitted to the information and consultation of Allia employee representative bodies. If this project would materialize the related cost could be in a range of MCHF 30 to MCHF 40. However, depending on the outcome of the negotiations and the finally chosen option, the amount could also be below or above this range.

21. Capital stock and treasury shares

	2016 pcs.	2015 pcs.
Issued shares		
January 1	**37,798,427**	**37,798,427**
Capital reduction	-757,000	0
December 31	**37,041,427**	**37,798,427**

The share buyback programme, which began on April 30, 2014, ended on February 29, 2016. A total of 757,000 registered shares were bought back for MCHF 247.8. When the programme ended, this represented 2.0% of the share capital registered with the commercial register. The share buyback programme was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 327.40. The General Shareholders Meeting of April 6, 2016 approved the proposal to cancel the repurchased shares by means of a capital reduction. The shares were cancelled on June 20, 2016.

	2016	2015
	pcs.	pcs.
Stock of treasury shares		
From share buyback programmes	0	634,600
Other treasury shares	239,869	243,280
Total treasury shares	**239,869**	**877,880**

As of December 31, 2016, the Group held a total of 239,869 (PY: 877,880) treasury shares with a carrying amount of MCHF 79.4 (December 31, 2015: MCHF 276.5), meaning that the Group decreased its net number of treasury shares by 638,011 in 2016. Treasury shares are deducted at cost from equity.

For transactions in connection with the participation plans, see → Note 17.

22. 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.

	2016	2015
Attributable net income according to income statement (MCHF)	548.2	422.4
Weighted average number of ordinary shares (thousands)	36,839	37,279
Total earnings per share (CHF)	**14.88**	**11.33**

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.

	2016	2015
Attributable net income according to income statement (MCHF)	548.2	422.4
Weighted average number of ordinary shares (thousands)	36,839	37,279
Adjustments for share options (thousands)	72	59
Weighted average number of ordinary shares (thousands)	36,911	37,338
Total diluted earnings per share (CHF)	**14.85**	**11.31**

23. Other operating expenses, net

	2016	2015
	MCHF	MCHF
Outbound freight cost and duties	98.0	89.9
Energy and maintenance expenses	129.2	107.9
Marketing expenses	105.2	97.7
Administration expenses	68.7	64.2
Other operating expenses	169.6	161.3
Other operating income	-23.8	-15.0
Total other operating expenses, net	**546.9**	**506.0**

“Other operating expenses” includes, among other things, commissions, rental and consulting expenses as well as warranty cost.

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

In 2016, cost of MCHF 16.4 (PY: MCHF 14.6) were capitalised as property, plant and equipment or intangible assets. This includes in particular tools, mould and assembly lines that are part of the production process, as well as capitalised product development cost. The amount was deducted pro-rata from “personnel expenses”, “cost of materials” and “other operating expenses, net”.

24. Financial result, net

	2016 MCHF	2015 MCHF
Interest expenses	-9.5	-9.0
Amortisation of deferred financing fees	-2.1	-8.7
Other financial expenses	-1.9	-2.4
Total financial expenses	**-13.5**	**-20.1**
Interest income	1.9	1.2
Total financial income	**1.9**	**1.2**
Foreign exchange loss (-) /gain	2.3	-4.6
Total financial result, net	**-9.3**	**-23.5**

“Interest expenses” mainly includes the interest for the bonds and for the syndicated bank loans. The main part of the position “Amortisation of deferred financing fees” in 2015 belongs to the amortisation of cost related to the installation of the bridge facility. “Other financial expenses” mainly includes commitment and other fees.

25. Income tax expenses

	2016 MCHF	2015 MCHF
Current taxes	117.3	71.9
Deferred taxes	-34.7	-19.5
Total income tax expenses	**82.6**	**52.4**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 14.6% (PY: 19.3%) and the effective income tax expenses were as follows:

	2016 MCHF	2015 MCHF
Income tax expenses, at applicable rate	91.8	91.6
Operating losses with no current tax benefit	3.1	11.9
Offsetting of current profits against loss carryforwards without tax assets	-6.1	-30.2
Changes in future tax rates	-0.4	0.5
Taxable goodwill amortisation	0.0	-3.2
Non-deductible expenses and non-taxable income, net	0.8	-23.0
Other	-6.6	4.8
Total income tax expenses	**82.6**	**52.4**

"Other" in 2016 includes mainly reversals of tax provisions. In 2015 there were several one-off effects resulting from the Sanitec acquisition (transaction) or from subsequent integration projects (e.g. transfer of IP rights).

26. Operating Leasing

	2016 MCHF	2015 MCHF
Minimum lease payments		
< 1 year	19.8	16.6
1-5 years[1]	53.7	49.6
> 5 years[1]	71.3	76.9
Total minimum lease payments	**144.8**	**143.1**

[1] The permanent (open-ended) contracts were defined to last for a period of eight years in 2016. In 2015 there was no such specific definition. Therefore the figures for 2015 were adjusted on the basis of this new definition.

The lease expenses for 2016 were MCHF 24.8 (PY: MCHF 18.5). The acquisition of the Sanitec Group added various operating lease agreements in 2015. The leasing agreements are mainly for rent of buildings and equipment.

27. Research and development cost

	2016 MCHF	2015 MCHF
Research and development expenses	72.3	63.4
Capitalised development expenses	-5.7	-7.8
Amortisation of capitalised development expenses	2.1	1.1
Research and development cost	**68.7**	**56.7**

Geberit spent in the past in average around 2.4% of net sales on research and development every year (2016: 2.6%). The expenses have remained relatively constant over the years. In 2016, research and development expenses totalling MCHF 72.3 (PY: MCHF 63.4) were included in the items “Personnel expenses”, “Depreciation” and “Other operating expenses, net”. For four major development projects, the capitalisation criteria according to IAS 38.57 were met and expenses of MCHF 5.7 (PY: MCHF 7.8) were capitalised.

28. Cashflow figures

Net cashflow is calculated as follows:

	2016 MCHF	2015 MCHF
EBITDA[1]	785.2	631.7
Financial result, net	-9.3	-23.5
Income tax expenses	-82.6	-52.4
Changes in deferred taxes[2] and current income tax liabilities and provisions	-21.4	-19.5
Changes in non-current provisions	32.0	23.9
Non-cash effective depreciation of the Sanitec inventory revaluation	0.0	28.4
Changes in non-current assets and other	-4.9	7.7
Net cashflow	**699.0**	**596.3**

[1] EBIT + Depreciation + Amortisation
[2] Only portion booked to the income statement

“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 non-current assets and other” mainly includes the changes in prepaid pension assets booked to net income, the reclassification of gains from the disposal of property, plant and equipment and subsidiaries and the amortisation of deferred financing fees.

Free cashflow is calculated as follows:

	2016 MCHF	2015 MCHF
Net cashflow	699.0	596.3
Purchase of property, plant and equipment and intangible assets, net	-132.9	-141.0
Changes in net working capital	10.1	40.4
Payments charged to non-current provisions	-12.3	-11.7
Free cashflow	**563.9**	**484.0**

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 commercial construction industry. The major part of the products is distributed through the wholesale channel in general to plumbers, who resell the products to the end users. Products are produced by plants that specialise 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 focuses mainly on 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 centralised 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 organised by function (Overall Management, Sales Europe, Sales International, Marketing & Brands, Operations, Product Management & Innovation, Finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on net 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 net sales is based on the domicile of the customers.

The information is as follows:

	2016 MCHF	2015 MCHF
Net sales by product lines		
Installation Systems	789.9	724.1
Cisterns and Mechanisms	254.7	221.2
Faucets and Flushing Systems	123.4	117.9
Waste Fittings and Traps	95.5	82.7
Sanitary Systems	**1,263.5**	**1,145.9**
Building Drainage Systems	300.6	286.1
Supply Systems	523.2	512.7
Piping Systems	**823.8**	**798.8**
Bathroom Ceramics	561.5	478.1
Ceramics Complementary Products	160.2	170.9
Sanitary Ceramics	**721.7**	**649.0**
Total net sales	**2,809.0**	**2,593.7**

	2016 MCHF	2015 MCHF
Net sales by markets		
Germany	861.0	798.2
Nordic Countries	306.3	253.3
Switzerland	281.0	275.7
Central/Eastern Europe	256.8	238.2
Benelux	219.0	195.8
Italy	185.9	172.6
France	170.8	153.1
Austria	147.3	129.8
United Kingdom/Ireland	123.2	126.1
Iberian Peninsula	18.8	17.3
Other markets	238.9	233.6
Total net sales	**2,809.0**	**2,593.7**

	2016 MCHF	2015 MCHF
Share of net sales by customers		
Customers with more than 10% of net sales: customer A	403.3	376.2
Total > 10%	**403.3**	**376.2**
Remaining customers with less than 10% of net sales	2,405.7	2,217.5
Total net sales	**2,809.0**	**2,593.7**

	2016 MCHF	2015 MCHF
Property, plant and equipment by markets		
Germany	250.0	232.8
Nordic Countries	36.0	43.7
Switzerland	161.7	169.3
Central/Eastern Europe	107.4	102.9
Benelux	4.9	3.4
Italy	48.5	45.3
France	10.2	10.7
Austria	39.6	38.0
United Kingdom/Ireland	2.3	1.7
Iberian Peninsula	11.7	11.2
Other markets	54.2	56.4
Total property, plant and equipment	**726.5**	**715.4**

30. Related party transactions

In 2016 and 2015, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

	2016 MCHF	2015 MCHF
Remuneration and salary fixed	5.2	4.9
Remuneration and salary variable	2.7	1.5
Options	2.2	1.6
Expenditure on pensions	1.1	0.9
Other	0.1	0.1
Total	**11.3**	**9.0**

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

In 2016 and 2015, there were no further material related party transactions.

31. Foreign exchange rates

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

			2016		2015	
	Currency		Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.0736	1.0908	1.0819	1.0675
United Kingdom	GBP	1	1.2515	1.3344	1.4682	1.4726
USA	USD	1	1.0191	0.9845	0.9900	0.9618
Poland	PLN	100	24.2900	25.0150	25.3800	25.5470
China	CNY	100	14.6600	14.7610	15.2400	15.3510
Denmark	DKK	100	14.4400	14.6460	14.4990	14.3290
Australia	AUD	1	0.7368	0.7328	0.7231	0.7224
Czech Republic	CZK	100	3.9730	4.0380	4.0040	3.9030
Hungary	HUF	100	0.3453	0.3500	0.3453	0.3450
Norway	NOK	100	11.8130	11.7380	11.2630	11.9640
Sweden	SEK	100	11.2020	11.5210	11.7660	11.4270
Singapore	SGD	1	0.7048	0.7137	0.7003	0.6991
South Africa	ZAR	100	7.4800	6.7060	6.3700	7.6090
Turkey	TRY	100	28.8840	32.5180	33.9460	35.2940
Russia	RUB	100	1.6790	1.4940	1.3440	1.5760
Ukraine	UAH	100	3.7600	3.8600	4.1300	4.4630
India	INR	100	1.5000	1.4660	1.5000	1.5030

32. Subsequent events

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 8, 2017.

33. Group companies as of December 31, 2016

Switzerland	Ownership in %
Geberit AG, Rapperswil-Jona	
Geberit Holding AG, Rapperswil-Jona	100
Geberit International AG, Rapperswil-Jona	100
Geberit International Sales AG, Rapperswil-Jona	100
Geberit Verwaltungs AG, Rapperswil-Jona	100
Geberit Vertriebs AG, Rapperswil-Jona	100
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	100
Geberit Produktions AG, Rapperswil-Jona	100
Geberit Apparate AG, Rapperswil-Jona	100
Geberit Fabrication SA, Givisiez	100
Geberit Finanz AG, Rapperswil-Jona	100
Australia	
Geberit Pty Ltd., North Ryde NSW	100
Austria	
Geberit Vertriebs GmbH & Co. KG, Pottenbrunn	100
Geberit Produktions GmbH & Co. KG, Pottenbrunn	100
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn	100
Geberit Huter GmbH, Matrei	100
Belgium	
Geberit N.V., Machelen	100
Channel Islands	
Geberit Reinsurance Ltd., Guernsey	100
China	
Geberit Flushing Technology Co. Ltd., Daishan	100
Geberit Plumbing Technology Co. Ltd., Shanghai	100
Geberit Shanghai Trading Co. Ltd., Shanghai	100
Geberit Shanghai Investment Administration Co. Ltd., Shanghai	100
Sanitec Trading (Zhongshan) Co. Ltd., Zhongshan	100
Czech Republic	
Geberit spol. s.r.o., Brno	100
Denmark	
Geberit A/S, Lystrup	100
Finland	
Geberit Oy, Helsinki	100
Geberit Investment Oy, Vantaa (Helsinki)	100
Sanitec Oyj, Helsinki	100
IDO Kylpyhuone Oy, Tammisaari	100
Sanitec Russia Oy, Helsinki	100

France	
Geberit S.a.r.l., Rungis Cedex	100
Geberit Holding France S.A., Samoreau	100
Varicor S.A.S., Wisches	100
Allia S.A.S., Samoreau	100
Alliages Céramiques S.A.S., Limoges	100
Produits Céramiques de Touraine S.A.S., Samoreau	100
Germany	
Geberit Verwaltungs GmbH, Pfullendorf	100
Geberit Service GmbH & Co. KG, Pfullendorf	100
Geberit Vertriebs GmbH, Pfullendorf	100
Geberit Produktions GmbH, Pfullendorf	100
Geberit Logistik GmbH, Pfullendorf	100
Geberit Mapress GmbH, Langenfeld	100
Geberit RLS Beteiligungs GmbH, Langenfeld	100
Geberit Lichtenstein GmbH, Lichtenstein	100
Geberit Weilheim GmbH, Weilheim	100
Allia Holding GmbH, Pfullendorf	100
Sanitec Beteiligungs- und Service GmbH, Vlotho	100
Keramag Service GmbH & Co. KG, Pfullendorf	100
Keramag Keramische Werke GmbH, Ratingen	100
Varicor GmbH, Gaggenau	100
Ceravid GmbH, Essen	100
Koralle International GmbH, Vlotho	100
Hungary	
Geberit Kft, Budapest	100
India	
Geberit Plumbing Technology India Pvt. Ltd., Bangalore	100
Geberit India Manufacturing Pvt. Ltd., Bangalore	100
Italy	
Geberit Produzione S.p.a., Villadose	100
Geberit Service S.p.a., Spilimbergo	100
Pozzi Ginori S.p.a., Spilimbergo	100
Netherlands	
Geberit B.V., Nieuwegein	100
Geberit International B.V., Nieuwegein	100
Nigeria	
Geberit Nigeria Ltd., Ikoyi, Lagos	100
Norway	
Geberit AS, Lorenskog	100
Geberit Service AS, Porsgrunn	100
Poland	
Geberit Sp. z o.o., Warsaw	100
Geberit Service Sp. z o.o., Lodz	100
Geberit Ozorków Sp. z o.o., Ozorkow	100
Geberit Produkcja Sp. z o.o., Kolo	100

Portugal	
Geberit Tecnologia Sanitária S.A., Lisbon	100
Geberit Produção S.A., Carregado	100
Romania	
Geberit SRL, Bucharest	100
Russia	
Geberit RUS LLC, Moscow	100
Sanitec Trading LLC, Moscow	100
Singapore	
Geberit South East Asia Pte. Ltd., Singapore	100
Slovakia	
Geberit Slovensko s.r.o., Bratislava	100
Slovenia	
Geberit proizvodnja d.o.o., Ruše	100
Geberit prodaja d.o.o., Ruše	100
South Africa	
Geberit Southern Africa (Pty.) Ltd., Johannesburg	100
Spain	
Geberit S.A.U., Barcelona	100
Sweden	
Geberit AB, Malmö	100
Sanitec Holdings Sweden AB, Stockholm	100
Geberit Service AB, Bromölla	100
Ifö Sanitär AB, Bromölla	100
Cetinax AB, Bromölla	100
Turkey	
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100
Ukraine	
Slavuta Holdings LLC, Kiev	100
PJSC Slavuta Plant "Budfarfor", Slavuta	100
Sanitec Ukraine LLC, Kiev	100
Geberit Trading LLC, Kiev	100
United Kingdom	
Geberit Sales Ltd., Warwick	100
Sanitec UK Ltd., Alsager	100
Geberit Service, Alsager	100
Twyford Ltd., Alsager	100
Twyfords Ltd., Alsager	100
USA	
Duffin Manufacturing Co., Elyria	100
The Chicago Faucet Company, Des Plaines	100

Report of the statutory auditor

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

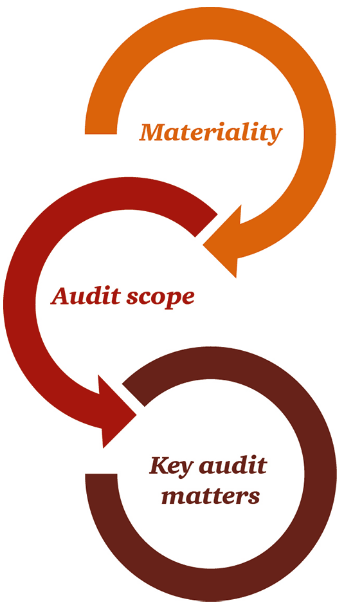
Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of the Geberit Group and its subsidiaries (the Group), which comprise the → consolidated balance sheet as at 31 December 2016 and the → consolidated income statement, → consolidated statement of comprehensive income, → consolidated statement of changes in equity and → consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor’s responsibilities for the audit of the consolidated financial statements" section of our report.
We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality is based on profit before income tax expenses (EBT).

We concluded full scope audit work at 21 group companies in ten countries. The selection of companies is renewed each year.

In addition, specified audit procedures were performed on a further four group companies in three countries. The remaining companies were addressed by analytical reviews.

As a key audit matter, the following area of focus was identified:
Impairment tests for goodwill and intangible assets with an indefinite useful life

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole. We chose profit before income tax expenses as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment tests for goodwill and intangible assets with an indefinite useful life

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and intangible assets with an indefinite useful life was deemed a key audit matter for the following two reasons. Goodwill and intangible assets with an indefinite useful life represent a significant amount on the balance sheet (goodwill of CHF 1,255.1 million and intangible assets with an indefinite useful life of CHF 316.0 million). These assets are not regularly amortised but tested for impairment at least annually. Moreover, in calculating the value-in-use for these tests, the Board of Directors and Management have significant scope for judgement in determining revenue and margin growth assumptions and the discount rates to be applied to the expected cash flows and in specifying the cash generating units (CGUs). With regard to the accounting policies and information on goodwill and intangible assets with an indefinite useful life, please refer to the notes to the consolidated financial statements, → 1 'Basic information and principles of the report – Main sources of estimation uncertainty', → 3 'Summary of significant accounting policies – Intangible assets and goodwill' and → 11 'Goodwill and intangible assets' (tables).	Impairment testing of goodwill and intangible assets with an indefinite useful life is based on a process defined by the Board of Directors, using the business plans approved by them. As part of this process, Management estimates the cash flows for the cash-generating units concerned. We assessed the identification of the relevant CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and management of the Group. We compared the business results of the year under review with the forecasts prepared in the prior year in order to identify any assumptions that in retrospect might appear too optimistic regarding the cash flows. The business results of the year under review slightly exceeded the budget. As in previous years, Management therefore based this year's forecasts on the growth rates and margins used in the current business plan of the Geberit Group. We compared Management's assumptions concerning long-term revenue growth and margin growth with industry growth forecasts and historical margins, as appropriate. We compared the discount rate with the cost of capital of the Group and of analogous firms. In addition, we performed a plausibility check on the forecasted change in net working capital. The assumptions used were consistent and in line with our expectations. We tested the sensitivity analyses of the key assumptions. These analyses enabled us to assess any potential impairment of goodwill or of intangible assets. Based on the evidence obtained from our audit, we consider the valuation method and the underlying assumptions to be an appropriate and adequate basis for the impairment testing of goodwill and of intangible assets with an indefinite useful life.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Geberit AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.
As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

Beat Inauen Audit expert Auditor in charge	Martin Knöpfel Audit expert

St. Gallen, 8 March 2017