

GEBERIT GROUP

BUSINESS REPORT

2017

EDITORIAL

Dear shareholders,

The 2017 financial year was shaped by a generally positive market environment as well as the achievement of the most important milestones regarding the integration of the ceramics business. We achieved good results and further consolidated our position as the leading supplier of sanitary products in Europe.

Consolidated net sales in 2017 increased by 3.5% to CHF 2,908.3 million. Total growth comprised organic growth in local currencies of 3.5%, a foreign currency effect of +1.2% and a divestment effect of -1.2%. As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on the results. Operating profit (EBIT) adjusted for these effects increased by 2.9% to CHF 706.1 million and the correspondingly adjusted EBIT margin came to 24.3%. Increased sales volumes and a positive product mix effect had a positive effect on the operating results, as did synergies from the Sanitec integration. In particular higher raw material prices, increased personnel expenses and depreciation had a negative impact. Adjusted net income rose by 3.5% to CHF 604.2 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 3.7% to CHF 16.43. The non-adjusted figures were CHF 621.7 million for the EBIT, CHF 527.4 million for net income and CHF 14.34 for earnings per share. Free cashflow fell by 13.2% to CHF 483.4 million due to higher cash tax payments, higher investments in property, plant and equipment and in net working capital, as well as due to higher payments in connection with the Sanitec integration.

The integration activities, which began in the second quarter of 2015, continued to progress according to plan in the reporting year. We were able to complete the most significant integration tasks in terms of organisation, processes and systems earlier than expected by the end of 2017. We accomplished our set goal of achieving synergies of EUR 45 million with the integration.

In 2017, we once again expanded our proven range with major innovations and thus further strengthened our market position:

- The shower toilet AquaClean Tuma Comfort is available as a complete solution with a rimless WC ceramic appliance or as a WC enhancement solution, the latter of which is a particularly good solution for rented flats.
- The floor-even shower surface Setaplano offers end users and plumbers numerous benefits and complements the existing range of shower drains.
- The new modular tap system features sophisticated installation technology, a convincing energy concept and elegant tap housings for the wall-mounted and deck-mounted taps.
- Volex, the competitively priced new multilayer supply piping system for the expansion markets in Europe.
- The versatile bathroom series Acanto comprises washbasins and bathroom furniture, rimless toilets, bidets and bathtubs. The bathroom series was developed based on an extensive study on ergonomics in bathrooms.

At the end of 2017, our Group logistics comprised the central logistics centre for sanitary and piping systems in Pfullendorf (DE) as well as a decentralised network of 14 European distribution sites for the ceramics business. With a view to future growth and the continued optimisation of existing logistics processes, the capacities of the logistics centre in Pfullendorf were further expanded. The commissioning of the new infrastructure, which also includes a storage area for long goods containing pipes of up to six metres in length, was carried out as planned in the first quarter of 2017. We were able to keep the investment within the budget of EUR 40 million that was planned for the expansion.

In 2017, we reached the most important milestones regarding the integration of the ceramics business. From 2018, line managers will promote further activities as part of daily business, with the focus on continually optimising and harmonising shared processes and the IT systems, developing combined products, making ongoing optimisations in ceramics manufacturing and promoting cultural integration. In July 2017, we advised of the result of a strategic review of two plants owned by the French subsidiary Allia that had been announced in the previous year. In agreement with the trade unions and following approval by the authorities, the La Villeneuve-au-Chêne site was closed and ceramics production in Digoïn was discontinued. In addition to a social plan, the agreement included the continuation of a packaging and logistics area in Digoïn for the French market.

In 2017, the Geberit share price grew by 5.1% to CHF 429.10. In the same period, the Swiss Market Index (SMI) posted gains of 14.1%. As in the past, we wish to let the shareholders benefit from the good development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose to the General Meeting a dividend of CHF 10.40, which is 4.0% higher than in the previous year. The payout ratio of 63.4% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. The share buyback programme announced in March 2017 began on 6 June 2017. As part of this programme, shares to the value of up to CHF 450 million are to be repurchased, less withholding tax, over a maximum period of three years. The shares are repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2017, 205,250 shares had been acquired at a sum of CHF 91.8 million.

At the General Meeting of 5 April 2017, Eunice Zehnder-Lai was elected as a new member of our Board of Directors. She succeeded Regi Aalstad, who did not stand for re-election.

We owe the good results in the reporting year and the successful integration of the ceramics business to the great commitment, high degree of motivation and expertise of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude to you, esteemed shareholders, for your continued great commitment to our company.

The objective in 2018 is to perform strongly across the entire sanitary product business and in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years. Markets in which Geberit products or technologies are still under-represented will be intensely cultivated, and the promising shower toilet business will be expanded further. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes.

The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. We are convinced that the company is very well equipped for the upcoming opportunities and challenges.

Yours sincerely,



Albert M. Baehny
Chairman of the Board of Directors



Christian Buhl
CEO

GEBERIT SHARE INFORMATION

SHARE PRICE PERFORMANCE IN THE YEAR UNDER REVIEW

The Geberit share price started the new trading year at CHF 408.20. With a positive development after the publication of the 2016 sales figures and a decline after the publication of the 2016 results, the share price increased to an all-time high of CHF 483.40 at the start of August. After the publication of the half-year figures for 2017, the share price fell before going on to recover against the backdrop of a strengthened euro. After a setback following the publication of the figures for the third quarter, the share price levelled out at a slightly lower level and closed the 2017 trading year at a price of CHF 429.10. Overall, this corresponds to an increase of 5.1%. In the same period, the Swiss Market Index (SMI) posted gains of 14.1%. Viewed over the past five years, the Geberit share posted an annual average increase of 16.3% (SMI +6.6%). The Geberit Group's market capitalisation reached CHF 15.9 billion at the end of 2017.

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

At the end of 2017, the free float as defined by SIX was 100%.

DISTRIBUTION

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

Over the last five years, around CHF 1.9 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of the Geberit share has risen from CHF 201.40 at the end of 2012 to CHF 429.10 at the end of 2017.

The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 4 April 2018 an increase in the dividend of 4.0% to CHF 10.40 in line with the higher adjusted earnings per share. The payout ratio of 63.4% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

The share buyback programme, which was announced in March 2017, began on 6 June 2017. As part of this programme, shares to the value of up to CHF 450 million are to be repurchased, less withholding tax, over a maximum period of three years. The shares are repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2017, 205,250 shares had been acquired at a sum of CHF 91.8 million.

COMMUNICATION

Geberit publishes current and comprehensive information simultaneously for all market participants and interested parties on the website

→ www.geberit.com, including ad hoc announcements. Among other things, the current version of the investor presentation is available on the website at any time. In addition, interested parties may add their names to a mailing list → www.geberit.com/maillinglist in order to receive the most recent information relating to the company.

Share price development 1.1. until 31.12.2017



Source: Thomson Reuters

Share price development 22.6.1999 (IPO) – 31.12.2017



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

Total distribution to shareholders and share buybacks

(in CHF million)

	2013	2014	2015	2016	2017	Total
Distribution	248	282	311	309	368	1,518
Share buyback	0	37	160	51	92	340
Total	248	319	471	360	460	1,858

Distribution paid

(in CHF per share)

	2013	2014	2015	2016	2017
Dividend	3.80	7.50	8.30	8.40	10.00
Capital redemption	2.80	-	-	-	-
Total	6.60	7.50	8.30	8.40	10.00

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

Contact may be established at any time at
→ corporate.communications@geberit.com

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

Major data relating to the Geberit share

31.12.2017

Registered shareholders	33,096
Capital stock (CHF)	3,704,142.70
Number of registered shares of CHF 0.10 each	37,041,427
Registered shares	21,183,420
Treasury shares	391,640
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH0030170408
Telekurs	GEBN
Thomson Reuters	GEBN.S

Key figures

(in CHF per share)

	2016	2017
Net income ¹	15.85	16.43
Net cashflow	19.01	19.25
Equity	44.39	49.95
Distribution	10.00	10.40 ²

¹ Adjusted for costs in connection with the Sanitec acquisition and integration

² Subject to approval of the General Meeting 2018

Time schedule

2018

General Meeting	4 Apr
Dividend payment	10 Apr
Interim report first quarter	3 May
Half-year report	14 Aug
Interim report third quarter	30 Oct

2019

First information 2018	17 Jan
Results full year 2018	12 Mar
General Meeting	3 Apr
Dividend payment	9 Apr
Interim report first quarter	2 May
Half-year report	15 Aug
Interim report third quarter	31 Oct

(Subject to minor changes)

MANAGEMENT STRUCTURE

1 January 2018

Board of Directors

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

* IBA: Injection / Blow Moulding / Assembly
** EFA: Extrusion / Forming / Assembly
*** CER: Ceramics

BUSINESS REPORT

**BUSINESS AND
FINANCIAL REVIEW**
2017

STRATEGY

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



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

STRATEGIC SUCCESS FACTORS

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

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

MEDIUM-TERM GOALS

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

The medium-term goals were reappraised in autumn 2015 following the acquisition of Sanitec and the switching of reporting to net sales from the 2015 financial year onwards. With the Sanitec business having been successfully integrated from an organisational, procedural and instrumental standpoint in 2017, the growth in net sales in local currencies, after adjustments for acquisitions, is expected to be between 4 and 6 percent in the medium term as an average over one economic cycle, and an operating cashflow (EBITDA) margin of between 28 and 30 percent is expected to be achieved. A third quantitative target has also been set: return on invested capital (ROIC), which is expected to reach 25 percent in the medium term.

To achieve our expected growth and be prepared for upcoming major projects, the coming years will see continual investments in property, plant and equipment – with 2018 and 2019 each seeing investments of around CHF 180 million.

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

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

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

VALUE-ORIENTED MANAGEMENT

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

The remuneration model for Group management as a whole (around 200 employees) involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the value-oriented key figure "return on invested capital". In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on invested capital. Details can be found in the → **Remuneration Report**.

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

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

RISK MANAGEMENT

For information on risk management, see also → **Corporate Governance, 3.7 Information and Control Instruments vis-à-vis the Group Executive Board, third paragraph.**

As part of the process of risk identification, risk analysis and risk management, the following risks have been rated as significant for the Geberit Group:

PERFORMANCE OF THE EUROPEAN CONSTRUCTION INDUSTRY

Renovations, which are performing steadily, account for a significant share of total sales. Consequently, the Geberit Group is well protected against fluctuations in construction activity. Given the low penetration of modern sanitary technology in many markets, there is also a considerable degree of long-term potential for sales growth – regardless of the economic climate.

INTEGRATION OF THE CERAMICS BUSINESS INTO THE GEBERIT GROUP

The key phases were completed by the end of 2017 (see also → **Sanitec Integration**).

AVAILABILITY OF RAW MATERIALS

Professional, institutionalised purchase processes and systematic global and dual sourcing help to ensure that raw materials are available for the production process.

CHANGES IN THE COMPETITIVE ENVIRONMENT

Innovative products as well as the comprehensive range of products since the integration of the ceramics business ensure that the Geberit Group is able to maintain its leading market position. Our partnership with the craft sector also plays a key role as part of the three-stage sales model.

INFORMATION TECHNOLOGY

The Geberit Group is continually working to improve the security of its IT infrastructure. This includes taking defensive measures against cyberthreats as well as detecting and dealing with any cyberattacks efficiently. Extensive measures have been established in the interests of business continuity.

COMPLIANCE WITH LAWS

The Geberit Group is exposed to various legal risks that arise from normal business activity. Comprehensive → **compliance processes** are in place for the purpose of preventing violations of the law or regulations.

MANAGEMENT OF CURRENCY RISKS

In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. As a consequence of this natural hedging strategy, currency fluctuations only have a minor impact on the margins. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects). In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or stronger than all other currencies:

- Net sales: +/-9%
- EBITDA: +/-9%
- EBITDA margin: +/-0 percentage points

For more information on the management of currency risks, see also the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 4. Risk Assessment and Management, Management of Currency Risks** and the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 15. Derivative Financial Instruments.**

SANITEC INTEGRATION

For Geberit, the acquisition of Sanitec in February 2015 represented an expansion of its strategic focus. The future product portfolio was enhanced with bathroom ceramics. Geberit became the European market leader for sanitary products and in particular strengthened its position in regions such as the Nordic Countries, France, United Kingdom and Eastern Europe, in which Geberit had not yet gained a firm foothold. The acquisition combined technical know-how in sanitary technology "behind the wall" with design expertise "in front of the wall". It also supported the Group's key → **growth and earnings drivers** and created added value.

The integration activities, which began in the second quarter of 2015, continued to progress according to plan in the reporting year, with the most significant integration tasks in terms of organisation, processes and systems being completed earlier than expected by the end of 2017. From 2018, line managers will promote further activities as part of daily business, with the focus on continually optimising and harmonising shared processes and the IT systems, developing combined products, making ongoing improvements in ceramics manufacturing and promoting cultural integration.

In July 2017, the result of a strategic review of two plants owned by the French subsidiary Allia that had been announced in the previous year were made known. Accordingly, in agreement with the trade unions and following approval by the authorities, the La Villeneuve-au-Chêne site was closed and ceramics production in Digoin was discontinued. In addition to a social plan, the agreement included the continuation of a packaging and logistics area in Digoin for the French market.

MARKET ENVIRONMENT

STABLE BUSINESS CLIMATE

As in previous years, the construction industry in 2017 was shaped by developments that varied by region. The market environment was slightly more positive overall than in the previous year.

In November 2017, Euroconstruct forecasted an increase in building construction for **Europe** in 2017 of +3.9% – significantly higher than the figure of +3.1% forecasted in the status report in mid-2017. A comparison with older forecasts explains the more positive outlook: at the end of 2016, Euroconstruct still expected building construction to increase by a mere +2.2% in 2017. At +6.5%, new construction reported stronger growth in 2017 than renovations (+1.7%). However, the volume for new buildings still lagged a long way behind the record highs of 2007/2008 in 2017, whereas renovation volumes were almost on a par again with the level seen at that time – or even slightly above in the case of the residential segment. At +4.7%, residential construction was the growth driver for building construction in 2017. The following countries that are important to Geberit in terms of sales did well in 2017: the Netherlands and the Nordic Countries (+6.9% each), France (+4.2%), Austria (+2.7%), Germany (+2.5%), Belgium (+1.7%), Switzerland (+1.6%) and Italy (+1.5%).

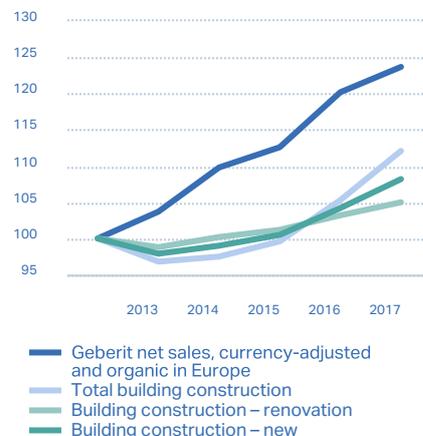
Of the total European construction volume of EUR 1,503 billion in 2017, 80% was generated by building construction. The ratio of residential to non-residential building construction remained the same at around 60 to 40%. In spite of stronger growth, new construction as a share of total building construction continued to lag behind the renovation business in 2017.

In the **US**, gross domestic product (GDP) rose by 2.3% and the economy grew faster than in 2016 (+1.5%). Investments in building construction increased by 4.9% according to the latest available figures for the US construction industry as published by the U.S. Department of Commerce, United States Census Bureau. Within building construction, investments in non-residential construction increased by 2.0% in total, which was less than in the previous year (+7.5%). This development was supported by the hotel and commercial buildings sector. The health care/hospitals and schools/universities segments, which are important for Geberit, developed with +2.8% slightly weaker compared to the previous year (+3.4%). Residential construction in the reporting year performed better than in the previous year: the number of building permits for new private residential units increased by 4.8% in the reporting year after the previous year's performance of 2.0%.

In the **Far East/Pacific** region, economic growth amounted to +4.9% – a slight improvement on the previous year but significantly higher than global economic growth (+3.1%). At 54% (previous year 62%), more than half of the global growth once again originated from the Far East/Pacific region, where all relevant economies enjoyed positive growth. As in previous years, China contributed around 60% to the growth of this region. The Chinese residential construction sector recovered slightly and recorded moderate growth in both tier one and tier two cities in the second half of 2017 (aforementioned figures in this section covering the world economy and the performance of the Far East/Pacific were published in the October 2017 edition of the IMF World Economic Outlook).

Construction output and Geberit net sales in Europe 2013–2017

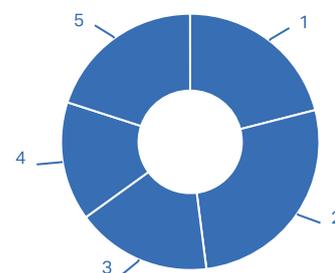
(Index: 2012 = 100)



Source: 84th Euroconstruct Conference in Munich (DE), November 2017

Total construction output Europe 2017

(EUR 1,503 billion)



- 1 Residential - New (21%)
- 2 Residential - Renovation (27%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (15%)
- 5 Civil engineering (20%)

Source: 84th Euroconstruct Conference in Munich (DE), November 2017

NET SALES

SOLID SALES DEVELOPMENT

Consolidated net sales in 2017 increased by 3.5% to CHF 2,908.3 million. Total growth comprised organic growth in local currencies of 3.5%, a foreign currency effect of +1.2% and a divestment effect of -1.2%.

When calculating organic growth, the net sales figures were adjusted for the net sales of the Koralle Group (sold at the end of June 2016) and of Varicor (sold at the beginning of 2017). The corresponding effect amounted to CHF 32 million.

The currency gains contained in net sales amounted to CHF 34 million. In 2017, 62% of net sales were generated in euros, 10% in Swiss francs, 5% in US dollars, 4% in British pounds and 19% in other currencies.

The following changes in net sales in the markets and product areas relate to currency-adjusted, organic developments.

MAINLY POSITIVE DEVELOPMENTS IN THE MARKETS

Europe, the largest region, posted organic growth of 2.9% in local currencies. The Iberian Peninsula (+11.9%), Austria (+9.0%), Central/Eastern Europe (+6.7%) and Italy (+6.6%) made strong gains, with the Benelux Countries (+4.0%), France (+3.9%), Switzerland (+3.7%), the Nordic Countries (+1.2%) and Germany (+0.7%) also recording increases. In Germany, capacity constraints of installers in the construction industry inhibited growth. Net sales were down in the United Kingdom/Ireland (-5.6%) in a declining market environment. **Middle East/Africa** (+16.8%) and **Far East/Pacific** (+13.3%) posted double-digit growth. Net sales in **America** rose by +3.6%.

SANITARY SYSTEMS REPORTED STRONGEST GROWTH

Net sales for the **Sanitary Systems** product area amounted to CHF 1,361.5 million, corresponding to growth of 6.6%.

Net sales for the **Installation Systems** product line, at 30.0% of Group net sales the most important product line, rose by 8.9%. This above-average growth was strongly supported by the concealed cisterns, the drywall elements, the actuator plates and the synergies that were realised from the Sanitec integration. A decline of 1.7% was posted by the **Cisterns and Mechanisms** product line, which accounts for 8.7% of total net sales. This downturn was mainly attributable to a negative base effect due to a reduction in the order backlog in shower toilet business during the previous year. However, sales of the Monolith WC module on the one hand and fill and flush valves – despite a deterioration in the performance of the OEM business – on the other performed well. Net sales for the **Faucets and Flushing Systems** product line, which accounts for 4.4% of total net sales, increased by 4.3% in 2017. Once more, this product line was affected by the stagnating market faced by the US subsidiary Chicago Faucets in business with schools and hospitals. Electronic urinal systems trended well, however. Net sales for the **Waste Fittings and Traps** product line rose by 12.4%. The share of total Group net sales came to 3.7%. This product line posted the strongest growth of all, primarily due to the performance of shower drains – particularly the CleanLine shower channel launched in 2015.

Net sales for the **Piping Systems** product area increased by 3.8% to CHF 865.5 million.

The **Building Drainage Systems** product line grew by 8.6%. The share of total net sales reached 11.3%. The Silent-PP sound-insulating drainage system and the PE drainage system played a key role in this pleasing performance. Net sales for the **Supply Systems** product line increased by 1.0%. This product line contributed 18.5% to total net sales. The product line was burdened by a slight downturn in net sales of carbon steel piping systems.

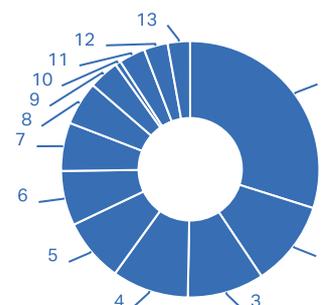
The **Sanitary Ceramics** product area posted a 2.3% fall in net sales to CHF 681.3 million.

Net sales development 2008–2017

(in CHF million)



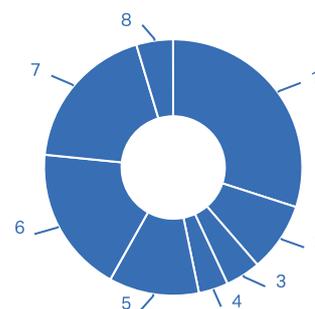
Net sales by markets/regions 2017



- 1 Germany (29.9%)
- 2 Nordic Countries (10.8%)
- 3 Switzerland (9.6%)
- 4 Central/Eastern Europe (9.6%)
- 5 Benelux (8.0%)
- 6 Italy (6.9%)
- 7 France (6.1%)
- 8 Austria (5.5%)
- 9 United Kingdom/Ireland (3.8%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.3%)
- 12 Far East/Pacific (3.0%)
- 13 Middle East/Africa (2.8%)

Net sales for the **Bathroom Ceramics** product line decreased by 2.1%, mainly due to the closure of two ceramics plants in France on the one hand and a weaker market environment in the Nordic Countries – an important region for Geberit in this product area – on the other. The contribution of this product line, which is the second largest measured by Group net sales, came to 18.8%. Net sales for the **Ceramics Complementary Products** product line declined by 3.2%. The share of Group net sales reached 4.6%, with the remainder of the product range outweighing the positive trend seen in bathroom furniture and shower trays. Another negative factor was that the installation systems of the former Sanitec, which fall under this product line, are increasingly being substituted by Geberit systems.

Net sales by product areas and product lines 2017



- Sanitary Systems (46.8%)**
 - 1 Installation Systems (30.0%)
 - 2 Cisterns and Mechanisms (8.7%)
 - 3 Faucets and Flushing Systems (4.4%)
 - 4 Waste Fittings and Traps (3.7%)
- Piping Systems (29.8%)**
 - 5 Building Drainage Systems (11.3%)
 - 6 Supply Systems (18.5%)
- Sanitary Ceramics (23.4%)**
 - 7 Bathroom Ceramics (18.8%)
 - 8 Ceramics Complementary Products (4.6%)

RESULTS

PROFITABILITY REMAINS AT A HIGH LEVEL

As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on the Geberit Group's results in 2017. For better comparability, adjusted figures are shown and commented on.

The adjusted operating cashflow (adj. EBITDA) rose by 3.2% to CHF 820.7 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 28.2%, which was almost the same as the previous year's figure of 28.3%. Increased sales volumes and a positive product mix effect had a positive impact on the operating results, as did synergies from the Sanitec integration. Higher raw material prices and increased personnel expenses were among the more adverse factors. Foreign currency developments did not have any material impact on the adjusted EBITDA margin.

The adjusted operating profit (adj. EBIT) rose by 2.9% to CHF 706.1 million, and the adjusted EBIT margin reached 24.3% (previous year 24.4%). Adjusted net income improved by 3.5% to CHF 604.2 million, which led to an adjusted return on sales of 20.8% – a figure that remained unchanged year-on-year. The adjusted earnings per share were up by 3.7% to CHF 16.43 (previous year CHF 15.85). This above-average increase when compared with the operating results is explained by a financial result on a par with the previous year, a lower tax rate as well as a slightly smaller number of shares.

OPERATING EXPENSES UNDER CONTROL

The adjusted cost of materials increased by 7.2% to CHF 829.1 million, representing a higher share of net sales at 28.5%, compared to 27.5% in the previous year. The higher cost of materials was driven by continuous rises throughout the year in the price of industrial metals on the one hand and plastics on the other. Adjusted personnel expenses grew by 1.6% to CHF 707.6 million, which equates to 24.3% of net sales (previous year 24.8%). This increase in absolute terms was attributable to tariff-related salary increases as well as the higher personnel expenses needed for handling greater volumes, partly offset by synergies and efficiency-enhancing measures (see also → **Business and financial review, employees**). Adjusted depreciation rose disproportionately by 5.3% to CHF 105.0 million (previous year CHF 99.7 million) due to the commenced → **operations of the expanded logistics centre in Pfullendorf (DE)**. The adjusted amortisation of intangible assets amounted to CHF 9.6 million (previous year CHF 8.7 million). Adjusted other operating expenses increased by 1.2% to CHF 550.9 million.

The net financial result came to CHF -9.4 million, matching the previous year's performance (CHF -9.3 million). Tax expenses grew from CHF 82.6 million to CHF 84.9 million. This resulted in a tax rate of 13.9% (previous year 13.1%).

ACQUISITION AND INTEGRATION COSTS CONTINUE TO HAVE A NEGATIVE IMPACT ON THE INCOME STATEMENT

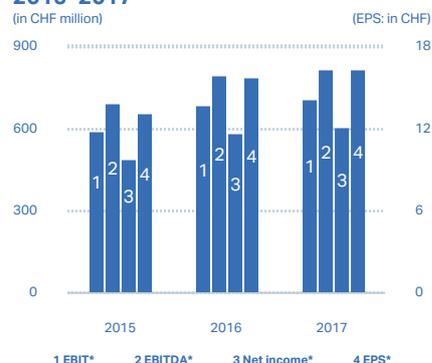
The negative special effects (see table below) arising from the Sanitec acquisition and integration amounted to CHF 49 million as regards EBITDA, CHF 84 million as regards EBIT, and CHF 77 million as regards net income. CHF 45 million in costs recorded in the second quarter of 2017 in relation to the closure of two ceramics production plants in France had a significant impact on these figures. The non-adjusted figures were CHF 772.0 million for EBITDA, CHF 621.7 million for EBIT, CHF 527.4 million for net income, and CHF 14.34 for earnings per share.

DECLINE IN FREE CASHFLOW

Unlike non-adjusted operating cashflow (EBITDA), net cashflow increased slightly despite higher cash tax payments. This is because a significant number of the costs included in EBITDA in relation to the closure of two ceramics plants in France are still to be paid. Higher investments in property, plant and equipment and negative effects of the change in net working capital resulted in a decline in free cashflow of 13.2% to CHF 483.4 million (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial**

EBIT, EBITDA, Net income, Earnings per share (EPS)

2015–2017



* Adjusted for costs in connection with the Sanitec acquisition and integration

EUR/CHF exchange rates

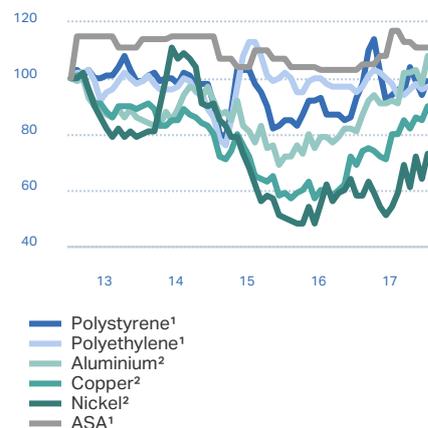
2016/2017

(Period-end exchange rates)



Raw material price development

(Market price; index: December 2012 = 100)



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Statements, 28. Cashflow figures). Free cashflow was used to pay distributions of CHF 368.4 million to shareholders, to repay debts of net CHF 137.3 million and to buy back shares for CHF 91.8 million.

Acquisition and integration related costs

(in CHF million)

	2016	2017
Integration costs	10	49
Total cost on EBITDA level	10	49
Depreciation and amortisation	36	35
Total cost on EBIT level	46	84
Tax effect	-10	-7
Total cost on net income level	36	77

FINANCIAL STRUCTURE

SOUND FINANCIAL FOUNDATION

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

Total assets increased from CHF 3,601.1 million to CHF 3,742.8 million. Liquid funds decreased from CHF 509.7 million to CHF 412.7 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 541.9 million. Debts were reduced to CHF 895.2 million (previous year CHF 970.9 million). The changes in terms of liquid funds on the one hand and debt on the other resulted from lower free cashflow, the dividend payment to the shareholders, share buybacks and the repayment of debts (see also → **Decline in free cashflow**). This resulted in a slight increase in net debt of CHF 21.3 million to CHF 482.5 million at the end of 2017.

Net working capital increased by CHF 25.7 million year-on-year to CHF 173.0 million. Property, plant and equipment increased from CHF 726.5 million to CHF 812.8 million, while goodwill and intangible assets rose from CHF 1,681.1 million to CHF 1,748.9 million mainly as a result of currency effects.

The ratio of net debt to equity (gearing) improved from 28.2% in the previous year to 26.3%. The equity ratio reached a very solid 49.1% (previous year 45.4%). Based on average equity, the adjusted return on equity (ROE) was 35.2% (previous year 38.3%); the non-adjusted value of this ratio was 30.7% (previous year 35.9%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,696.0 million at the end of 2017 (previous year CHF 2,704.6 million). The adjusted return on invested capital (ROIC) was 22.4% (previous year 21.5%); the non-adjusted value of this ratio was 19.5% (previous year 20.2%). For details on the non-adjusted gearing, ROE and ROIC calculations, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital**.

The Geberit Group held 391,640 treasury shares on 31 December 2017, which equals 1.1% of the shares entered in the Commercial Register. Of these, 205,250 (0.6% of the shares entered in the Commercial Register) originate from the ongoing share buyback programme, while the remaining 186,390 are earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares. The aforementioned share buyback programme announced in March 2017 began on 6 June 2017. As part of this programme, shares to the value of up to CHF 450 million are to be repurchased, less withholding tax, over a maximum period of three years. The shares will be repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2017, 205,250 shares had been acquired at a sum of CHF 91.8 million. The average purchase price per share was CHF 447.08.

Debt

(in CHF million; as of 31 December)

	2015	2016	2017
Long-term debt	1,135.5	966.7	890.7
Total debt	1,139.2	970.9	895.2
Liquid funds	459.6	509.7	412.7
Net debt	679.6	461.2	482.5

INVESTMENTS

HIGHER INVESTMENTS

In 2017, investments in property, plant and equipment and intangible assets amounted to CHF 159.0 million, CHF 19.9 million or 14.3% more than in the previous year. As a percentage of net sales, the investment ratio was 5.5% (previous year 5.0%). All larger investment projects were carried out as planned.

The bulk of investments went toward machinery, building conversions and new building projects, and the procurement of tools and moulds for new products. The biggest individual undertaking was the conversion and new-build project at the site in Langenfeld (DE), with the ground-breaking ceremony taking place in September 2017. Additionally, investments were made in important development projects, the expansion of production capacity, and the optimisation of production processes. Most of the investments in → **expanding the logistics centre in Pfullendorf (DE)** – a facility that commenced operations in the first quarter of 2017 – already date back to previous years.

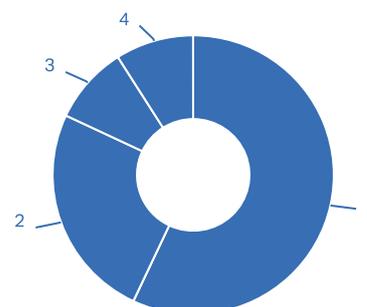
In 2017, 57% of total investments, or CHF 90.6 million, went towards expanding capacity, 25% or CHF 40.7 million was invested in the modernisation of property, plant and equipment, 9% or CHF 14.0 million was used for rationalisation measures relating to property, plant and equipment, while 9% or CHF 13.7 million was used to acquire tools and equipment for new product developments.

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

	2013	2014	2015	2016	2017
	98.0	104.8	147.3	139.1	159.0
In % of net sales	4.9	5.0	5.7	5.0	5.5

Investments by purpose 2017



- 1 Capacity expansion (57%)
- 2 Modernisation (25%)
- 3 Rationalisation (9%)
- 4 New products (9%)

EMPLOYEES

INCREASED NUMBER OF EMPLOYEES

At the end of 2017, the Geberit Group employed 11,709 staff worldwide, which is 117 employees or 1.0% more than in the previous year. On the one hand, this is mainly due to more people being employed in the production plants in order to deal with greater sales volumes, and, on the other, to various sales companies expanding in connection with specific sales activities. However, the divestment of Varicor as well as synergies and efficiency-enhancing measures had a reducing effect on employee numbers. The closure of the two ceramics plants in France was completed in the reporting year, although most individual employment relationships will only be terminated in 2018 and were therefore not included in this calculation. Based on the average headcount of 11,726, net sales per employee amounted to TCHF 248.0, or 5.7% more than in the previous year.

Broken down by business process, staff numbers were as follows: marketing and sales employed 24.3% of the staff members (previous year 24.5%). 62.3% worked in production (previous year 61.7%). Additionally, 8.0% (previous year 8.2%) of the employees worked in administration, and 3.4% (previous year 3.6%) in research and development. The share of apprentices was 2.0% (previous year 2.0%).

GEBERIT AS AN EMPLOYER ALSO POSITIONED ON DIGITAL CHANNELS

Motivated, well skilled employees guarantee the company's success in the future. With this in mind, efforts were again made in 2017 to position Geberit on the job market as an attractive employer with an open corporate culture and international development opportunities at the interface between craft, engineering and sales. To lend this endeavour even greater visibility, the Geberit employer brand was also given a makeover as part of the new corporate design – focusing on employees at the workplace, with the aim of enhancing the image further. The new presence will concentrate on digital platforms and social media.

Geberit offers its employees appealing employment conditions. In 2017, personnel expenses – adjusted for special effects in connection with the Sanitec acquisition and integration – amounted to CHF 707.6 million (previous year CHF 696.2 million). The employees can also participate in share participation plans at attractive conditions, see → **Financial Statements of the Geberit Group, 17. Participation Plans** and → **Remuneration Report**. Equal opportunities and the same salaries for women and men are embedded in the corporate philosophy. The proportion of female employees at the end of 2017 was 23% (previous year 24%), and for senior management this figure was 8% (previous year 9%). The six-member Board of Directors has one female member.

EDUCATION AND FURTHER TRAINING – AN IMPORTANT SUCCESS FACTOR

Geberit employed 235 apprentices at the end of 2017 (previous year 233). The transfer rate to a permanent employment relationship was 83% (previous year 75%). The target is 75%. All apprentices are in principle required to work at several sites during their training. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Apprentices also have the option of working abroad for a period of six months on completion of their apprenticeship.

The two-stage Potentials Management Programme aims to selectively identify talents throughout the company and support them along their path to middle or senior management. Initial experience of managerial or project management responsibility are part of this. The problems investigated in project work as part of the programme are geared towards the reality at the company and provide the decision-makers involved with concrete bases for action. The Potentials programme is intended to help fill at least half of all vacant managerial positions within the company with internal candidates. In 2017, this was achieved for 76% of all Group management vacancies (previous year 88%).

Employees by countries

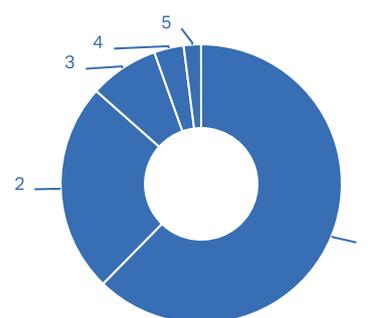
(as of 31 December)

	2016	Share in %	2017	Share in %
Germany	3,282	28	3,329	28
Poland	1,515	13	1,603	14
Switzerland	1,336	12	1,362	12
Ukraine	627	5	638	5
China	637	5	565	5
Austria	532	5	551	5
France	691	6	539	5
Italy	434	4	509	4
Portugal	435	4	450	4
Others	2,103	18	2,163	18
Total	11,592	100	11,709	100

Employees by business processes

2017

(as of 31 December)



- 1 Production (62.3%)
- 2 Marketing and Sales (24.3%)
- 3 Administration (8.0%)
- 4 Research and Development (3.4%)
- 5 Apprentices (2.0%)

An event at the ceramics plant in Wesel (DE), which focused on personal development as well as leadership skills, provided an example of the importance of education and further training. This multi-day series of training sessions also gave participants a closer insight into the corporate culture as well as a shared understanding of what leadership means. In future, this training opportunity will also be offered to managers of other ceramics plants within the Group.

TRANSPARENT APPRAISAL SYSTEM

The standard Performance Assessment, Development and Compensation (PDC) process has been in place since 2012. This standardised process enables the company to gain an overview of the available potential. PDC has several goals: reinforce the performance culture, increase transparency, and recognise and promote talent more effectively in order to make the organisation future-proof. Except for the employees who work directly in production at the plants, all employees have now been incorporated into the PDC process.

IDENTITY AND CODE OF CONDUCT PROVIDE GUIDANCE

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → **Geberit Compass**, which formulates the identity of Geberit ("What we do, what motivates us, what is responsible for our success, how we work together"), and the → **Geberit Code of Conduct** for employees serve as the applicable guidelines (see also → **Compliance**).

FOCUS ON OCCUPATIONAL HEALTH AND SAFETY

This area has highest priority within the Geberit Group. The extension of the production network following the integration of the Sanitec plants and the resulting increase in staff numbers led to the adjustment of the targets in 2015. Using 2015 as the reference year, the aim is to halve the number of accidents by 2025. By then, the AFR (Accident Frequency Rate) is to be reduced to a value of 5.5 (accidents per million working hours) and the ASR (Accident Severity Rate) to 90 (number of days lost per million working hours).

The accident frequency went up to 10.3 (previous year 9.8), an increase of 5.1%. In contrast, the accident severity decreased by 2.7% to 203.8 in the same period (previous year 209.4). Special attention continues to be paid to changes in behaviour, as the majority of occupational accidents and time losts are still attributable to carelessness. Occupational safety has been part of the annual appraisal of plant managers since 2013. Since the beginning of 2017, the "Geberit Safety Team" – a team of experts from the production plants – has been playing an active role in addressing the issue of occupational health and safety. Representatives from different production areas ensure that uniform guidelines and standards are applied, so that Geberit gradually gets nearer to the target of having healthy employees within an accident-free company.

To promote the health of every individual, Geberit enables employees at a total of 13 production and sales sites to participate in a vitality programme consisting of sports and preventive healthcare. At the sites in Rapperswil-Jona (CH), Pfullendorf (DE), Pottenbrunn (AT), Ruše (SI), Kolo and Wloclawek (both PL), a comprehensive occupational healthcare management is established.

CUSTOMERS

FOOTHOLD IN THE END USER SEGMENT

Following the consolidation and gradual realignment of sales structures – a process that was completed in the previous year – the focus in 2017 was on systematically strengthening and enhancing the Geberit brand's profile with architects, interior designers, showroom operators and end users. To this end, Geberit launched its new "Design Meets Function" slogan at ISH 2017 in Frankfurt – the world's leading trade fair for the sanitary industry – in relation to all products that are installed in front of the wall and are therefore clearly visible. Through this slogan, Geberit is articulating its intention to offer end users more than just beautiful ceramic appliances and bathroom furniture. Products "in front of the wall" should be well designed on the one hand and include clever, innovative functions on the other, offering sustainable added value. In the reporting year, this promise was delivered through → **numerous new products** that set new standards – not only in design but also in terms of their functionality. In addition, high-quality ceramics ranges under the Geberit brand have been launched in selected markets for the first time.

All this provided the advisors working in the field with additional consultation and sales impetus specifically in their dealings with architects, showrooms, DIY stores, professional builders and general contractors – and, by extension, a promising basis for cross-selling, particularly in markets where Geberit is already known as a top-quality provider of sanitary technology.

MOVING INTO NEW B2B MARKETS

The complete opposite approach was taken in countries where the ceramic brands of the former Sanitec have enjoyed a strong market position for many years, but where sanitary technology from Geberit still lacks presence in comparison.

In particular, a wide, proven range of training courses was made available to customers – notably plumbers and sanitary planners – in additional markets. Some 30,000 professionals were provided with education and further training on Geberit products, tools and software tools at 29 Geberit Information Centres in Europe and overseas. Furthermore, Geberit gave support to plumbers, architects and sanitary planners via webinars on fire protection and sound insulation, drinking water hygiene and other issues. Around 90,000 customers became more familiar with Geberit know-how and products at external events, some of which were organised in cooperation with market partners.

The successful Geberit On Tour campaign was repeated for the seventh time in the reporting year. Specially fitted-out mobile showrooms visited local and regional wholesalers, offering plumbers the opportunity to assess Geberit innovations and solutions directly on site. In 2017, around 20,000 people in 12 countries were addressed with this campaign.

Most of Geberit's marketing activities continued to target plumbers and planning offices. Besides new or revamped → **digital tools**, proven measures were continued – such as customer visits, trainings, the publication of regularly updated technical documents, catalogues, brochures and magazines.

FULLY INTEGRATED TRADE FAIR PRESENCE

In 2017, numerous trade fairs were once again used as platforms to foster and enlarge the network of contacts in the market and to demonstrate Geberit's innovative strength. The new trade fair concept, which had been already developed in the previous year, made it possible to exhibit several brands jointly at Geberit's booth and ensured a high-end presentation of ceramic appliances and bathroom furniture in addition to the regular, more technical product range. Consequently, not only the exhibition space that was needed has been optimised, but also improved the scope for cross-selling.

At ISH 2017 in Frankfurt (DE) the entire Geberit product range was showcased to both craftsmen and interior designers. This ranged from sophisticated sanitary technology to shower toilets and the full array of bathroom equipment. Other important trade fair appearances followed at Batibouw in Brussels (BE), Idéo Bain in Paris (FR), MosBuild in Moscow (RU), Unicera in Istanbul (TR) and Kitchen & Bath China in Shanghai (CN). Architects and designers were specifically targeted at the Fuori Salone during Design Week in Milan (IT).

SHOWER TOILETS BECOMING MORE POPULAR

Following the launch of shower toilets in Russia during the reporting year, the comprehensive advertising measures for Geberit AquaClean are now being implemented in a total of 14 European campaign markets. As in the previous year, the Geberit AquaClean truck went on a major tour, this time to France, the Czech Republic and Slovakia. Under the motto "My first time", the mobile showroom and test unit offered interested parties the opportunity to try out an AquaClean shower toilet at their leisure and assess the various models.

The strategy of allowing potential end users to try out a shower toilet for themselves was also followed in other markets. Mobile AquaClean WC lounges were made available to the public at selected major events such as concerts and sporting events. In the reporting year, it was possible to establish contact with over 28,000 end users with these lounges alone.

The international sales initiative for mid-range and high-end hotels also made excellent progress. More hotel projects were acquired in the reporting year, including the newly opened Bürgenstock Resort in Switzerland and The Fontenay in Hamburg. The number of four- and five-star hotels equipped with AquaClean shower toilets in Europe rose to 375.

MORE TARGETED INTERACTION WITH INDIVIDUAL CUSTOMER GROUPS THANKS TO DIGITAL TOOLS

The reporting year saw the launch of a range of new digital tools, including a web-based planning and tendering platform for sanitary planners and architects, and an "inspiration app" for end users that is due to be piloted in the Swiss market. In addition, the Geberit website was given a completely new look with a new navigation system to enhance user-friendliness and make product information more easily accessible. For owners of the AquaClean shower toilet, an app was developed that provides users with options such as saving their personal settings and applying these to other AquaClean devices.

The Geberit ProApp for craftsmen was enhanced and expanded. For example, additional functions such as a fire protection module and a product finder for urinal flush controls were introduced for the Scandinavian markets. In 2017, the app was downloaded onto 26,000 devices across Europe (cumulated 115,000 downloads) and actively used on a regular basis by some 12,000 users. The Geberit Sales App – a mobile sales supporting app for the Geberit field service – was launched in 12 countries. Around three-quarters of all European sales representatives use this digital presentation tool.

Building Information Modelling (BIM) is an interdisciplinary planning method for optimising the entire planning and building process. Architects, sanitary planners and building owners use BIM to share information efficiently. This helps them to avoid planning errors and improve productivity. In 2017, a dedicated team of BIM experts was put together to develop BIM tools and prepare BIM data within the Geberit Group.

NEW CORPORATE LOOK

The corporate appearance, which was launched seven years ago, underwent a subtle yet comprehensive revamp in the reporting year. The new corporate design now has greater elegance and versatility. The main purpose of this is to make the Geberit brand more attractive to end users, interior designers and showroom operators. However, communication materials such as catalogues, assembly instructions, documentation and online tools for plumbers have remained unchanged for the most part and therefore retain their familiar appearance.

INNOVATION

HIGH LEVEL OF INVESTMENT ENSURES FUTURE SUCCESS

Geberit's innovative strength, which is above average for the sector, is founded on its own, wide-ranging research and development (R&D) activities. In the reporting year, a total of CHF 77.8 million (previous year CHF 72.3 million) – or 2.7% of net sales – was invested in the development and improvement of processes, products and technologies. Additionally, as part of the → **investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for the production of newly developed products. Over the last financial year, Geberit applied for 32 patents, bringing the total for the last five years to 128.

All product developments go through an established innovation and development process, which ensures that the Group's creative potential and know-how are used to the optimum extent and that development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here. Since the beginning of 2016, the development projects for ceramic products and bathroom equipment have also been following this process.

NEW PRODUCTS FOR SOPHISTICATED MARKETS

The following products were newly launched on the market in 2017:

- The shower toilet → **Geberit AquaClean Tuma Comfort** stands out due to its sophisticated product concept and elegant design. It is offered as a complete solution including a rimless WC ceramic appliance. Alternatively, it is also available as a WC enhancement solution that can be combined with previously installed ceramic appliances, making it a particularly good solution for rented flats.
- The shower surface → **Geberit Setaplano** is made of a high-quality solid surface material. It feels warm, is non-slip and easy to clean. To simplify the work at the building site and ensure reliable sealing, as many components as possible are preassembled at the plant. New, ultra-flat traps were developed for the shower surface.
- The new, modular → **tap system** features sophisticated installation technology, a convincing energy concept and elegant tap housings for the wall-mounted and deck-mounted taps. The taps can be mounted quickly and flawlessly. The mixer, valves, electronics and power supply are stored in a function box, which is mounted under the washbasin where it is protected from moisture.
- The competitively priced new supply system → **Volex** consists of multilayer pipes and brass pressfittings. It is suitable for drinking water as well as heating installations. The range, which was introduced in the expansion markets in Europe, comprises all standard pipe diameters and fittings.
- The comprehensive → **bathroom series Acanto** comprises washbasins and bathroom furniture, rimless toilets, bidets and bathtubs. The bathroom furniture offers a wide range of possibilities for creating a functionally sophisticated bathroom. The bathroom series was developed based on an extensive study that examined the optimum reach within which things used every day should be stored.

For more details on new products in 2017, see → **the magazine Facts & Figures 2017**.

Several new product launches are planned for 2018. Among them will be:

- The new → **Geberit AquaClean Tuma Classic** builds on the success of the Tuma Comfort model, which was launched in the previous year. However, this new model is limited to the basic functions of a shower toilet, including the patented WhirlSpray shower technology and a rimless WC ceramic appliance. It therefore complements the shower toilet range as a perfect entry-level model. The AquaClean Tuma Classic is also available as an en-

R&D expenditures

(in CHF million)

	2013	2014	2015	2016	2017
	50.9	55.8	63.4	72.3	77.8
In % of net sales	2.5	2.7	2.4	2.6	2.7

hancement solution that can be easily fitted to previously installed WC ceramic appliances. Because it can be easily retrofitted, the enhancement solution is a particularly good solution for rented flats.

- The launch of the → **VariForm washbasin portfolio** sees Geberit add a more systematic approach and diversity to the range for public and private washbasin areas. The washbasins stand out due to their generous basin depth and high-quality ceramics. They are available in the four basic shapes round, oval, elliptic and rectangular, with a lay-on, countertop and under-countertop model available for each shape.
- The → **Rapid sanitary flush unit** automatically flushes unused sections of drinking water pipes, thus preventing water from stagnating over a longer period. After all, if the water in a pipe section stagnates for too long, germs and bacteria such as legionella can multiply there, which can develop into a health risk.
- The modular → **control system for underfloor heating systems** is fully compatible with the Volex piping system, which was launched in the previous year. The control system consists of a central controller, various room thermostats and temperature sensors as well as all other components required to install an underfloor heating system in residential properties or business premises.
- The **Showerama shower cubicles** for the Scandinavian markets were revised and modernised with regard to design and technical aspects. The elegant cubicles, which are now equipped with Geberit's tried-and-tested drainage technology, offer customers a very ergonomic and comfortable showering experience.

For more details on new products in 2018, see → **the magazine Facts & Figures 2018**.

PRODUCTION

SOLIDLY POSITIONED

At the end of the reporting year, the Geberit Group operated 30 plants, six of which are located overseas. The plants fall into the following three categories depending on the production technologies used:

- Ceramic moulding (CER)
- Injection moulding, blow moulding, assembly (IBA)
- Extrusion, metalforming and thermoforming, assembly (EFA)

The sale of the company Varicor, including the plant in Wisches (FR), was announced in January 2017. Due to its specialisation in the manufacture of customised products made of the solid surface material Varicor, the site occupied a special position within the Group. However, Varicor remains an important partner for Geberit as a strategic supplier.

In July 2017, the result of a strategic review of two plants owned by the French subsidiary Allia that had been announced in the previous year were made known. Accordingly, in agreement with the trade unions and following approval by the authorities, the La Villeneuve-au-Chêne site was closed and ceramics production in Digoin was discontinued. In addition to a social plan, the agreement included the continuation of a packaging and logistics area in Digoin for the French market.

FOCUS ON CONTINUOUS FLOW PRODUCTION

The workshop principle of step-by-step manufacturing is increasingly becoming a thing of the past in production at Geberit. It is being replaced by a comprehensive system of continuous flow production aimed at maximising efficiency and greatest possible value added. The methods used here are described in detail in the Geberit Production System (GPS 2.0). The effectiveness of these methods is subject to an ongoing review on many levels. It is a fixed agenda item at the annual Group-wide plant manager meeting as well as at the meeting for production managers. At the local GPS manager level, the focus is on the consistent orientation towards improvements in efficiency and quality, combined with a link to concrete projects involving the responsible employees.

In the reporting year, the efforts made in this regard concerned all three production areas (CER, IBA and EFA). They ranged from the principle of continuous improvement that is lived and breathed each day to complex infrastructure projects. In terms of the latter, the conversion and new-build work at the site in Langenfeld (DE) were paramount. Parallel to the successful relocation of the production of labour-intensive metal fittings to Ozorków (PL) and of logistics to Pfullendorf (DE), work has already begun on using the newly gained space to further establish the principle of continuous flow production. An important milestone was reached in September 2017 with the ground-breaking ceremony for a new production hall that is fully committed to this principle.

Crucial initial steps with regard to continuous flow production were also taken in the ceramics plant in Ekenäs (FI), where all process steps after the firing stage were fundamentally redesigned – with the measurable result that an increase in productivity of 10 percent was achieved in 2017.

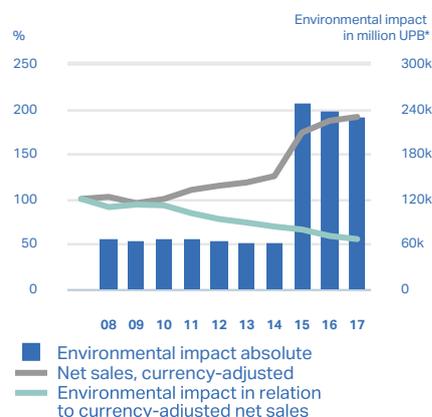
Meanwhile, the shell of a new production hall was completed in Pfullendorf. Once in operation, it will increase the useful floor space by 4,500 m² and facilitate a significant increase in capacity in terms of the manufacture of concealed cisterns. The commissioning of the hall is scheduled to take place in mid-2018.

FURTHER HARMONISATION OF PROCESSES

In spite of the diversity of production technologies, efforts to further standardise and optimise the various processes within production continued to progress well in the reporting year. "OneERP", which aims to harmonise the IT systems and standardise resource planning in the plants of the former Sanitec, was implemented at the beginning of 2017 at the Polish production sites

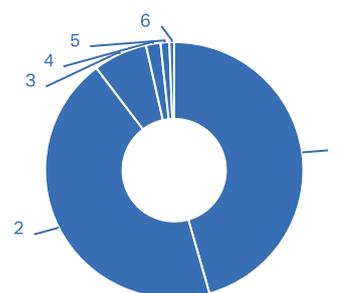
Environmental impact 2008–2017

(Index: 2007 = 100)



* UPB = Ecopoints in accordance with the Swiss Ecological Scarcity Method (upgraded version 2013)

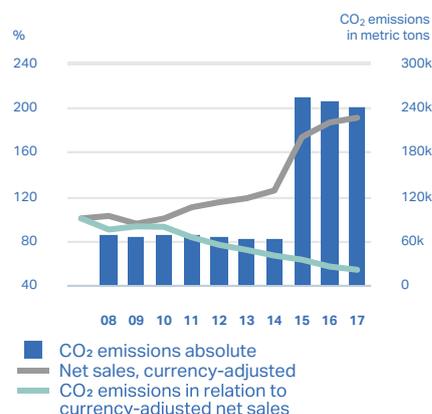
Distribution environmental impact 2017



- 1 Combustibles (45.6%)
- 2 Electricity (44.1%)
- 3 Fuels (6.8%)
- 4 Disposal (1.8%)
- 5 Water/Waste water (1.1%)
- 6 Solvents (0.6%)

CO₂ emissions 2008–2017

(Index: 2007 = 100)



Koło, Włocławek and Ozorków. At the beginning of 2018, preparatory work began at the Scandinavian sites Bromölla, Ekenäs and Mörrum with the goal of replacing the systems at the beginning of 2019. The remaining changes are to follow step by step in the coming years.

With the creation of a department for OpEx (operational excellence), Geberit is now closer to its goal of standardising central processes and further improving efficiency within its entire network of plants. The new department's first project will be to tackle the standardisation of maintenance processes.

ENVIRONMENTAL MANAGEMENT IN PRODUCTION

The integration of the ceramics plants into the production network in 2015 had a considerable impact on Geberit's ecological footprint. Because of the processes involved, the manufacture of ceramic sanitary appliances is very energy-intensive. In 2017, Geberit was able to reduce its environmental impact thanks to consistent energy management – in particular of the ceramics plants. The absolute environmental impact decreased by 3.7%, even though currency-adjusted net sales increased by 2.3% in the same period. The environmental impact in relation to currency-adjusted net sales (eco-efficiency) decreased by 5.8%. As regards the long-term target, which is based on a decrease of 5% per year, Geberit therefore remains on course.

CO₂ emissions were reduced in 2017 by 2.9% to 242,796 tonnes. In relation to currency-adjusted net sales, they decreased by 5.1%. This enabled the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions** to be met. In addition to relative targets, this strategy also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption. The second pillar relates to increasing efficiency and the third pillar comprises the selective purchasing of high-quality, renewable energy. The detailed → **CO₂ balance sheet** and all measures taken to reduce CO₂ emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

Geberit aims to further reinforce its position as industry leader in the area of sustainability. Eco-efficiency and relative CO₂ emissions are to be improved by 5% per year (see also → **Sustainability Strategy 2018-2020**). One of the main instruments that helps achieve this goal is the integrated Geberit management system, which unites the themes of quality, environment, health and occupational safety as well as energy. By the end of 2018, all ceramics plants are to be integrated into this system. At the end of the reporting year, all 30 production plants were already certified to ISO 14001 and 27 to OHSAS 18001. Adding certification according to ISO 50001 (energy management) will be targeted for selected sites.

LOGISTICS AND PROCUREMENT

CONTINUED INTEGRATION OF CERAMICS LOGISTICS INTO GROUP LOGISTICS

At the end of 2017, Group logistics comprised the central logistics centre for sanitary and piping systems in Pfullendorf (DE) as well as a decentralised network of 14 European distribution sites for the ceramics business.

The integration of the ceramics business into Group logistics continued in 2017. The Geberit Logistics Operation System (G-LOS) was successfully introduced. G-LOS is the standard system for logistics used to continuously improve business processes. This system is used by all employees in logistics and aims to bring about a sustained increase in competitiveness.

In connection with the → **OneERP project**, the storage management system SAP EWM – which had been introduced at the Pfullendorf site in 2016 – was also launched in Poland in December 2017. It is planned to also introduce the new system at other logistics sites.

COMMISSIONING OF THE EXPANDED LOGISTICS CENTRE

The logistics centre in Pfullendorf is the hub for products from Geberit's Sanitary Systems and Piping Systems areas. With a view to future growth and the continued optimisation of existing logistics processes, the decision was made in 2014 to further expand the capacities of this centre. The commissioning of the new buildings and infrastructures, which also include a storage area for long goods (i.e. pipes of up to six metres in length), was carried out as planned in the first quarter of 2017. Geberit was able to keep within the investment budget of EUR 40 million that was set for the expansion.

The distribution of the Mapress piping range, which had been operated separately at the production site in Langenfeld (DE) to date, was therefore relocated to Pfullendorf in the second quarter of 2017. As a result, the global distribution of Geberit's sanitary technology is now coordinated in Pfullendorf and handled there for all markets.

Man and technology work hand in hand in the new logistics centre. Touchscreens, glove scanners, integrated voice control systems and built-in lift tables as well as lifting devices make the work efficient, safe and ergonomic. The new building brought about a further optimisation of logistics processes, with the use of modern conveyor technology and automated workflows perfectly complementing the flexible logistics system.

TRANSPORT MANAGEMENT SYNERGIES USED

Great importance is attached to central transport management as the interface between plants, markets and transport service providers in order to enable cost- and resource-optimised transport solutions. By integrating the Mapress range into the logistics center in Pfullendorf, customers now receive their entire sanitary technology order in a single truck delivery. This not only reduces the number of empty kilometres, it also increases truck capacity utilisation and reduces CO₂ emissions (see also → **Strategy Green Logistics**). Furthermore, Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions. In the reporting year, the implementation of Geberit processes and standards also continued in relation to transport service providers for ceramic products and bathroom furniture.

GLOBALLY ACTIVE CORPORATE PURCHASING DEPARTMENT

Structured like a network, the Corporate Purchasing department is responsible worldwide (except in the USA) for procuring raw materials, semi-finished and finished products, commercial products, and services. Besides minimising risks of downtime as well as costs, the primary purpose of comprehensive supplier management is to safeguard supplies.

All the Geberit Group's business partners and suppliers are obligated to comply with → **comprehensive standards**. This applies to quality, socially responsible and healthy working conditions, environmental protection and the commitment to fair business practices. The basis for the cooperation is the → **Code of Conduct for Suppliers**. This Code is aligned with the principles of the United Nations Global Com-

pact and is available in 15 languages. By the end of the reporting year, 1,379 suppliers had signed the Code. This represents over 90% of the Geberit Group's purchasing volume.

SUPPLIER INTEGRITY LINE LAUNCHED

The "Supplier Integrity Line", which was launched in May 2017, allows suppliers to anonymously report any violations of the guidelines set out in the Code of Conduct for Suppliers by Geberit employees and by competitors. The free hotline is operated by an independent service company and is available in a total of eleven languages. Violations can also be reported online at any time via an external URL. In 2017, one case that was deemed significant was reported. Appropriate steps are being taken to investigate this matter.

EHS AUDITS CARRIED OUT

During the reporting year, four EHS (Environmental, Health and Safety) audits were carried out in the area of procurement. The goal of these audits was to check compliance with the respective national legislation and regulations in the areas of environmental protection and occupational health and safety. The audits were carried out by an independent third-party company.

SUSTAINABILITY

SUSTAINABLE ACTION – AN IMPORTANT PART OF CORPORATE CULTURE

For decades, sustainability has been an important part of Geberit's corporate culture. A firmly established sustainability strategy ensures that the objectives are measurable, making a significant contribution to the business success in the process. The focus of sustainable business management is on water-saving and durable products, resource-saving and environmentally friendly production, procurement and logistics with high environmental and ethical standards, and on good, safe working conditions for all employees worldwide. Geberit also exercises its social responsibility just as consistently, through the continuance of its own social projects as well as its partnership with the Swiss development organisation Helvetas.

WATER MANAGEMENT IS A GLOBAL CHALLENGE

Approved by the United Nations in 2015, the Sustainable Development Goals comprise 17 specific targets and indicators which countries are required to implement by 2030. The business world plays a pivotal role in implementing these targets and indicators. The goal calling for equitable access to clean drinking water and basic sanitation for all people worldwide is of particular importance to Geberit. The company also focuses on the goals concerning "Industry, Innovation and Infrastructure" and "Sustainable Cities and Communities". In cities and globally expanding urban areas, water-saving, resource-efficient and reliable sanitary technology plays an important role. As a globally operating company, Geberit advocates sustainable design and development and a robust infrastructure in cities and in rural areas.

Sparing, careful use of water as a valuable resource is one of Geberit's core areas of focus. A Geberit value chain analysis in the form of a water footprint shows that nearly 100% of water consumption is attributable to the product usage phase. The following water footprint chart also includes the impact of ceramic cisterns for the first time.

WATER FOOTPRINT THROUGHOUT THE VALUE CHAIN IN 2017

PROVISION OF RAW MATERIALS

0.15% of the total amount of water is required in the manufacture of raw materials for products.



0.15%
(6.5 million m³)

MANUFACTURING

A mere 0.03% of the water is used in the manufacture of products in 2017.



0.03%
(1.1 million m³)

USE

The greatest water consumption by far occurs during the use of products manufactured in 2017 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.81%
(4,392 million m³)

DISPOSAL

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



0.01%
(0.2 million m³)

A GROWING FOCUS ON GREEN BUILDING

Green building is becoming ever more important in both the public and private construction sector, with European standards that define the use of sustainable products and systems in buildings gaining in significance. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie or BREEAM. Consequently, there is demand among investors, project developers, owners and tenants for system providers with comprehensive know-how in green building which will enable the relevant standards to be met. Geberit is addressing this demand with water-saving, energy-saving, low-noise and durable products, thereby positioning itself in the front line with regard to green building, as numerous green building reference projects prove. For example, → **Raffles City** was opened in the commercial centre of Hangzhou (CN) during the reporting year. The whole block of buildings, which boasts a floor area of almost 400,000 m² and has achieved LEED Gold certification, is home to a hotel as well as office and retail space and apartments. Furthermore, a new → **Vitsoe furniture production facility** was built in Leamington (UK). The new headquarters of the furniture company (founded in 1959) is considered a flagship project when it comes to sustainability.

SUSTAINABILITY MEANS LONG-TERM VALUE ADDED

Geberit is committed to a binding sustainability strategy that is closely linked to the company's core areas of focus.

A total of eleven sustainability modules continue to form the basis of this strategy. Among these are → **green procurement**, → **green logistics**, → **environmental management in production**, → **occupational safety**, → **eco-design in product development** and → **social responsibility**.

SUSTAINABILITY STRATEGY



Since 2007, a sustainability performance review of the Geberit Group has been prepared annually in accordance with the guidelines of the Global Reporting Initiative (GRI). An internal process to define the essential aspects of sustainability at Geberit was the key starting point when introducing the GRI G4 guidelines. The → **materiality analysis** reviewed by an external stakeholder panel in 2016 as well as the sustainability strategy and related communication were applied without any changes and pursued further in the reporting year.

All aspects of the GRI G4 guidelines can be found in the → **Sustainability Performance Report** for 2017. The information disclosed within the scope of this report fulfils the "comprehensive" transparency grade set out in the GRI G4 guidelines, as verified by → **GRI**.

Since 2008, Geberit has been a member of the United Nations Global Compact – a global agreement between businesses and the UN designed to make globalisation more socially responsible and environmentally friendly. A → **Communication on Progress** regarding measures in the areas of human rights, labour practices, environmental protection and anti-corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The → **Code of Conduct for Employees** and the → **Code of Conduct for Suppliers** further incorporate the

topic of sustainability. Continuously improved → **compliance processes** ensure compliance with guidelines and directives. In addition, a system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Risk management**.

The activities in terms of sustainable business management are rewarded by the capital market. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. For example, the share is a component of the STOXX Europe Sustainability Index and the FTSE4Good 100 Index Series. Renowned sustainability funds also hold the shares in their portfolios. Geberit wants to continue to play a pivotal role in the "Sustainability" and "Water" investment segments, which are still gaining in importance.

SUSTAINABLE TECHNOLOGY AND INNOVATION PROCESSES

Sustainability is an integral part of the technology and innovation processes at Geberit. This is why the eco-design approach has been consistently applied since 2007 as part of the Group's innovation and development process. All environmental aspects are examined, from the selection of raw materials right through to disposal. Every new product must be better than its predecessor from an ecological perspective. An example here is the new fill valve type 333, which despite requiring fewer resources to manufacture (the product is 15% lighter; 20% of the plastic in the valve is recycled material) is also flow-optimised and quiet.

Product life cycle assessments are important decision-making tools for the development processes, providing arguments for the use of resource-efficient products. Geberit has produced detailed life cycle assessments for various important products, with 2017 also seeing such assessments produced for Sanitary Ceramics for the first time. The environmental product declarations (EPDs) in accordance with the European standard EN 15804 are also becoming increasingly important and can also be used directly for green building standards such as LEED. The EPD present relevant, comparable and verified information about a product's environmental performance in a transparent manner.

COMPLIANCE

TRAINING FOCUSING ON ANTITRUST LEGISLATION

In the reporting year, the focus was on in-house training events and developing the available instruments for reporting breaches of the Geberit Code of Conduct.

E-learning courses represent an efficient way to train staff on antitrust legislation, an issue that is particularly sensitive for Geberit. In the reporting year, the sales companies outside Europe were trained on this topic using this mode of learning. The same topic was also taught to staff directly at the sales company in the UK by one of the Group's antitrust legislation specialists.

Antitrust legislation audits, which focused primarily on the local conditions systems, were carried out in the UK, Belgium, the Netherlands and Luxembourg as part of the internal audit, revealing only very little need for action.

Given Geberit's business model, the topics of corruption and antitrust legislation are considered particularly sensitive areas. They are therefore a main topic in the → **Geberit Code of Conduct**, which was drawn up in 2008, and of which a new version has been available since the start of 2015. Like every year, all Geberit Group companies had to draw up a status report on the Code of Conduct in their country for the attention of the Group. The topics enquired about here ranged from issues concerning occupational health and safety right through to environmental protection. No serious shortcomings came to light in these status reports.

In the reporting year, the Integrity Line for Geberit employees, which was established in 2013, recorded one significant incident, which was subsequently investigated. This resulted in the discovery of shortcomings at a local company, which were then rectified.

Furthermore, in the area of procurement, a "Supplier Integrity Line" was introduced in May 2017 for the first time. For more information, see → **Logistics and procurement, Supplier Integrity Line launched**.

LEGAL ADVICE ON MARKETING AND SALES CAMPAIGNS

In the reporting year, the Group's legal department dealt with a series of market enquiries concerning the permissibility of marketing and sales campaigns, with the team receiving such enquiries from Austria, South Africa, Romania, Denmark, Ukraine and Germany. All the campaigns in question were ultimately approved, some after slight modifications were made.

SOCIAL RESPONSIBILITY

SOCIAL PROJECTS CLOSE TO THE CORE BUSINESS

Innovative sanitary technology continuously improves the quality of people's lives. Geberit rigorously pursues this mission. The guideline for employees, the → **Geberit Compass**, sets this out.

In addition to improving quality of life through innovative sanitary products, Geberit also lives up to its social responsibility through its social projects, which it has been carrying out with its own apprentices for many years. These projects always exhibit a relationship to the topic of water and to the company's core competencies. Apart from being involved in the projects, the young people who take part become familiar with other cultures and acquire new social, linguistic and professional competencies – experiences that will aid their personal and professional development. Furthermore, these social projects make a tangible contribution to the Sustainable Development Goals of the United Nations, which include giving all humans access to clean drinking water and basic sanitation by 2030.

In 2017, the apprentices travelled to Odessa (UA) to help out at a → **Ukrainian vocational school** attended by over 500 students, most of whom come from disadvantaged backgrounds. This school offers young people training in a total of 31 professions. The local Geberit company planned the renovation and expansion of the sanitary facilities, then supported by nine Geberit apprentices with work on site in September 2017. Ukrainian students at the vocational school who are training to become plumbers also worked on the project.

GLOBAL COMMITMENTS

Geberit continued its extensive partnership with the Swiss development organisation Helvetas and supported the new Helvetas campaign with a substantial sum of money. The "Change of Perspective" project was also implemented once again, with two Swiss plumbers travelling to Nepal in the autumn, working there for a week with two Nepalese colleagues. This project is set to continue in 2018. In addition, 16 Geberit employees visited Nepal for a voluntary two-week assignment in November 2017, helping a village community in western Nepal to construct a water pipeline. Geberit also made a major donation to support Helvetas-run water projects in Nepal.

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

The Geberit Group's activities in the area of social responsibility are rounded off by a multitude of other initiatives and fundraising campaigns at a local level. As a basic principle, all social projects and the use of funds are regularly checked by Geberit employees in the respective country or in partnership with non-governmental organisations (NGOs), including after completion of the projects in question. For an overview of donations and financial contributions, see → **Investments in infrastructure and services primarily for public benefit**. All donations are neutral from a party political point of view. Furthermore, no donations were made to parties or politicians. As a rule, no political statements are made, and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

CHANGES IN GROUP STRUCTURE

The Geberit Group's management structure was adapted to the changed conditions as a consequence of the integration of the ceramics business. With effect from 1 January 2017, product management was reorganised and structured as follows:

- **Bathroom Systems** – comprises bathroom ceramics and furniture, ceramics complementary products such as showers, bathtubs and washbasins made of other materials, waste fittings and traps, taps and electronic flushing systems as well as shower toilets
- **Installation and Flushing Systems** – comprises installation systems as well as cisterns and mechanisms
- **Piping Systems** – comprises building drainage and supply systems (unchanged)

The goal of this structural change is to organise product management according to the required development competencies and at the same time align it even better to customer needs. Linked to this is the aspiration to launch products that convince thanks to both their exceptional design and their customary high degree of functionality.

Apart from diverse changes as a result of the Sanitec integration and the divestment of the Varicor Group, there were no significant changes to the legal structure of the Geberit Group (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure**) and → **33. Group companies as of 31 December 2017**.

OUTLOOK

CONSTRUCTION INDUSTRY LOOKING MORE POSITIVE

The situation in the construction industry should be generally favourable in 2018. However, the individual regions/markets and construction sectors will perform differently. In **Europe**, the recovery should continue. However, despite healthy demand, growth potential in Germany is severely limited due to capacity constraints of installers. A favourable market environment is expected for Austria, France and the Benelux Countries. The construction industry in Switzerland should remain stable at a high level. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with a simultaneous slackening of the growth dynamic. The Eastern European markets are also predicted to perform differently, with a positive environment expected in Poland and a stabilisation anticipated in Russia, for example. A slight easing of the market environment is expected in Italy, whereas a downward trend is foreseeable in the United Kingdom as a result of Brexit. In **North America**, a moderate recovery is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with growth in residential construction. In the **Far East/Pacific** region, the Chinese residential construction sector has been performing better since the beginning of the second half of 2017. The construction industry in Australia is expected to stagnate and the business climate in India is likely to become more challenging. In terms of the **Middle East/Africa** region, the Gulf States should recover. However, the construction market in South Africa is likely to stagnate.

Fluctuations in the Swiss franc compared to other important currencies used by the Geberit Group will continue to affect sales and results. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects). In general, the effects of currency fluctuations on margins are minimised to the greatest possible extent with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. With regard to the impact of foreign currency effects, please refer to the information and the sensitivity analysis in the → **Management of currency risks** section.

In the first half of 2018, raw material prices are likely to exceed their prior-year level – driven mainly by higher prices for industrial metals and for plastics.

GEBERIT

In 2017, the most important milestones regarding the integration of the ceramics business were reached. From 2018, line managers will promote further activities as part of daily business, with the focus on continually optimising and harmonising shared processes and the IT systems, developing combined products, making ongoing improvements in ceramics manufacturing and promoting cultural integration. The objective is to perform strongly across the entire sanitary product business and in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years. Markets in which Geberit products or technologies are still under-represented will be intensely cultivated, and the promising shower toilet business will be expanded further. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes.

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

BUSINESS REPORT

**CORPORATE
GOVERNANCE**
2017

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

The operational Group structure is shown in the diagram → **Annual Report 2017, Business report, Management structure, p. 6.**

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalisation, Swiss securities identification number and ISIN code, please refer to → **Annual Report 2017, Business report, Geberit share information, p. 4.**

The Group's consolidated subsidiaries are listed in the → **Annual Report 2017, Financials, Consolidated financial statements Geberit Group, Notes to the Consolidated Financial Statements, Note 33**, stating the company name and head office, share capital and equity interest held by the Group companies. Except for Geberit AG, the scope of consolidation does not include any listed companies.

1.2 SIGNIFICANT SHAREHOLDERS

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations (Schweizerisches Obligationenrecht, OR) and Art. 120 Para. 1 of the Financial Market Infrastructure Act (Finanzmarktinfrastrukturgesetz, FinfraG) were entered in the company's share register on 31 December 2017 as holding more than 3% of the voting rights or share capital recorded in the Commercial Register, or held more than 3% of the voting rights or share capital recorded in the Commercial Register on 31 December 2017.

Disclosure notifications reported to Geberit during 2017 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at → www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 CROSS-SHAREHOLDINGS

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

1.4 IMPORTANT CHANGES TO THE ARTICLES OF INCORPORATION

No amendments to the Articles of Incorporation were made in the 2015 and 2017 financial years. In the 2016 financial year, the Articles of Incorporation were amended due to the capital reduction agreed on 6 April 2016 (see → **Annual Report 2017, Business report, Corporate Governance, 2. Capital structure, 2.4 Shares and participation certificates, p. 41**).

The current Articles of Incorporation can be viewed online at → www.geberit.com/investors/downloads/publications.

Significant shareholders*

(as of 31 December 2017)

in %

BlackRock Inc., New York, USA	4.99
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* In accordance with the corresponding reports to the company/SIX Swiss Exchange

2. CAPITAL STRUCTURE

2.1 CAPITAL

Amount of ordinary, authorised and conditional capital of the company as of 31 December 2017:

Ordinary capital:	CHF 3,704,142.70
Conditional capital:	–
Authorised capital:	–

2.2 AUTHORISED AND CONDITIONAL CAPITAL DETAILS

As of 31 December 2017, the Geberit Group had no conditional or authorised capital.

2.3 CHANGES IN CAPITAL

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

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in the Financial Report of this Annual Report 2017 (→ **Annual Report 2017, Financials, Consolidated financial statements Geberit Group, Consolidated Statements of Changes in Equity** including the Notes to the Consolidated Financial Statements, → **Annual Report 2017, Financials, Consolidated financial statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21**), to the information in the → **Annual Report 2017, Financials, Financial statements Geberit AG** as well as to the 2015 figures in the 2016 Annual Report (Consolidated Financial Statements Geberit Group: → **Annual Report 2016, Financials, Consolidated Financial Statements Geberit Group, Consolidated Statements of Changes in Equity, pp. 91-92** and → **Annual Report 2016, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21, pp. 122**; → **Annual Report 2016, Financials, Financial Statements Geberit AG, pp. 138**.

The changes in capital in 2016 are attributable to the cancellation of 757,000 shares as part of the share buyback programme announced in March 2014. This capital reduction was entered in the Commercial Register on 20 June 2016.

2.4 SHARES AND PARTICIPATION CERTIFICATES

The share capital of Geberit AG is fully paid in and amounts to CHF 3,704,142.70. It is divided into 37,041,427 registered shares with a par value of CHF 0.10 each. The entire share capital of Geberit AG, amounting to CHF 3,704,142.70, is listed on the SIX Swiss Exchange.

With the exception of the treasury shares held by the company, each share registered with voting rights in the share register of the company carries one vote at the General Meeting and each share (whether or not it is entered in the share register) carries a dividend entitlement. All dividends that have not been collected within five years of their due date are forfeited to the company in accordance with the company's → **Articles of Incorporation** and allocated to the general reserve. As of 31 December 2017, the company held 391,640 treasury shares.

No participation certificates of the Geberit Group are outstanding.

The current Articles of Incorporation can be viewed online at → **www.geberit.com/investors/downloads/publications**.

2.5 PROFIT-SHARING CERTIFICATES

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

	31.12.2015	31.12.2016	31.12.2017
	MCHF	MCHF	MCHF
Share capital	3.8	3.7	3.7
Reserves	875.1	617.2	637.2
Retained earnings	305.0	393.6	505.2

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

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

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

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

In the reporting year 2017, there were no registrations in the share register of shares held by nominees of up to a maximum of 3% of the share capital or in excess of this registration limitation. Moreover, the Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the reporting year.

According to the → **Articles of Incorporation**, amendments to the provisions regarding the restriction of the transferability of registered shares require a resolution of the general meeting passed by at least two-thirds of the votes represented. For the procedure and the conditions for cancelling the restriction of the transferability, see → **Annual Report 2017, Business report, Corporate Governance, 6. Participatory Rights of Shareholders, p. 55**.

The current Articles of Incorporation can be viewed online at → www.geberit.com/investors/downloads/publications.

2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees of the Geberit Group, reference is made to the → **Annual Report 2017, Business report, Remuneration Report, 7. Summary of share and option plans 2017, p. 76** and → **Annual Report 2017, Financials, Consolidated financial statements Geberit Group, Notes to the Consolidated Financial Statements, Note 17** in the Consolidated Financial Statements of the Geberit Group.

3. BOARD OF DIRECTORS

3.1/3.2 MEMBERS OF THE BOARD OF DIRECTORS

At the end of 2017, the Board of Directors was composed of six non-executive members. The composition of the Board of Directors should reflect strategic requirements, the company's targets, geographical presence and corporate culture. The Board of Directors should be diverse in every respect, i.e. in terms of gender, nationality, geographical/regional experience and business experience.

Albert M. Baehny (1952)

- **Non-executive Chairman of the Board of Directors since 2015 (Executive Chairman of the Board of Directors from 2011 to 2014), Member of the Board of Directors since 2011**
- **Swiss citizen**
- **Member of the Board of Directors Lonza Group AG, Basel (CH); Member of the Board of Directors Investis, Crans-Montana (CH)**

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



Felix R. Ehrat (1957)

- **Non-executive, independent member of the Board of Directors since 2013**
- **Swiss citizen**
- **Group General Counsel and Member of the Executive Committee Novartis since 2011, Basel (CH); Chairman of the Board of Directors Globalance Bank AG, Zurich (CH); Member of the Board of Directors Hyos Invest Holding AG, Zurich (CH); Member of the Board of Trustees Avenir Suisse, Zurich (CH)**

Felix R. Ehrat received his doctorate of law from the University of Zurich (CH) in 1990, where he previously also received his law degree in 1982. He was admitted to practice as a lawyer in Switzerland in 1985. In 1986, he completed an LL.M. at the McGeorge School of Law in Sacramento (US). During his career to date, he has completed a number of management training courses, including at Harvard University in Boston (US). He has been Group General Counsel of Novartis since October 2011 and, since 1 January 2012, a member of the Executive Committee of the Novartis Group, a company in which he has held a number of other executive positions (e.g. Global Head Compliance, Country Management). Felix R. Ehrat is a leading practitioner of corporate, banking and mergers and acquisitions law, as well as an expert in corporate governance and arbitration. He started his career as an Associate with Bär & Karrer in Zurich (CH) in 1987, became Partner in 1992 and advanced to Senior Partner (2003–2011) and Executive Chairman of the Board of Directors (2007–2011) of the firm. During his career to date, Felix R. Ehrat was a chairman and member of various Boards of Directors at listed and non-listed companies, including a chairman and member of various respective audit committees.



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

Thomas M. Hübner (1958)

- **Non-executive, independent member of the Board of Directors since 2015**
- **Swiss citizen**
- **Member of the Board of Directors and Lead Director B&M European Value Retail S.A., Luxemburg (LU); Chairman of the Board of Directors Burger King SEE S.A., Brussels (BE); Member of the Board of Directors bpost NV, Brussels (BE)**

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

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

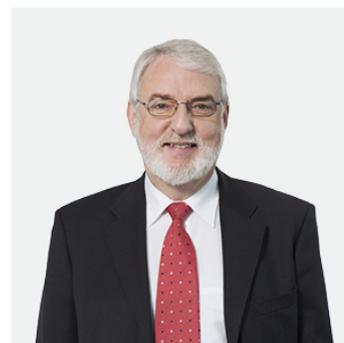


Hartmut Reuter (1957)

- **Vice Chairman of the Board of Directors since April 2016, non-executive, independent member of the Board of Directors since 2008**
- **German citizen**
- **Member of the Shareholders Committee and Supervisory Board Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors Wilkhahn GmbH + Co KG, Bad Münden (DE)**

After graduating (Master's in Industrial Engineering; majoring in Controlling and Finance) from Technical University Darmstadt (DE), Hartmut Reuter joined the Bosch Group in Stuttgart (DE) as a Business Management Trainee in 1981. During more than 15 years with Bosch, he occupied various finance and management positions in various industrial business units, until finally becoming Director in the planning and controlling division at Bosch headquarters. From 1997 to 2009, Hartmut Reuter was a member of the Group Executive Board of the Rieter Group in Winterthur (CH). During his first five years, he started as Head of Controlling, then he became the Head of the Corporate Center, responsible for all financial and strategic functions. From 2002, he was CEO of the Rieter Group. Since 2009, he has worked as a freelance management consultant and has held positions in various supervisory boards.

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



Jørgen Tang-Jensen (1956)

- **Non-executive, independent member of the Board of Directors since 2012**
- **Danish citizen**
- **CEO VELUX A/S, Hørsholm (DK); Member of the Board of Directors Coloplast A/S (DK); Member of the Confederation of Danish Industry Business Political Committee; Chairman of the Board of Directors Danish Green Investment Fund (DK); Member of the Board of Directors Rockwool International A/S, Hedehusene (DK)**



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

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

Eunice Zehnder-Lai (1967)

- **Non-executive, independent member of the Board of Directors since 2017**
- **Citizen of Switzerland and Hong Kong**
- **Board member of the Asia Society Switzerland**

Eunice Zehnder-Lai holds a Master of Business Administration from Harvard Business School (US) and a Bachelor of Arts from Harvard University (US). She is CEO of IPM Institut für Persönlichkeitsorientiertes Management, a firm headquartered in Pfäffikon (CH) that offers solutions for enhancing the efficiency of interaction with customers, teams and employees in companies. Before joining IPM, she spent almost 20 years working in the finance industry for LGT Capital Partners, Goldman Sachs and Merrill Lynch in New York, London, Hong Kong and Switzerland. She worked in asset management, private wealth management and corporate finance, as well as for Procter & Gamble in marketing and brand management.



Eunice Zehnder-Lai was not a member of any Management Board of a Geberit Group company in the three years preceding the reporting period. Apart from her Board of Directors' mandate, she does not have any significant business relations with the Geberit Group.

3.3 REGULATIONS IN THE ARTICLES OF INCORPORATION CONCERNING THE NUMBER OF PERMISSIBLE ACTIVITIES IN ACCORDANCE WITH ART. 12 PARA. 1 CLAUSE 1 OAEC

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

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

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

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

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

The current Articles of Incorporation can be viewed online at → www.geberit.com/investors/downloads/publications.

3.4 ELECTIONS AND TERMS OF OFFICE

The term of office for a member of the Board of Directors is one year and ends at the closing of the following ordinary General Meeting. Members of the Board of Directors are elected on an individual basis. Re-election is possible.

In addition to the members of the Board of Directors, the Chairman of the Board of Directors is also elected by the General Meeting. The term of office for the Chairman of the Board of Directors is also one year and ends at the closing of the following ordinary General Meeting. Re-election is possible. If the position of Chairman of the Board of Directors is vacant, the Board of Directors is to appoint a new Chairman of the Board of Directors from among its members for the remaining term of office.

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

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

Regi Aalstad no longer stood for re-election at the ordinary General Meeting on 5 April 2017. Eunice Zehnder-Lai was newly elected to the Board of Directors. Hartmut Reuter (Chairman), Jørgen Tang-Jensen and Eunice Zehnder-Lai were elected to the Nomination and Compensation Committee. The constitution subsequent to the ordinary General Meeting resulted in the following composition of the Audit Committee: Felix R. Ehrat (Chairman), Thomas M. Hübner, Hartmut Reuter. Hartmut Reuter continues to hold the office of Vice Chairman of the Board of Directors.

The Chairman of the Board of Directors and all members of the Board of Directors will be standing for re-election for a further year. The composition of the committees and holder of the office of Vice Chairman are also to remain unchanged.

3.5 INTERNAL ORGANISATIONAL STRUCTURE

The organisation of the Board of Directors is governed by law, the company's → **Articles of Incorporation (www.geberit.com/investors/downloads/publications)** and the → **Organisational Regulations of the Board of Directors of Geberit AG (www.geberit.com/investors/downloads/publications)** (see also → **Annual Report 2017, Business report, Corporate Governance, 3. Board of Directors, 3.6 Definition of areas of responsibility, p. 48**).

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

The Board of Directors meets whenever business so requires, but at least four times a year generally for a half day each (2017: nine meetings or telephone conferences). Each meeting or telephone conference that took place in 2017 lasted four hours on average. Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors. During the reporting year, one or more members of the Group Executive Board took part in the nine meetings, with one particular meeting involving the participation of external consultants.

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

The regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person or via telephone.

The participation rate for meetings of the Board of Directors in 2017 was 96%.

	8 Mar	13 Mar	5 Apr	22 Jun	16 Aug	30 Aug	31 Aug	27 Oct	8 Dec
Albert M. Baehny	X	X	X	X	X	X	X	X	X
Regi Aalstad ¹	X	X	-	n/a	n/a	n/a	n/a	n/a	n/a
Felix R. Ehrat	X	X	X	X	X	X	X	X	X
Thomas M. Hübner	X	X	X	X	-	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X	X	X	X	X	X
Eunice Zehnder-Lai ²	n/a	n/a	n/a	X	X	X	X	X	X

1) Regi Aalstad was a member of the Board of Directors until 5 April 2017.

2) Eunice Zehnder-Lai has been a member of the Board of Directors since 5 April 2017.

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

NOMINATION AND COMPENSATION COMMITTEE (NCC)

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

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

The members of the Nomination and Compensation Committee as of 31 December 2017 were Hartmut Reuter (Chairman), Jørgen Tang-Jensen and Eunice Zehnder-Lai. The committee meets at least three times a year generally for a half day each (2017: three meetings). Each meeting or telephone conference that took place in 2017 lasted three hours on average.

The participation rate for meetings in 2017 was 100%.

	8 Mar	30 Aug	8 Dec
Hartmut Reuter	X	X	X
Regi Aalstad ¹	X	n/a	n/a
Jørgen Tang-Jensen	X	X	X
Eunice Zehnder-Lai ²	n/a	X	X

1) Regi Aalstad was a member of the Nomination and Compensation Committee until 5 April 2017.

2) Eunice Zehnder-Lai has been a member of the Nomination and Compensation Committee since 5 April 2017.

The Nomination and Compensation Committee supports the Board of Directors in fulfilling its duties specified by law and the → **Articles of Incorporation (www.geberit.com/investors/downloads/publications)** in the area of the compensation and personnel policy of the Geberit Group. The powers and duties of the Nomination and Compensation Committee are based on the following principles:

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

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

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

The organisation, detailed responsibilities, functioning and reporting of the Nomination and Compensation Committee are stipulated in the → **Organisational Regulations for the Nomination and Compensation Committee (NCC)** (www.geberit.com/investors/downloads/publications) of the Board of Directors of Geberit AG.

AUDIT COMMITTEE (AC)

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

As of 31 December 2017, the Audit Committee was composed of Felix R. Ehrat (Chairman), Thomas M. Hübner and Hartmut Reuter. It meets at least twice a year, generally for a half day each (2017: five meetings). Each meeting or telephone conference that took place in 2017 lasted four hours on average.

The participation rate for meetings in 2017 was 93%.

	24 Feb	28 Apr	11 Aug	30 Aug	7 Dec
Felix R. Ehrat	X	X	X	X	X
Hartmut Reuter	-	X	X	X	X
Thomas M. Hübner	X	X	X	X	X

The Audit Committee supports the Board of Directors in fulfilling its duties specified by law, in particular in the areas of financial control (supervision of the internal and external auditors and monitoring of financial reporting) and ultimate supervision of the persons entrusted with the management (internal control system). The Audit Committee determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal and external auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. It also assesses the functionality of the internal control system, including risk management (see also → **Annual Report 2017, Business report, Corporate Governance, 3. Board of Directors, 3.7 Information and control instruments vis-à-vis the Group Executive Board, p. 49**). The Audit Committee supports the Board of Directors with corporate governance and compliance issues, monitors the relevant corporate governance and compliance aspects and develops them further. The overall responsibility for the duties and competencies assigned to the Audit Committee remains with the Board of Directors.

The organisation, detailed responsibilities, functioning and reporting of the Audit Committee are set out in the → **Organisational Regulations for the Audit Committee** (www.geberit.com/investors/downloads/publications) of the Board of Directors of Geberit AG.

The current Articles of Incorporation as well as the Organisational Regulations of the Board of Directors of Geberit AG (including the Allocation of Powers and Duties), the Nomination and Compensation Committee and the Audit Committee can be viewed online at → www.geberit.com/investors/downloads/publications.

3.6 DEFINITION OF AREAS OF RESPONSIBILITY

Pursuant to Swiss Corporate Law and the → **Articles of Incorporation** (www.geberit.com/investors/downloads/publications) at Geberit AG, the Board of Directors has the following non-transferable and irrevocable responsibilities:

- The ultimate management of the Company and the giving of the necessary directives

- The establishment of the organisation
- The structuring of the accounting system and the financial controls, as well as the financial planning
- The appointment and removal of the persons entrusted with the management and the representation
- The ultimate supervision of the persons entrusted with the management; in particular, in view of compliance with the law, → **Articles of Incorporation**, regulations and directives
- The preparation of the annual report and of the compensation report as well as the preparation of the General Meeting and the implementation of its resolutions
- The notification of the judge in case of overindebtedness

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Further areas of responsibility of the Board of Directors are set out in the → **Organisational Regulations of the Board of Directors of Geberit AG (www.geberit.com/investors/downloads/publications)** and the → **Supplement to the Organisational Regulations (http://annualreport2017.geberit.com/geberit/annual/2017/gb/English/pdf/supplement_BoD.pdf)**.

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

As of the end of 2017, the Group Executive Board is composed of the Chief Executive Officer and six other members. The members of the Group Executive Board are appointed by the Board of Directors based on the proposal of the Nomination and Compensation Committee.

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

The current → **Articles of Incorporation** as well as the → **Organisational Regulations of the Board of Directors**, the → **Nomination and Compensation Committee (NCC)** and the → **Audit Committee** can be viewed at → www.geberit.com/company/downloads/publications.

3.7 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE GROUP EXECUTIVE BOARD

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

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

Based on the → **Organisational Regulations of the Board of Directors of Geberit AG (www.geberit.com/investors/downloads/publications)** and the → **Organisational Regulations for the Audit Committee (www.geberit.com/investors/downloads/publications)** of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks associated with the business activities. This process includes risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for controlling risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis (see → **Annual Report 2017, Business report, Business and financial review, Strategy and goals, Risk management, p. 12**). For information on the management of financial risks, refer to → **Annual Report 2017, Financials, Consolidated financial statements Geberit Group, Notes to the Consolidated Financial Statements, Note 4**. In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimisation proposals of previous audits.

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

4. GROUP EXECUTIVE BOARD

4.1/4.2 MEMBERS OF THE GROUP EXECUTIVE BOARD

At the end of 2017, the Group Executive Board was composed of seven members.

Christian Buhl (1973)

- **Chairman of the Group Executive Board since 2015**
- **Member of the Group Executive Board since 2015**
- **with Geberit since 2009**
- **Swiss citizen**

Christian Buhl studied physics (Dipl. Phys. ETH) at the Swiss Federal Institute of Technology (ETH) in Zurich (CH) before undertaking his doctorate (Dr. oec. HSG) in the area of financial market research at the University of St. Gallen (CH). From 2000 to 2003, he worked as a teaching and research assistant at the Swiss Institute of Banking and Finance in St. Gallen and in research and teaching at the Centre for Economic Research at the University of Basel (CH). From 2004 to 2008, Christian Buhl worked at McKinsey & Company, Zurich (CH), where he undertook projects for various Swiss and international industrial companies, supporting them in the areas of strategy, M&A, marketing and organisation. He joined Geberit in 2009, initially as Head of Strategic Planning, before taking over responsibility for the Geberit AquaClean shower toilet business. From 2012 to the end of 2014, Christian Buhl was Managing Director of the German sales company – the most important sales unit within the Geberit Group. He has been the Chief Executive Officer (CEO) of the Geberit Group since 2015; see also → **Annual Report 2017, Business report, Management structure, p. 6.**



Roland Iff (1961)

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

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic. oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich (CH) and at the company's headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels (BE) before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan (IT) in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. Beginning in October 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Division Finance (CFO) of the Geberit Group since 2005; see also → **Annual Report 2017, Business report, Management structure, p. 6.**



Martin Baumüller (1977)

- **Member of the Group Executive Board since 2016**
- **with Geberit since 2011**
- **Head of Group Division Marketing & Brands**
- **Swiss citizen**

Martin Baumüller completed his Master's degree in International Management at the University of St. Gallen (CH) and an MBA at Nanyang Technological University in Singapore (SG) in 2001. In 2005, he received his doctorate from the University of Bern (CH) with his dissertation on "Managing Cultural Diversity". He began his career as a freelance consultant for strategy and market expansion projects from 2001 to 2003. From 2005 to 2010 he worked for McKinsey & Company in Zurich (CH), first on various projects for pharmaceutical, chemical and transportation clients and later as Engagement Manager responsible for global projects in various industries and as a member of the Strategy & Corporate Finance team. He joined Geberit as Head of Strategic Planning in 2011. From 2012 to 2016 he was responsible as Head of Geberit AquaClean for the management and development of the entire shower toilet

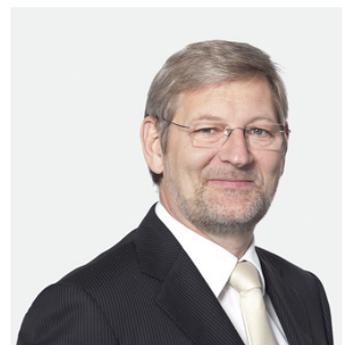


business of the Geberit Group. He has been Head of Group Division Marketing & Brands since 2016; see also → **Annual Report 2017, Business report, Management structure, p. 6.**

Michael Reinhard (1956)

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

Michael Reinhard studied mechanical engineering at the Technical University Darmstadt (DE) and was awarded a PhD in materials science from the Deutsche Kunststoffinstitut. He started his professional career in 1987 as a project manager with Automatik GmbH, Gross-Ostheim (DE). In 1990, he joined McKinsey & Company and was soon promoted to senior associate. In 1992, Michael Reinhard joined Schott, Mainz (DE), where he was entrusted with management functions of increasing overall responsibility. In 1995, he became Vice President of Schott's Pharmaceutical Packaging Division and in 1998 Senior Vice President of the Tubing Division comprising 2,400 employees. At Geberit, Michael Reinhard became Head of Group Division Sales in 2005. From 2006 to 2016, he was Head of Group Division Products. Since 1 September 2016 he has been Head of Group Division Operations; see also → **Annual Report 2017, Business report, Management structure, p. 6.**



Egon Renfordt-Sasse (1957)

- **Member of the Group Executive Board since 2015**
- **with Geberit since 1997**
- **Head of Group Division Product Management & Innovation**
- **German citizen**

Egon Renfordt-Sasse completed his mechanical engineering studies at RWTH Aachen University (DE) in 1986. He began his career at Battenfeld-Fischer in Troisdorf (DE), where he held several positions until 1997, the last of which as manager of the Technical Parts profit centre. In 1997, he joined the Geberit Group as product manager responsible for the Installation Systems product line. From 2001 to 2003, he was responsible for Sales Engineering – among other things – at Geberit's German sales company. He then became Head of Products Sanitary Systems at the Group, a position he held until 2012. Since then, he has been Head of Group Marketing. From 2015 to 2016 he was Head of Group Division Marketing & Brands. He has been Head of Group Division Product Management & Innovation since 2016; see also → **Annual Report 2017, Business report, Management structure, p. 6.**



Karl Spachmann (1958)

- **Member of the Group Executive Board since 2011**
- **with Geberit since 1997**
- **Head of Group Division Sales Europe**
- **German citizen**

Karl Spachmann graduated in business and organisational studies at the University of the German Armed Forces in Munich (DE). He began his career with the German Armed Forces in 1983 where he served as radar commanding officer and press officer until 1990. In 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. Karl Spachmann has been Head of Group Division Sales Europe since 2011; see also → **Annual Report 2017, Business report, Management structure, p. 6.**



Ronald van Triest (1969)

- **Member of the Group Executive Board since 2015**
- **with Geberit since 2015**
- **Head of Group Division Sales International**
- **Dutch citizen**

Ronald van Triest completed his Master's degree in Management and Organisation at the University of Groningen (NL) in 1996. He started his career at Royal Philips, where he held various roles until 2006. These were initially in the areas of marketing and sales, before a second phase where he took on wide-ranging responsibilities in the areas of product management, M&A and executive management. He operated predominantly from Singapore and Hong Kong. From 2007 to 2009, he was General Manager Sales at China Electronics Corporation in Shenzhen (CN), where he was responsible for sales, marketing, service and logistics and managed staff in China, Singapore, Russia and Turkey. From 2010 to 2015, he worked for Ellipz Lighting in Singapore. As CEO and Managing Director, he was responsible for setting up and developing the Asian business. Among other things, he established a joint venture in Beijing, set up the local production, R&D and sales and created sales channels in Southeast Asia and the Middle East, as well as a joint venture in India. Since 2015, Ronald van Triest has been Head of Group Division Sales International of the Geberit Group; see also → **Annual Report 2017, Business report, Management structure, p. 6.**



The Board of Directors of Geberit AG has appointed Martin Ziegler as the new Head of Operations and a member of the Group Executive Board. He has taken up his role on 1 January 2018, replacing Michael Reinhard, who has retired having worked at Geberit for 13 years.

4.3 REGULATIONS IN THE ARTICLES OF INCORPORATION CONCERNING THE NUMBER OF PERMISSIBLE ACTIVITIES IN ACCORDANCE WITH ART. 12 PARA. 1 CLAUSE 1 OAEC

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

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

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

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

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

The current Articles of Incorporation can be viewed online at → **www.geberit.com/investors/downloads/publications**.

4.4 MANAGEMENT CONTRACTS

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

5. COMPENSATIONS, SHAREHOLDINGS AND LOANS

See → **Annual Report 2017, Business report, Remuneration Report, p. 60.** The Remuneration Report is also available at → www.geberit.com/investors/corporate-governance/remuneration-report.

6. PARTICIPATORY RIGHTS OF SHAREHOLDERS

6.1 VOTING RIGHTS RESTRICTIONS AND REPRESENTATION

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

According to the → **Articles of Incorporation**, resolutions may also be passed and elections carried out at General Meetings by electronic means at the instruction of the Chairman.

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

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

For limitations on transferability and nominee registrations, see → **Annual Report 2017, Business report, Corporate Governance, 2. Capital structure, 2.6 Limitations on transferability and nominee registrations, p. 42**.

Art. 10 f. of the → **Articles of Incorporation** contains provisions regarding voting rights, proxy and independent proxy. The current Articles of Incorporation can be viewed online at → www.geberit.com/investors/downloads/publications.

6.2 QUORUMS REQUIRED BY THE ARTICLES OF INCORPORATION

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

The current Articles of Incorporation can be viewed online at → www.geberit.com/investors/downloads/publications.

6.3/6.4 CONVOCAION OF THE GENERAL MEETING OF SHAREHOLDERS/ AGENDA

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

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

6.5 INSCRIPTIONS INTO THE SHARE REGISTER

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

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 OBLIGATION TO MAKE AN OFFER

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

The current Articles of Incorporation can be viewed online → www.geberit.com/investors/downloads/publications.

7.2 CHANGE OF CONTROL CLAUSES

For agreements and plans in the event of a change of control, see → **Annual Report 2017, Business report, Remuneration Report, p. 60.**

8. AUDITORS

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

PricewaterhouseCoopers AG, Zurich, has been the auditor of the Geberit Group since 1997 and of Geberit AG since its foundation in 1999. Lead auditor Beat Inauen has been in charge of the auditing mandate since 2015. The lead auditor is rotated every seven years.

8.2 AUDITING FEES

In 2017, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,731 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

8.3 ADDITIONAL FEES

For additional services, PricewaterhouseCoopers invoiced TCHF 539 relating to tax consultancy and support as well as TCHF 58 for other services. Therefore, the non-audit fees amount to 34% of the audit fees.

8.4 INFORMATION TOOLS OF THE EXTERNAL AUDITORS

Before every meeting, the external auditor informs the Audit Committee in writing about relevant auditing activities and other important facts and figures related to the company. Representatives of the external and internal auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. The external auditors attended three meetings of the Audit Committee in the reporting year 2017.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and supports the Board of Directors in the nomination of the auditor for the attention of the ordinary General Meeting. The Audit Committee uses the following criteria to assess the performance and fees of the auditors: technical and operational expertise; independence and objectivity; adequate use of resources; focus on areas that involve significant risk for Geberit; willingness to challenge and re-evaluate; ability to provide effective, practical recommendations; open and effective communication and coordination with the Audit Committee, the internal auditors and the Group Executive Board. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses the audit results with the external and internal auditors. For more details on the Audit Committee, see → **Annual Report 2017, Business report, Corporate Governance, 3. Board of Directors, 3.5 Internal organisational structure, Audit Committee (AC), p. 46.**

9. INFORMATION POLICY

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

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

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

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

Official publications of Geberit AG shall be made in the Swiss Official Commercial Gazette (SOCG). Notices to shareholders shall be made by official publications or may also be made in writing to the addresses of the shareholders recorded in the share register.

For further details on the Geberit Group's information policy, including a time schedule, please refer to the → **Annual Report 2017, Business report, Geberit share information, Communication, p. 4.**

BUSINESS REPORT

REMUNERATION REPORT

2017

REMUNERATION REPORT

The Remuneration Report provides an overview of Geberit's remuneration principles and programmes, as well as information about the determination method for the remuneration. It also includes the remuneration of the members of the Board of Directors and of the Group Executive Board for the business year 2017. The report provides the relevant information to be considered by the shareholders when making their decision regarding the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2018 General Meeting for approval.

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

The report is structured as follows:

1. Introduction by the Chairman of the Nomination and Compensation Committee
2. Remuneration policy and principles
3. Determination of remuneration
4. Remuneration architecture
5. Board of Directors: remuneration and share ownership in 2017
6. Group Executive Board: remuneration and share/option ownership in 2017
7. Summary of share and option plans 2017
8. Summary of shares and options held by employees and management as of 31 December 2017
9. Report of the statutory auditor

For additional information on business development in 2017 see also → **Business and financial review**.

1. INTRODUCTION BY THE CHAIRMAN OF THE NOMINATION & COMPENSATION COMMITTEE

Dear shareholders,

On behalf of the Nomination and Compensation Committee (NCC), I am pleased to present the 2017 Remuneration Report.

As of the 2017 General Meeting, we welcomed Eunice Zehnder-Lai as a new member of the NCC.

The 2017 financial year was shaped by a generally positive market environment as well as the achievement of the most important milestones regarding the integration of the ceramics business. Good results were achieved overall. Increased sales volumes, a positive product mix effect, and synergies from the Sanitec integration had a positive effect on the operating results. Three factors in particular – namely higher raw material prices, increased personnel expenses and depreciation – had a negative impact. The Remuneration Report summarises how these results impacted the variable remuneration made to the members of the Group Executive Board under the different remuneration components.

During the reporting year, future changes were announced for the management of Geberit: Martin Ziegler was appointed to the Group Executive Board as the new Head of Operations as of 1 January 2018, succeeding Michael Reinhard, who retired after 13 years with Geberit. This internal appointment is a result of our continued focus on the assessment of performance and succession planning for positions on the Group Executive Board.

The NCC also continued to review the compensation programmes in order to ensure their alignment with the business strategy and with the long-term interests of our shareholders. Otherwise, the NCC performed its regular activities throughout the year such as the performance goal setting at the beginning of the year and the performance assessment at year end, the determination of the compensation of the members of the Board of Directors and of the Group Executive Board, as well as the preparation of the Remuneration Report and of the say-on-pay vote for the General Meeting. You will find further information on our activities and on Geberit's compensation system and governance on the following pages.

At the 2018 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, and the maximum aggregate remuneration awarded to the Executive Board for the 2019 business year. Additionally, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote. You will see in the report that the remuneration awarded to the Board of Directors for the compensation period ending with the 2018 General Meeting and the remuneration awarded to the Group Executive Board in 2017 are within the limits approved at the 2017 General Meeting and 2016 General Meeting respectively.

Looking ahead, we will continue to assess and review our compensation programmes to ensure that they are still fulfilling their purpose in the evolving context in which the company operates. We will pursue an open and regular dialogue with our shareholders as we continue to enhance the compensation system. We have every confidence that you will find this report informative. We are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with shareholders' interests.

Yours sincerely,



Hartmut Reuter
Chairman of the Nomination & Compensation Committee

2. REMUNERATION POLICY AND PRINCIPLES

CORE PRINCIPLES

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

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

REMUNERATION OF THE BOARD OF DIRECTORS

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

REMUNERATION OF THE GROUP EXECUTIVE BOARD

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

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

Variable remuneration drives and rewards best-in-class performance based on ambitious and stretched targets. It consists of short-term and long-term elements:

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

Variable remuneration is capped to avoid rewarding inappropriate risk-taking or short-term profit maximisation at the expense of the long-term health of the company (see also → **Remuneration architecture, Group Executive Board**).

GOVERNANCE AND SHAREHOLDERS' INVOLVEMENT

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

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

3. DETERMINATION OF REMUNERATION

3.1 NOMINATION AND COMPENSATION COMMITTEE (NCC)

Pursuant to the Articles of Incorporation and the Organisational Regulations of Geberit AG, the NCC supports the Board of Directors (BoD) in the fulfilment of its duties and responsibilities in the area of remuneration and personnel policy, including:

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

APPROVAL AND AUTHORITY LEVELS ON REMUNERATION MATTERS:

Decision on	CEO	NCC	BoD	AGM
Remuneration policy and guidelines, in line with the provisions of the Articles of Association		Proposes	Approves	
Maximum aggregate amount of remuneration for the BoD and for the GEB		Proposes	Reviews	Binding vote
Individual remuneration of members of the BoD		Proposes	Approves	
Individual remuneration of the CEO (including fixed remuneration, STI ¹ , LTI ²)		Proposes	Approves	
Individual remuneration of the other members of the GEB	Proposes	Reviews	Approves	
LTI ² grant for all other eligible parties	Proposes	Reviews	Approves	
Remuneration Report		Proposes	Approves	Consultative vote

¹ Short-Term Incentive

² Long-Term Incentive

The NCC consists of independent and non-executive members of the Board of Directors only who are elected annually by the shareholders at the General Meeting. Since the 2017 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman as well as Eunice Zehnder-Lai and Jørgen Tang-Jensen as members.

The NCC meets at least three times per year. In 2017, it held three meetings covering, among others, the predefined recurring agenda items illustrated below. The participation rate for NCC meetings in 2017 was 100%.

	February	August	December
Remuneration policy	- Participation programme (employee participation programme, LTI grant)		- Target income Head Internal Audit (following year)
GEB matters	- Individual performance appraisal (previous year) - STI payout (previous year) - Vesting of equity awards (previous years)	- Benchmarking of GEB remuneration - Succession planning for GEB positions - Talent management session	- Target remuneration (following year) - Target setting for STI (following year) - Option valuation and definition of performance criteria LTI for next grant
BoD matters			- BoD remuneration (following year) - BoD evaluation
Governance	- AGM preparation (maximum amounts of remuneration of GEB and BoD to be submitted to say-on-pay votes)	- Review of shareholders' and proxy advisors' feedback on the Remuneration Report - Corporate update - Update on diversity	- Draft Remuneration Report - Agenda NCC for following year

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

After each meeting, the Chairman of the NCC reports to the Board of Directors on its activities and recommendations. The minutes of the NCC meetings are available to the full Board of Directors.

3.2 PROCESS OF DETERMINATION OF REMUNERATION

BENCHMARKS AND EXTERNAL CONSULTANTS

Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2017, a detailed analysis of the remuneration of the CEO and the other members of the Group Executive Board was carried out by an independent external compensation consulting firm, Willis Towers Watson (Switzerland). This consulting firm has no other mandates from Geberit. The remuneration analysis was conducted on the basis of a peer group of industrial companies headquartered in Switzerland: ABB, AMS, Aryzta, Barry Callebaut, Clariant, Dätwyler, dormakaba, Forbo, Georg Fischer, Givaudan, LafargeHolcim, Logitech, Lonza, OC Oerlikon, Schindler, Sika, Sonova, Straumann and Sulzer. The study, together with other published data, was used to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the business year 2018. While many different factors (such as the individual role, experience in the role and contribution, company performance and affordability) are considered to determine remuneration levels, the policy of Geberit is to provide a target remuneration that is in principle positioned around the market median.

With regard to the remuneration of the Board of Directors, the remuneration and levels are reviewed periodically by the NCC. Such a review took place in 2015 with a benchmarking analysis provided by Willis Towers Watson, which covered companies of the Swiss Market Index Mid (SMIM).

PERFORMANCE- MANAGEMENT

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



3.3 SHAREHOLDER INVOLVEMENT

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

ARTICLES OF INCORPORATION

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

- Principles applicable to performance-related pay:
the members of the Group Executive Board may be paid variable remuneration which may include short- and long-term elements and which is linked to the achievement of one or several performance criteria.
- Binding votes on maximum aggregate compensation amounts of the Board of Directors and Group Executive Board:
shareholders vote prospectively on the maximum aggregate remuneration amount for the Board of Directors until the next ordinary General Meeting and for the maximum aggregate remuneration amount for the Group Executive Board for the following business year. Further, shareholders can express their opinion on the remuneration principles and structure through a consultative vote on the Remuneration Report.
- Additional amount for payments to members of the Group Executive Board appointed after the vote on remuneration at the General Meeting:
for the remuneration of members of the Group Executive Board who have been appointed after the approval of the maximum aggregate remuneration amount by the General Meeting, and to the extent that the maximum aggregate remuneration amount as approved does not suffice, an amount of up to 40% of the maximum aggregate remuneration amount approved for the Group Executive Board is available without further approval of the General Meeting.
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Board:
no loans or credits shall be granted to members of the Board of Directors or the Group Executive Board.

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

4. REMUNERATION ARCHITECTURE

4.1 BOARD OF DIRECTORS

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

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

The compensation amounts have remained unchanged since the last review in 2016 as follows:

Annual fees	in CHF	Delivery
Chairman	885,000	Cash and restricted shares
Vice Chairman	245,000	Restricted shares
Member of the BoD	190,000	Restricted shares
Chairman of NCC / Audit Committee	45,000	Restricted shares
Member of NCC / Audit Committee	30,000	Restricted shares
Expense allowance	15,000	Cash

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

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

Further information regarding the remuneration amounts for the period from the 2018 General Meeting to the 2019 General Meeting is provided in the invitation to the 2018 General Meeting.

4.2 GROUP EXECUTIVE BOARD

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

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

	Programme	Instrument	Purpose	Plan/ Performance period	Performance metrics in 2017
Base salary	Annual base salary	Monthly cash payments	Pay for the function		
Short-Term Incentive	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract & retain	1-year performance period	Sales, EBIT, EPS, ROIC, individual objectives
	Share Participation Program MSPP	Matching share options in case of an investment of variable cash in restricted shares	Align with shareholders' interests	Shares: 3-year restriction period Share options: 4-year vesting period (staged), 7-year plan period	Share options: ROIC
Long-Term Incentive	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance, align with shareholders' interests, retain	5-year performance period (staged), 10-year plan period	ROIC
Benefits	Pension	Gemeinschafts-stiftung, Wohlfahrtsfonds	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & retain		

BASE SALARY

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

VARIABLE CASH REMUNERATION / SHORT-TERM INCENTIVE (STI)

The variable cash remuneration (STI) of the Group Executive Board and approximately 200 additional members of Group management rewards the achievement of annual financial business goals and of individual objectives agreed and evaluated within the annual performance management process.

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

FUNCTIONALITY REMUNERATION MODEL

The financial objectives include equal weightings of sales performance, earnings before interest and taxes (EBIT) and earnings per share (EPS) compared with the previous year as well as the return on invested capital (ROIC). These financial objectives have been chosen because they are key value drivers for Geberit and generally reward for growing the business and gaining market share (top-line contribution), for increasing profitability over-proportionally through strong operating leverage (bottom-line contribution) and for investing the capital efficiently. Every year, on the basis of a recommendation made by the NCC, the Board of Directors determines the expected target level of performance for each financial objective for the following year. In order to strengthen the company's position as market leader and to continuously strive for superior performance, significant improvements against the previous year's achievements are generally required in order to meet the target level of performance, in line with the company's ambitious financial plan. The intention of this demanding target setting is to deliver best-in-class performance and to stay ahead of the market. In addition, a threshold level of performance, below which no variable remuneration is paid out, and a maximum level of performance, above which the variable remuneration is capped, are determined as well. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives shall not exceed 60% of the target income.

The individual performance component is based on the achievement of individual objectives predefined at the beginning of the year between the CEO and individual members of the Group Executive Board, and for the CEO, between the Board of Di-

To find out how the remuneration model works, visit the interactive graphic in the online Annual Report at

→ www.geberit.com/annualreport > **Business report > Remuneration report.**

rectors and the CEO. The individual objectives are of a more qualitative and strategic nature and may include, for example, objectives related to product and service innovation, entry in new markets, management of strategic projects and leadership.

The maximum payout for the individual objectives shall not exceed 10% of the target income.

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

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

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

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

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

LONG-TERM INCENTIVE (LTI)

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

Every year, the Board of Directors determines the grant of share options. In 2017, the market value of options granted amounts to 60% of the target income for the CEO and to between 40 and 50% for the other members of the Group Executive Board. For some 100 additional participants of the Group management, the market value amounts to 10% of the target income.

The options granted in 2017 are subject to a vesting period staged over five years as follows: one third of the options can be exercised three years after the grant, an additional third can be exercised four years after the grant and the remaining third can be exercised five years after the grant. The options have a term of 10 years (counted from the grant date) after which they expire.

The vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested Operating Capital (ROIC) over the respective vesting period. ROIC expresses how well the company is generating cash relative to the capital it has invested in its business. The Board of Directors determines a target level of performance for which the options will vest in full and a minimum level of performance (threshold), below which there is no vesting at all. Both the threshold and the target are ambitious: they are substantially above the weighted average cost of

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

capital. The payout level between the threshold and the target is determined by linear interpolation. There is no over-achievement in the MSOP. The options can be exercised between the respective vesting date and the expiration date. The exercise price of the options corresponds to the fair market value of the underlying share at the time of grant.

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

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

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

DISCLOSURE OF TARGETS

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

BENEFITS

Members of the Group Executive Board participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to TCHF 148 per annum, with age-related contribution rates equally shared between the company and the individual, and a supplementary plan in which income in excess of TCHF 148 is insured (including actual variable cash remuneration), up to the maximum amount permitted by law. The company pays for the entire contribution in the supplementary plan.

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

EMPLOYMENT TERMS AND CONDITIONS

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

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

5. BOARD OF DIRECTORS: REMUNERATION AND SHARE OWNERSHIP IN 2017

This section is audited by the external auditor.

The remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of cash and non-discounted restricted shares. In 2017, members of the Board of Directors received a total remuneration of TCHF 2,283 (previous year TCHF 2,296). Remuneration for regular board activities and committee assignments amounted to TCHF 2,100 (previous year TCHF 2,100). The structure of remuneration of the members of the Board of Directors has not changed compared to the previous year.

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

	A. Baehny Chairman CHF	H. Reuter Vice Chairman CHF	E. Zehnder-Lai ¹ CHF	F. Ehrt CHF	T. Hübner CHF	J. Tang- Jensen CHF	Total CHF
2017							
Remuneration of the Board of Directors							
Accrued remuneration ²	270,000	320,000	165,000	235,000	220,000	220,000	1,430,000
Cash remuneration	615,000						615,000
Expenses	15,000	15,000	11,250	15,000	15,000	15,000	86,250
Contributions to social insurance	44,843	15,161	8,140	11,360	10,689	0 ³	90,193
Total	944,843	350,161	184,390	261,360	245,689	235,000	2,221,443

¹ E. Zehnder-Lai has been a member of the Board of Directors since 5 April 2017.

² Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2018 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date. The blocking period is 4 years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

³ No more social insurance contributions in Switzerland in 2017.

	CHF
Remuneration of former members of the Board of Directors (R. Aalstad*)	
Accrued remuneration	55,000
Expenses	3,750
Contributions to social insurance	2,713
Total	61,463

* R. Aalstad was a member of the Board of Directors until 5 April 2017.

	A. Baehny Chairman	H. Reuter Vice Chairman ¹	R. Aalstad ²	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2016							
Remuneration of the Board of Directors							
Accrued remuneration ³	270,000	306,250	165,000	231,250	212,500	220,000	1,405,000
Cash remuneration	615,000						615,000
Expenses	15,000	15,000	11,250	15,000	15,000	15,000	86,250
Contributions to social insurance	47,156	14,527	8,152	11,204	10,361	10,709	102,109
Total	947,156	335,777	184,402	257,454	237,861	245,709	2,208,359

¹ H. Reuter has been Vice Chairman of the Board of Directors since 6 April 2016.

² R. Aalstad has been a member of the Board of Directors since 6 April 2016.

³ Director's fee booked, but not yet paid as at 31 December. Payment was made in the first quarter of 2017 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date. The blocking period is 4 years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

CHF

Remuneration of former members of the Board of Directors (R. Spoerry*)	
Accrued remuneration	80,000
Expenses	3,750
Contributions to social insurance	3,959
Total	87,709

* R. Spoerry was a member and Vice Chairman of the Board of Directors until 6 April 2016.

For the period from the 2017 General Meeting to the 2018 General Meeting, the remuneration paid to the Board of Directors is expected to amount to CHF 2,279,943. This is within the limit of CHF 2,350,000 approved by the 2017 General Meeting.

RECONCILIATION BETWEEN THE REPORTED BOARD COMPENSATION AND THE AMOUNT APPROVED BY THE SHAREHOLDERS AT THE GENERAL MEETING

	1*	2**	3***	4****	5*****	6*****
GM17–GM18	2017	1 Jan 2017 to 2017 GM	1 Jan 2018 to 2018 GM	2017 GM to 2018 GM	2017 GM	2017 GM
BoD (total)	2,282,906	-574,920	+571,957	2,279,943	2,350,000	97%
GM16–GM17	2016	1 Jan 2016 to 2016 GM	1 Jan 2017 to 2017 GM	2016 GM to 2017 GM	2016 GM	2016 GM
BoD (total)	2,296,068	-574,948	+574,920	2,296,040	2,350,000	98%

* Compensation earned during financial year as reported (A)

** Less compensation earned from January to General Meeting of financial year (B)

*** Plus compensation accrued from January to General Meeting of year following financial year (C) / budget value for 2018

**** Total compensation earned for the period from General Meeting to General Meeting (A-B+C)

***** Amount approved by shareholders at respective General Meeting

***** Ratio between compensation earned for the period from General Meeting to General Meeting versus amount approved by shareholders

As of the end of 2017 and 2016, the members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	E. Zehnder- Lai	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
2017							
Shareholdings Board of Directors							
Shares	56,812	8,318	0	2,281	858	2,511	70,780
Options	55,231*	0	0	0	0	0	55,231
Percentage voting rights shares	0.15%	< 0.1%	0%	< 0.1%	< 0.1%	< 0.1%	0.19%

* A. Baehny options until 2014 as CEO

	A. Baehny Chairman	H. Reuter Vice Chairman	R. Aalstad	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
2016							
Shareholdings Board of Directors							
Shares	56,219	7,649	0	1,776	394	2,131	68,169
Options	55,231*	0	0	0	0	0	55,231
Percentage voting rights shares	0.15%	< 0.1%	0%	< 0.1%	< 0.1%	< 0.1%	0.18%

* A. Baehny options until 2014 as CEO

As of 31 December 2017, there were no outstanding loans or credits between the company and the members of the Board of Directors, closely related parties or former members of the Board of Directors.

6. GROUP EXECUTIVE BOARD: REMUNERATION AND SHARE/OPTION OWNERSHIP IN 2017

This section is audited by the external auditor.

6.1 PERFORMANCE IN 2017

Consolidated net sales in 2017 increased by 3.5% to CHF 2,908.3 million. Total growth comprised organic growth in local currencies of 3.5%, a foreign currency effect of +1.2% and a divestment effect of -1.2%. As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on the results. Operating profit (EBIT) adjusted for these effects increased by 2.9% to CHF 706.1 million and the correspondingly adjusted EBIT margin came to 24.3%. Increased sales volumes and a positive product mix effect had a positive impact on the operating results, as did synergies from the Sanitec integration. In particular higher raw material prices, increased personnel expenses and depreciation had a negative impact. Adjusted net income rose by 3.5% to CHF 604.2 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 3.7% to CHF 16.43. The average Return on Invested Capital (ROIC) was 22.4% (prior year 21.5%).

To determine the variable cash remuneration (STI) of the members of the Group Executive Board, the following Key Performance Indicators (KPI) are used: sales performance, EBIT and EPS compared with the previous year as well as ROIC. The achievement of qualitative individual targets is also taken into consideration. The degree of achievement varies by KPI, and the weighted average of all elements used to calculate the variable cash remuneration slightly exceeded the targets.

6.2 REMUNERATION AWARDED IN 2017

The remuneration of the Group Executive Board amounted to TCHF 9,608 in 2017 (previous year TCHF 9,126). The remuneration of the CEO amounted to TCHF 2,401 in 2017 (previous year TCHF 2,287). The higher total remuneration in 2017 for the Group Executive Board compared to the previous year is the result of various factors:

Increasing effects:

- Expansion of Group Executive Board by one member (as of 1 September 2016)
- Selected base salary increases to align remuneration to the market
- Selected higher option grants (LTI) to align remuneration to the market or due to promotion to Group Executive Board
- Increase of MSPP options as a larger amount of variable remuneration was drawn in shares
- One-off employer contribution to company pension funds due to reduction of pension conversion rate

Reducing effect:

- Target achievement in the STI programme lower than in the previous year

At the 2016 General Meeting, the shareholders approved a maximum aggregate compensation amount of TCHF 9,950 for the Group Executive Board for the year 2017. The compensation paid for that period amounts to TCHF 9,608 and is therefore within the approved amount.

Further information on the remuneration awarded to the Group Executive Board for the business year 2017, compared with the maximum potential amount of remuneration, is provided with the invitation to the Ordinary General Meeting 2018.

The following table shows details of remuneration for 2017 and 2016:

	2017		2016	
	C. Buhl CEO	Total	C. Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	861,809	3,449,744	791,804	3,145,644
- Variable salary ¹	516,250	2,013,879	709,550	2,776,122
<i>thereof in shares in 2017²</i>			707,983	2,099,536
Shares/options				
- Call options MSOP 2017/2016 ³	749,955	2,475,927	574,986	2,123,866
- Call options MSPP 2017/2016 ⁴	56,385	167,211	29,705	81,824
Non-cash benefits				
- Private share of company vehicle ⁵	7,056	48,978	7,056	45,040
Expenditure on pensions				
- Pension plans and social insurance	206,854 ⁶	1,433,489 ⁶	171,254	937,049
- Contribution health/accident insurance	2,497	18,319	2,454	16,382
Total⁷	2,400,806	9,607,547	2,286,809	9,125,927

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

² Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 435.95 (PY CHF 361.75).

³ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Option Programme (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 435.95 (previous year CHF 361.75); definitive acquisition of the option ("vesting") dependent on various conditions, 3-5-year blocking period (3 tranches at 33%). Market value of CHF 39.87 (previous year CHF 31.42) determined using the binomial method.

⁴ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Programme (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 435.95 (previous year CHF 361.75); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 34.72 (previous year CHF 26.81) determined using the binomial method.

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

⁶ Including one-off compensation in pension provision due to pension scheme modifications (reduction of pension conversion rate).

⁷ Immaterial payments (below CHF 500) are not included in the total. Overall, these payments do not exceed CHF 2,000 per member of the Group Executive Board.

The parameters taken into consideration in the option valuation model are set out in
→ **Note 17 Participation plans of the consolidated financial statements.**

6.3 SHAREHOLDINGS OF GROUP EXECUTIVE BOARD

As of the end of 2017 and 2016, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Baumüller	Total
2017										
Shareholdings Group Executive Board										
Shares			6,212	32,840	2,500	2,452	12,407	200	2,850	59,461
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%
Call options*										
End of vesting period:										
Vested	2018–2023	306.01	7,474	9,172	3,783	4,779	3,236	10	2,922	31,376
2018	2021–2024	357.20	5,745	7,091	7,261	2,631	6,140	50	784	29,702
2019	2022–2026	382.28	11,302	7,484	7,989	4,074	6,647	2,596	697	40,789
2020	2023–2027	398.85	13,053	7,427	7,895	3,664	6,632	4,602	1,926	45,199
2021	2024–2027	398.85	12,776	7,299	7,770	3,567	6,554	4,592	1,878	44,436
2022	2027	435.95	6,270	3,176	3,314	1,504	2,926	2,006	1,504	20,700
Total options			56,620	41,649	38,012	20,219	32,135	13,856	9,711	212,202
Percentage potential share of voting rights options			0.15%	0.11%	0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.57%

* Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Baumüller	Total
2016										
Shareholdings Group Executive Board										
Shares			4,588	31,812	2,500	2,336	8,691	40	1,343	51,310
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.14%
Call options*										
End of vesting period:										
Vested	2017–2022	242.80	1,633	0	0	1,990	7,314	0	3,046	13,983
2017	2020–2023	306.01	5,841	9,172	9,308	2,789	8,013	10	995	36,128
2018	2021–2023	330.95	5,339	6,834	7,011	2,477	6,140	10	687	28,498
2019	2022–2026	355.45	10,896	7,227	7,739	3,920	6,647	2,556	600	39,585
2020	2023–2026	361.75	6,377	3,994	4,331	2,006	3,706	2,556	325	23,295
2021	2026	361.75	6,100	3,866	4,206	1,909	3,628	2,546	277	22,532
Total options			36,186	31,093	32,595	15,091	35,448	7,678	5,930	164,021
Percentage potential share of voting rights options			0.1%	< 0.1%	< 0.1%	< 0.1%	0.1%	< 0.1%	< 0.1%	0.44%

* Purchase ratio 1 share for 1 option

As of 31 December 2017, there were no outstanding loans or credits between the company and the members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

7. SUMMARY OF SHARE AND OPTION PLANS 2017

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

In 2017, employees, management and the members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 17** of the consolidated financial statements (participation plans). Under the three different **share plans**, a total of the following numbers of shares were allocated.

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan 2017 (ESPP)	2019	2,785	19,783	239.77
Management share purchase plan 2017 (MSPP)	2020	110	14,204	435.95
Directors programme 2017	2021	7	3,145	435.95
Total			37,132	

The 37,132 shares required for these plans were taken from the stock of treasury shares.

In 2017, Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under the two different option plans, a total of the following numbers of options were allocated.

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2017 (MSPP)	2018–2021	2024	110	14,204	435.95
Option plan 2017 (MSOP)	2020–2022	2027	93	109,590	435.95
Total				123,794	

The fair value of the options granted in 2017 amounted to CHF 34.72 (MSPP) and CHF 39.87 (MSOP) at the respective grant date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price*	Expected σ volatility	Expected σ dividend yield	Contractual period	Risk free σ interest rate
	CHF	%	%	Years	%
Management share purchase plan 2017 (MSPP)	435.95	16.95	2.28	7	-0.33
Option plan 2017 (MSOP)	435.95	16.88	2.28	10	-0.10

* The exercise price corresponds to the average price of Geberit shares for the period from 07.–20.03.2017.

Costs resulting from participation plans amounted to CHF 4.3 million in 2017 (previous year CHF 2.6 million); those for option plans totalled CHF 3.2 million (previous year CHF 2.9 million).

8. SUMMARY OF SHARES AND OPTIONS HELD BY EMPLOYEES AND MANAGEMENT AS OF 31 DECEMBER 2017

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

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2017, the Board of Directors, the Group Executive Board and the employees owned a combined total of 362,011 (previous year 353,688) shares, i.e. 1.0% (previous year 1.0%), of the share capital of Geberit AG.

The following table summarises all option plans in place as of 31 December 2017:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2018–2023	130,426	282.31	130,426	282.31
2018	2021–2024	73,781	319.79	70,230	313.92
2019	2022–2026	70,294	361.09	66,743	357.11
2020	2023–2027	82,242	397.91	42,161	361.75
2021	2024–2027	80,102	398.88	40,021	361.75
2022	2027	36,530	435.95	0	435.95
Total		473,375	351.52	349,581	321.62

The following movements took place in 2017 and 2016:

	MSOP		MSPP		Total 2017		Total 2016	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding 1 January	364,838	314.35	37,877	309.68	402,715	313.91	347,084	279.07
Granted options	109,590	435.95	14,204	435.95	123,794	435.95	131,219	361.75
Forfeited options	1,920	361.87	67	305.66	1,987	359.97	3,269	296.03
Expired options	0	0	0	0	0	0	0	0
Exercised options	45,651	258.34	5,496	268.04	51,147	259.38	72,319	233.25
Outstanding 31 December	426,857	351.34	46,518	353.09	473,375	351.52	402,715	313.91
Exercisable at 31 December	114,128	280.71	16,298	293.21	130,426	282.31	86,867	260.16

The options outstanding at 31 December 2017 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 6.1 years.

9. REPORT OF THE STATUTORY AUDITOR



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

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING ON THE REMUNERATION REPORT 2017

We have audited the accompanying → **remuneration report** of Geberit AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 5 to 8 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Geberit AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

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

Beat Inauen
Audit expert
Auditor in charge

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

Martin Knöpfel
Audit expert

Zurich, 12 March 2018