GEBERIT

GEBERIT GROUP

# FINANCIAL REPORT
2017

GEBERIT

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2017

# CONSOLIDATED BALANCE SHEETS

| | Note | 31.12.2017<br>MCHF | 31.12.2016<br>MCHF |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 412.7 | 509.7 |
| Trade accounts receivable | **6** | 201.7 | 174.4 |
| Other current assets and current financial assets | **7** | 122.3 | 111.0 |
| Inventories | **8** | 313.3 | 275.6 |
| **Total current assets** | | **1,050.0** | **1,070.7** |
| **Non-current assets** | | | |
| Property, plant and equipment | **9** | 812.8 | 726.5 |
| Deferred tax assets | **18** | 96.1 | 96.7 |
| Other non-current assets and non-current financial assets | **10** | 35.0 | 26.1 |
| Goodwill and intangible assets | **11** | 1,748.9 | 1,681.1 |
| **Total non-current assets** | | **2,692.8** | **2,530.4** |
| **Total assets** | | **3,742.8** | **3,601.1** |

| | Note | 31.12.2017<br>MCHF | 31.12.2016<br>MCHF |
|---|---|---|---|
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Short-term debt | **12** | 4.5 | 4.2 |
| Trade accounts payable | | 126.1 | 112.3 |
| Tax liabilities and tax provisions | | 101.8 | 120.0 |
| Other current liabilities | **13** | 286.4 | 263.5 |
| Current provisions | **13** | 52.7 | 37.7 |
| **Total current liabilities** | | **571.5** | **537.7** |
| **Non-current liabilities** | | | |
| Long-term debt | **14/15** | 890.7 | 966.7 |
| Accrued pension obligations | **16** | 309.2 | 325.8 |
| Deferred tax liabilities | **18** | 76.5 | 89.7 |
| Other non-current liabilities | **19** | 9.6 | 11.2 |
| Non-current provisions | **19** | 48.1 | 34.8 |
| **Total non-current liabilities** | | **1,334.1** | **1,428.2** |
| **Equity** | | | |
| Capital stock | **21** | 3.7 | 3.7 |
| Reserves | | 2,194.7 | 2,084.9 |
| Cumulative translation adjustments | | -361.2 | -453.4 |
| **Total equity** | | **1,837.2** | **1,635.2** |
| **Total liabilities and equity** | | **3,742.8** | **3,601.1** |

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

# CONSOLIDATED INCOME STATEMENTS

**1.1. – 31.12.**

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | MCHF | MCHF |
| **Net sales** | **29** | **2,908.3** | **2,809.0** |
| Cost of materials | | 829.8 | 774.9 |
| Personnel expenses | | 746.8 | 702.0 |
| Depreciation | **9** | 105.7 | 102.0 |
| Amortisation of intangible assets | **11** | 44.6 | 43.1 |
| Other operating expenses, net | **23** | 559.7 | 546.9 |
| Total operating expenses, net | | 2,286.6 | 2,168.9 |
| **Operating profit (EBIT)** | | **621.7** | **640.1** |
| Financial expenses | **24** | -13.0 | -13.5 |
| Financial income | **24** | 1.2 | 1.9 |
| Foreign exchange loss (-)/gain | **24** | 2.4 | 2.3 |
| Financial result, net | | -9.4 | -9.3 |
| **Profit before income tax expenses** | | **612.3** | **630.8** |
| Income tax expenses | **25** | 84.9 | 82.6 |
| **Net income** | | **527.4** | **548.2** |
| - Attributable to shareholders of Geberit AG | | 527.4 | 548.2 |
| EPS (CHF) | **22** | 14.34 | 14.88 |
| EPS diluted (CHF) | **22** | 14.31 | 14.85 |

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

## 1.1. – 31.12.

| | Note | 2017 MCHF | 2016 MCHF |
|---|---|---|---|
| **Net income according to the income statement** | | **527.4** | **548.2** |
| Cumulative translation adjustments | | 92.0 | -19.0 |
| Taxes | | 0.2 | -0.3 |
| **Cumulative translation adjustments, net of tax** | | **92.2** | **-19.3** |
| **Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax** | | **92.2** | **-19.3** |
| Remeasurements of pension plans | **16** | 29.0 | -20.8 |
| Taxes | | -4.3 | 4.5 |
| **Remeasurements of pension plans, net of tax** | | **24.7** | **-16.3** |
| **Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax** | | **24.7** | **-16.3** |
| **Total other comprehensive income, net of tax** | | **116.9** | **-35.6** |
| **Total comprehensive income** | | **644.3** | **512.6** |
| - Attributable to shareholders of Geberit AG | | 644.3 | 512.6 |

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to shareholders of Geberit AG | | | | | |
|---|---|---|---|---|---|---|
| | Ordinary shares | Reserves | Treasury shares | Pension plans | Cum. translation adjustments | Total equity |
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| **Balance at 31.12.2015** | **3.8** | **2,352.5** | **-276.5** | **-163.5** | **-434.1** | **1,482.2** |
| Net income | | 548.2 | | | | 548.2 |
| Other comprehensive income | | | | -16.3 | -19.3 | -35.6 |
| Distribution | | -309.3 | | | | -309.3 |
| Share buyback programme | | | -42.9 | | | -42.9 |
| Purchase (-)/Sale of treasury shares | | 7.0 | -8.0 | | | -1.0 |
| Capital reduction | -0.1 | -247.9 | 248.0 | | | 0.0 |
| Management option plans | | -6.4 | | | | -6.4 |
| **Balance at 31.12.2016** | **3.7** | **2,344.1** | **-79.4** | **-179.8** | **-453.4** | **1,635.2** |
| Net income | | 527.4 | | | | 527.4 |
| Other comprehensive income | | | | 24.7 | 92.2 | 116.9 |
| Distribution | | -368.4 | | | | -368.4 |
| Share buyback programme | | | -91.8 | | | -91.8 |
| Purchase (-)/Sale of treasury shares | | 8.1 | 14.8 | | | 22.9 |
| Management option plans | | -5.0 | | | | -5.0 |
| **Balance at 31.12.2017** | **3.7** | **2,506.2** | **-156.4** | **-155.1** | **-361.2** | **1,837.2** |

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

# CONSOLIDATED STATEMENTS OF CASHFLOWS

### 1.1. – 31.12.

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | MCHF | MCHF |
| **Cash provided by operating activities** | | | |
| Net income | | 527.4 | 548.2 |
| Depreciation and amortisation | **9/11** | 150.3 | 145.1 |
| Financial result, net | **24** | 9.4 | 9.3 |
| Income tax expenses | **25** | 84.9 | 82.6 |
| Other non-cash income and expenses | | 34.2 | 18.5 |
| Operating cashflow before changes in net working capital and taxes | | 806.2 | 803.7 |
| Income taxes paid | | -129.7 | -98.6 |
| Changes in trade accounts receivable | | 4.2 | -29.4 |
| Changes in inventories | | -20.0 | -2.6 |
| Changes in trade accounts payable | | 6.7 | 13.4 |
| Changes in other positions of net working capital | | -27.0 | 28.7 |
| **Net cash from/used (-) in operating activities** | | **640.4** | **715.2** |
| | | | |
| **Cash from/used (-) in investing activities** | | | |
| Sales of subsidiaries | **2/10** | 9.7 | 32.8 |
| Purchase of property, plant & equipment and intangible assets | **9/11** | -159.0 | -139.1 |
| Proceeds from sale of property, plant & equipment and intangible assets | | 3.5 | 6.2 |
| Interest received | | 0.0 | 0.9 |
| Other, net | | -2.0 | -0.5 |
| **Net cash from/used (-) in investing activities** | | **-147.8** | **-99.7** |
| | | | |
| **Cash from/used (-) in financing activities** | | | |
| Proceeds from borrowings | **14/15** | 70.2 | 50.3 |
| Repayments of borrowings | **14/15** | -207.5 | -223.1 |
| Interest paid | | -6.4 | -6.2 |
| Distribution | | -368.4 | -309.3 |
| Share buyback programme | | -88.3 | -50.7 |
| Purchase (-)/Sale of treasury shares | | -2.1 | -22.2 |
| Financing cost paid | | -1.5 | -0.4 |
| Other, net | | -1.3 | -1.3 |
| **Net cash from/used (-) in financing activities** | | **-605.3** | **-562.9** |
| | | | |
| Effects of exchange rates on cash and cash equivalents | | 15.7 | -2.5 |
| **Net increase/decrease (-) in cash and cash equivalents** | | **-97.0** | **50.1** |
| | | | |
| Cash and cash equivalents at beginning of year | | 509.7 | 459.6 |
| **Cash and cash equivalents at end of year** | | **412.7** | **509.7** |

The accompanying → **Notes** are an integral part of the consolidated financial statements.
For further cashflow figures see → **Note 28**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIC INFORMATION AND PRINCIPLES OF THE REPORT

The Geberit Group is an international company that focuses on the sanitary industry and, specifically, the areas of sanitary technology and bathroom ceramics. The Group's product range consists of the Sanitary Systems, Piping Systems and Sanitary Ceramics product areas. Worldwide, the vast majority of its products are sold through the wholesale channel. Geberit sells its products in 117 countries. The Group is present in 49 countries with its own sales employees.

The consolidated financial statements include Geberit AG and all companies under its control ("the Group" or "Geberit"). The Group eliminates all intra-group transactions as part of the Group consolidation process. A company is consolidated for the first time or deconsolidated from the date on which the Group exercises or loses control over the company.

In 2017, the value-at-risk (VaR) method was replaced by the cashflow-at-risk (CfaR) method to measure the currency risks as this method better reflects the Geberit business model. See → **Note 4**.

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

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

### MAIN SOURCES OF ESTIMATION UNCERTAINTY

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

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

- Impairment tests for goodwill and intangible assets with an indefinite useful life (see → **Note 11**)
- Capitalisation of development costs (see → **Note 27**)
- Assumptions for the recognition of defined benefit pension plans (see → **Note 16**)
- Valuation of deferred tax assets and liabilities (see → **Note 3**)

## 2. CHANGES IN GROUP STRUCTURE

### 2017
### SALE OF THE VARICOR GROUP

The Varicor Group was sold at a sales price of MEUR 13.8 and deconsolidated as at 1 January 2017. The Varicor Group companies are Varicor S.A.S. and Varicor GmbH which were acquired as part of the Sanitec acquisition in 2015 and employed 86 people as at 31 December 2016. The Varicor Group did not contribute to the net income in 2017. In 2016, the Varicor Group contributed MEUR 8.7 to the Geberit Group's net sales, MEUR 0.8 to the EBIT, and MEUR 0.7 to the net income. On 31 December 2016, the Varicor Group had current assets of MEUR 5.6, non-current assets of MEUR 11.7, current liabilities of MEUR 2.4, and non-current liabilities of MEUR 1.0.

In addition the sales company Geberit UAB was established in Vilnius and there were various changes to the legal structure of the Group mainly in connection with the integration of the Sanitec Group but with no effect on the consolidated results.

### 2016
### SALE OF THE KORALLE GROUP

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

| Standard/Interpretation | Enactment | Relevance for Geberit | Adoption |
|---|---|---|---|
| IAS 7 – Statement of Cash Flows | 1.1.2017 | The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and are directed to improve the understanding about the development of changes to financial liabilities. The amendments require disclosures about changes in financial liabilities arising from financing activities, including changes arising from cash flows and changes arising from non-cash changes (such as foreign exchange gains or losses).<br><br>These amendments had limited impact on the notes to the consolidated financial statements. | 1.1.2017 |
| IAS 12 – Income Taxes | 1.1.2017 | These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.<br><br>These amendments had no impact on the consolidated financial statements. | 1.1.2017 |

### New or revised IFRS standards and interpretations as from 2018 and their adoption by the Group

| Standard/Interpretation | Enactment | Relevance for Geberit | Adoption |
|---|---|---|---|
| IFRS 2 – Share-based Payment | 1.1.2018 | The amendment clarifies the accounting treatment of:<br>1) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (clarification that the valuation is not in the scope of IFRS 13 'Fair Value Measurement')<br>2) Share-based payment transactions with a net settlement feature for withholding tax obligations<br>3) Modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.<br><br>This amendment has no impact on the consolidated financial statements. | 1.1.2018 |
| IFRS 9 – Financial Instruments | 1.1.2018 | Geberit adopted IFRS 9 early as of 1 January 2017. The Group elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods.<br><br>The nature of the main changes resulting from the new standard is as follows:<br><br>1) Classification and measurement of financial instruments: Financial assets are classified and subsequently measured at amortised cost or fair value through income statement based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification of financial liabilities does not follow the approach used for the financial assets and remains unchanged.<br><br>2) Impairment of financial assets: The new impairment model is an expected credit loss ("ECL") model which implies both an earlier recognition of impairment losses and a disclosure of more timely and forward-looking information. A simplified approach must be applied for trade receivables or contract assets that result from transactions within the scope of IFRS 15 and that do not contain a significant financing component. With this approach no changes in credit risk are tracked but instead a loss allowance is recognised based on lifetime ELCs at each reporting date.<br><br>3) Hedge accounting: The new hedge accounting model is less rules-based, aligning accounting more closely with the Group`s risk management practices and enabling a wider range of different economic hedging strategies.<br><br>The early adoption of IFRS 9 did not have a material impact on the consolidated financial statements and no adjustment was required to equity at 1 January 2017. | 1.1.2017 |
| IFRS 15 – Revenue from Contracts with Customers | 1.1.2018 | IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue shall be recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services.<br><br>The Group focuses on sanitary technology and bathroom ceramics in the sanitary industry. The products are primarily sold through the wholesale channel for which revenue is recognised at a point in time according to the different terms of delivery.<br><br>Certain contracts include variable consideration components such as discounts or sales based rebates. Based on an analysis the Group reallocated certain payments to customers but this does not have any material impact on the consolidated financial statements.<br><br>Based on an assessment IFRS 15 does not have any material impact on recognition and measurement of revenue. IFRS 15 mainly results in increased disclosures. | 1.1.2018 |

**New or revised IFRS standards and interpretations as from 2018 and their adoption by the Group**

| | | | |
|---|---|---|---|
| IFRS 16 – Leases | 1.1.2019 | Under current IAS 17 lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The new standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB included an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.<br><br>These amendments will have an impact on the consolidated financial statements and the impact is currently under evaluation. Based on a preliminary assessment the value of right-of-use assets will be around MCHF 100. A financial liability representing the future lease payments will be shown at approximately the same amount. | 1.1.2019 |
| IFRIC 22 – Foreign Currency Transactions and Advance Considerations | 1.1.2018 | The interpretation clarifies the recognition of a non-monetary asset or non-monetary liability arising from the pre-payment or receipt of advance consideration denominated in a foreign currency, before the related asset, expense or income is recognised. It determines that the applicable exchange rate shall be the date of the transaction on which the Group initially recognises the non-monetary pre-payment asset or non-monetary deferred liability. If there are multiple payments or receipts in advance, the entity must determine a date of the transactions for each payment or receipt of advance consideration.<br><br>The amendment has no impact on the consolidated financial statements. | 1.1.2018 |
| IFRIC 23 – Uncertainty over income tax treatments | 1.1.2019 | This IFRIC clarifies the accounting treatment when there is uncertainty over whether a tax treatment will be accepted by tax authorities and defines that it is in the scope of IAS 12 and not IAS 37. The interpretation clarifies that the uncertainties may be treated separately or together as a group, providing factors to determine the unit of account. It is to be assumed that tax authorities will examine those treatments and have full knowledge of all related information. Both current and deferred income taxes are accounted based on the probabilities that certain treatments will be accepted, determined by the most likely amount method or the expected value method. Uncertain tax treatments are reassessed following a change in circumstances or due to new information, while the absence of comment from the tax authority alone is unlikely to lead to a change in the estimate.<br><br>The amendment has no material impact on the consolidated financial statements. | 1.1.2019 |
| Annual improvements of IFRS | various | The ordinary annual clarifications and minor amendments of various standards have no material impact on the consolidated financial statements. | various |

**FOREIGN CURRENCY TRANSLATION**
The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates to the actual rate at the date of the transaction. At the end of the accounting period, receivables and liabilities in foreign currency are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to the income statement. Exchange rate differences related to loans that are part of the net investment in foreign entities are recorded in → **"other comprehensive income"** and disclosed as cumulative translation adjustments.

For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates (weighted sales) for the period. Translation gains or losses are recorded in → **"other comprehensive income"** and disclosed as cumulative translation adjustments.

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

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

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

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

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

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

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

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

For the impairment tests of intangible assets with an indefinite useful life and goodwill, the Group applies the most recent business plans (period of four years) and the assumptions therein concerning development of prices, markets and the Group's market shares. To discount future cashflows, the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in → **Note 11**.

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

**NET SALES**
Net sales are recognised when the risks and rewards are transferred, which normally happens when the products are shipped, i.e. when they are handed over to the carrier at the ramp of a Geberit logistics centre. Net sales include the invoiced amounts after deduction of the rebates shown on the customer's invoice. Customer bonuses and cash discounts granted subsequently are deducted as well.

Customer bonuses are sales deductions linked to the achievement of predefined sales targets. Cash discounts are sales deductions recognised on receipt of timely payments.

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

**TAXES**
The consolidated financial statements include current income taxes based on the taxable earnings of the Group companies and are calculated according to national tax rules. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated either using the current tax rate or the tax rate expected to be applicable in the period in which these differences will reverse. If the realisation of future tax savings related to tax loss carryforwards and other deferred tax assets is not or no longer probable, the deferred tax assets are reduced accordingly.

A liability for deferred taxes is recognised only for non-refundable taxes at source and other earning distribution-related taxes for subsidiaries for which available earnings are intended to be remitted and of which the parent company controls the dividend policy (see → **Note 18**).

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

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

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

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

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

**PARTICIPATION PLANS**
Rebates granted to employees when buying Geberit shares under share purchase plans are charged to the income statement in the year the programmes are offered.

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

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

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

**FINANCIAL INSTRUMENTS**
Financial assets are carried at amortised cost less allowances for expected credit losses. IFRS 9 was early adopted on 1 January 2017. Consequently, allowances must be made on the basis of the expected credit losses of financial instruments rather than on the basis of any loss incurred as has been the case to date.

Financial liabilities are carried at amortised cost. The carrying amount of such items reasonably approximates to their fair value.

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

Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The recognition of derivatives in the Group’s balance sheet is based on internal valuations or on the valuation of the respective financial institution. See → **Note 15** for an allocation of the balance sheet items to the classification by categories**.**

**HEDGE ACCOUNTING**
Geberit purchases derivative financial instruments for the purpose of economically hedging specific commitments (see → **Note 4**). No hedge accounting was applied in 2017 or 2016.

## 4. RISK ASSESSMENT AND MANAGEMENT

### GENERAL

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

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

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

### MANAGEMENT OF COUNTERPARTY RISKS FROM TREASURY ACTIVITIES

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

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

### MANAGEMENT OF FOREIGN EXCHANGE RATE RISK

The Group generates sales and costs in Switzerland and abroad in foreign currencies. Therefore, exchange rate changes have an impact on the consolidated results. To limit such risks, the concept of "natural hedging" is considered as the primary hedging strategy. Hereby, the foreign exchange rate risk of cash inflows in a certain currency is neutralised with cash outflows of the same currency. Therefore, currency fluctuations influence the profit margin of the Group only to a marginal extent; i.e. the Group is exposed to a relatively small transaction risk. However, the translation risk that results from the translation of profits generated abroad can still substantially influence the consolidated results depending on the level of currency fluctuation, despite the effective "natural hedging". The Group does not hedge translation risks.

The currency risk over a period of 12 months is measured via the cashflow-at-risk (CfaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the financial result of the Group is evaluated. On 31 December 2017, the Group's CfaR amounted to MCHF 34.5 (PY: MCHF 39.5), hence there was a 95% likelihood that any loss resulting from currency risk would not exceed MCHF 34.5.

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

| Model | Method | Confidence level | Holding period |
|---|---|---|---|
| J. P. Morgan | Variance-covariance approach | 95% | 12 months |

### MANAGEMENT OF INTEREST RATE RISK

Basically, two types of interest rate risk exist:

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

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

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

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

Interest rate risk as at 31 December:

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| EBITDA | 772.0 | 785.2 |
| Financial result, net + CfaR | 9.8 | 9.8 |
| **EBITDA/(Financial result, net + CfaR)** | **79x** | **80x** |

**MANAGEMENT OF LIQUIDITY RISK**
Liquid funds, including the committed unused credit lines, must be available to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortisation payments and capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 631.4 (PY: MCHF 561.2).

**MANAGEMENT OF CREDIT RISK**
Major credit risks to the Group mainly result from the sale of its products (debtor risk). Products are sold throughout the world, but primarily within continental Europe. Ongoing evaluations of the customers' financial situation are performed and, generally, no further collateral is required. Concentrations of debtors' risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses based on an expected credit loss (ECL) model in accordance with IFRS 9 (see → **Note 6**). Actual losses have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of trade receivables at year-end is not representative because of the low sales volume in December. In 2017, the average balance of trade receivables is about 131% (PY: 141%) of the amount at year-end.

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

| Type of risk | Key figure | 2017 | 2016 |
|---|---|---|---|
| Foreign exchange rate risk | Cashflow-at-Risk (CfaR) | MCHF 34.5 | MCHF 39.5 |
| Interest rate risk | EBITDA/(financial result, net + CfaR) | 79x | 80x |
| Liquidity risk | (Deficit)/excess of liquidity reserve | MCHF 631.4 | MCHF 561.2 |

## 5. MANAGEMENT OF CAPITAL

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

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

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

- adjustment of the distribution policy
- share buyback programmes
- capital increases
- draw or repay debt

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

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

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

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

The relevant values as at 31 December are outlined below:

| | 2017 MCHF | 2016 MCHF |
|---|---|---|
| **Gearing** | | |
| Debt | 895.2 | 970.9 |
| Liquid funds and marketable securities | 412.7 | 509.7 |
| Net debt | 482.5 | 461.2 |
| Equity | 1,837.2 | 1,635.2 |
| **Net debt/equity** | **26.3%** | **28.2%** |
| | | |
| **Return on equity (ROE)** | | |
| Equity (rolling) | 1,718.7 | 1,526.3 |
| Net income | 527.4 | 548.2 |
| **ROE** | **30.7%** | **35.9%** |
| | | |
| **Return on invested capital (ROIC)** | | |
| Invested capital (rolling) | 2,696.0 | 2,704.6 |
| Net operating profit after taxes (NOPAT) | 526.2 | 545.8 |
| **ROIC** | **19.5%** | **20.2%** |

## 6. TRADE ACCOUNTS RECEIVABLE

According to IFRS 9, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is determined based on expected credit losses, which is the present value of the cash shortfalls over the expected life of the financial assets. Geberit incorporates forward-looking information into its historical customer default rates, grouping receivables by customer sector, rating and geography taking into account the existence of collateral, if any. In the prior year, the allowance for trade accounts receivable was determined based on the incurred credit loss model required by IAS 39.

| | 2017 MCHF | 2016 MCHF |
|---|---|---|
| Trade accounts receivable | 212.6 | 187.1 |
| Allowances | -10.9 | -12.7 |
| **Total trade accounts receivable** | **201.7** | **174.4** |

Of the total trade accounts receivable, MCHF 7.9 were denominated in CHF, MCHF 71.6 in EUR, MCHF 22.2 in USD, MCHF 24.1 in GBP, MCHF 16.8 in SEK, MCHF 11.0 in DKK, MCHF 13.1 in NOK and MCHF 7.4 in PLN.

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

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Allowances for trade accounts receivable** | | |
| **1 January** | **12.7** | **14.8** |
| Changes in scope of consolidation | -0.6 | -0.2 |
| Additions | 1.0 | 4.5 |
| Used | -0.4 | -5.4 |
| Reversed | -2.4 | -0.8 |
| Translation differences | 0.6 | -0.2 |
| **31 December** | **10.9** | **12.7** |

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Maturity analysis of trade accounts receivable** | | |
| Not due | 144.4 | 120.0 |
| Past due < 30 days | 36.1 | 43.0 |
| Past due < 60 days | 20.8 | 5.2 |
| Past due < 90 days | 1.4 | 4.0 |
| Past due < 120 days | 1.3 | 3.8 |
| Past due > 120 days | 8.6 | 11.1 |
| Allowances | -10.9 | -12.7 |
| **Total trade accounts receivable** | **201.7** | **174.4** |

## 7. OTHER CURRENT ASSETS AND CURRENT FINANCIAL ASSETS

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Value-added tax receivables | 78.3 | 77.0 |
| Income tax refunds receivable | 20.2 | 13.9 |
| Short-term derivative financial instruments[1] | 0.2 | 0.3 |
| Prepaid expenses | 11.2 | 9.7 |
| Other current assets | 12.4 | 10.1 |
| **Total other current assets and current financial assets (see → Note 15)** | **122.3** | **111.0** |

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

## 8. INVENTORIES

| | 2017 | 2016 |
|---|---|---|
| | MCHF | MCHF |
| Raw materials, supplies and other inventories | 102.0 | 94.2 |
| Work in progress | 55.9 | 46.3 |
| Finished goods | 128.2 | 116.8 |
| Merchandise | 27.1 | 18.2 |
| Prepayments to suppliers | 0.1 | 0.1 |
| **Total inventories** | **313.3** | **275.6** |

As at 31 December 2017, inventories included allowances for slow-moving and obsolete items of MCHF 43.5 (PY: MCHF 37.9).

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Total | Land and buildings | Machinery and equipment | Office equipment | Assets under constr. / advance payments |
|---|---|---|---|---|---|
| | MCHF | MCHF | MCHF | MCHF | MCHF |
| **2017** | | | | | |
| Cost at beginning of year | 2,088.7 | 619.8 | 1,349.3 | 55.7 | 63.9 |
| Changes in scope of consolidation | -6.8 | -1.7 | -5.0 | -0.1 | |
| Additions | 149.8 | 8.6 | 51.4 | 9.2 | 80.6 |
| Disposals | -96.7 | -14.1 | -74.5 | -8.1 | |
| Transfers | 0.0 | 7.7 | 39.6 | 1.7 | -49.0 |
| Translation differences | 132.0 | 35.9 | 84.4 | 7.0 | 4.7 |
| **Cost at end of year** | **2,267.0** | **656.2** | **1,445.2** | **65.4** | **100.2** |
| | | | | | |
| Accumulated depreciation at beginning of year | 1,362.2 | 323.6 | 1,004.4 | 34.2 | 0.0 |
| Changes in scope of consolidation | -5.9 | -1.3 | -4.5 | -0.1 | |
| Depreciation | 105.7 | 18.5 | 76.7 | 10.5 | |
| Disposals | -91.3 | -12.3 | -71.1 | -7.9 | |
| Translation differences | 83.5 | 16.5 | 61.5 | 5.5 | |
| **Accumulated depreciation at end of year** | **1,454.2** | **345.0** | **1,067.0** | **42.2** | **0.0** |
| | | | | | |
| **Carrying amounts at end of year** | **812.8** | **311.2** | **378.2** | **23.2** | **100.2** |

| | Total | Land and buildings | Machinery and equipment | Office equipment | Assets under constr. / advance payments |
|---|---|---|---|---|---|
| | MCHF | MCHF | MCHF | MCHF | MCHF |
| **2016** | | | | | |
| Cost at beginning of year | 2,122.2 | 614.4 | 1,361.2 | 58.7 | 87.9 |
| Changes in scope of consolidation | -26.3 | -6.0 | -20.3 | | |
| Additions | 127.9 | 15.3 | 54.3 | 7.7 | 50.6 |
| Disposals | -114.3 | -15.1 | -82.5 | -16.7 | |
| Transfers | 0.0 | 16.4 | 50.3 | 6.8 | -73.5 |
| Translation differences | -20.8 | -5.2 | -13.7 | -0.8 | -1.1 |
| **Cost at end of year** | **2,088.7** | **619.8** | **1,349.3** | **55.7** | **63.9** |
| | | | | | |
| Accumulated depreciation at beginning of year | 1,406.8 | 324.4 | 1,039.1 | 43.3 | 0.0 |
| Changes in scope of consolidation | -24.6 | -5.0 | -19.6 | | |
| Depreciation | 102.0 | 18.3 | 75.9 | 7.8 | |
| Disposals | -107.2 | -12.5 | -78.5 | -16.2 | |
| Translation differences | -14.8 | -1.6 | -12.5 | -0.7 | |
| **Accumulated depreciation at end of year** | **1,362.2** | **323.6** | **1,004.4** | **34.2** | **0.0** |
| | | | | | |
| **Carrying amounts at end of year** | **726.5** | **296.2** | **344.9** | **21.5** | **63.9** |

As at 31 December 2017, there were no qualified assets for which borrowing costs were capitalised during the production phase. As at 31 December 2017, the Group had entered into firm commitments for capital expenditures of MCHF 15.0 (PY: MCHF 7.8).

## 10. OTHER NON-CURRENT ASSETS AND NON-CURRENT FINANCIAL ASSETS

| | 2017 | 2016 |
|---|---|---|
| | MCHF | MCHF |
| Reinsurance policies for pension obligations (see → **Note 16**) | 22.3 | 19.3 |
| Assets from defined benefit plans (see → **Note 16**) | 0.9 | 0.4 |
| Deposits | 2.6 | 2.6 |
| Capitalised financing costs | 1.2 | 0.5 |
| Other | 8.0 | 3.3 |
| **Total other non-current assets and non-current financial assets** | **35.0** | **26.1** |

As at 31 December 2017, the position “Other” mainly includes long-term receivables in connection with the sale of the Varicor Group.

## 11. GOODWILL AND INTANGIBLE ASSETS

| | Total | Goodwill | Patents and technology | Trademarks | Other intangible assets[1] |
|---|---|---|---|---|---|
| | MCHF | MCHF | MCHF | MCHF | MCHF |
| **2017** | | | | | |
| Cost at beginning of year | 2,213.2 | 1,467.6 | 260.0 | 377.8 | 107.8 |
| Changes in scope of consolidation | -11.8 | -11.6 | | | -0.2 |
| Additions | 9.2 | | | | 9.2 |
| Disposals | -1.9 | | | | -1.9 |
| Translation differences | 133.2 | 112.3 | 11.8 | 7.6 | 1.5 |
| **Cost at end of year** | **2,341.9** | **1,568.3** | **271.8** | **385.4** | **116.4** |
| Accumulated amortisation at beginning of year | 532.1 | 212.5 | 192.1 | 61.8 | 65.7 |
| Changes in scope of consolidation | -0.2 | | | | -0.2 |
| Amortisation | 44.6 | | 35.0 | | 9.6 |
| Disposals | -1.9 | | | | -1.9 |
| Translation differences | 18.4 | 9.7 | 7.7 | | 1.0 |
| **Accumulated amortisation at end of year** | **593.0** | **222.2** | **234.8** | **61.8** | **74.2** |
| **Carrying amounts at end of year** | **1,748.9** | **1,346.1** | **37.0** | **323.6** | **42.2** |
| **2016** | | | | | |
| Cost at beginning of year | 2,256.4 | 1,508.0 | 260.9 | 381.5 | 106.0 |
| Changes in scope of consolidation | -32.9 | -31.3 | | | -1.6 |
| Additions | 11.2 | | | | 11.2 |
| Disposals | -7.7 | | | | -7.7 |
| Translation differences | -13.8 | -9.1 | -0.9 | -3.7 | -0.1 |
| **Cost at end of year** | **2,213.2** | **1,467.6** | **260.0** | **377.8** | **107.8** |
| Accumulated amortisation at beginning of year | 499.3 | 213.2 | 158.5 | 59.8 | 67.8 |
| Changes in scope of consolidation | -1.4 | | | | -1.4 |
| Amortisation | 43.1 | | 34.4 | | 8.7 |
| Disposals | -7.5 | | | | -7.5 |
| Transfer | 0.0 | | | 2.0 | -2.0 |
| Translation differences | -1.4 | -0.7 | -0.8 | | 0.1 |
| **Accumulated amortisation at end of year** | **532.1** | **212.5** | **192.1** | **61.8** | **65.7** |
| **Carrying amounts at end of year** | **1,681.1** | **1,255.1** | **67.9** | **316.0** | **42.1** |

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

Goodwill and intangible assets from acquisitions with an indefinite useful life are tested for impairment on an annual basis. No impairment arose on 31 December 2017. The following table lists the carrying amounts and parameters of the items that are material for the Group.

| | Carrying amount | Carrying amount | Calculation of recoverable amount (PY numbers in brackets) | | | |
|---|---|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | Value in use (U) or fair value less cost to sell (F) | Growth rate beyond planning period | Discount rate pre-tax | Discount rate post-tax |
| | MCHF | MCHF | | % | % | % |
| Goodwill | 1,346.1 | 1,255.1 | U | 2.9 (2.4) | 6.2 (7.3) | 5.6 (6.4) |
| Geberit trademark | 84.6 | 84.6 | U | 2.9 (2.4) | 6.2 (7.4) | 5.6 (6.4) |
| Various other trademarks | 239.0 | 231.4 | U | 2.0 - 2.9 (2.4) | 5.9 - 7.2 (5.7 - 8.5) | 5.8 - 6.8 (5.6 - 7.2) |

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

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

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

## 12. SHORT-TERM DEBT

| | 2017 | 2016 |
|---|---|---|
| | MCHF | MCHF |
| Other short-term debt | 4.5 | 4.2 |
| **Total short-term debt** | **4.5** | **4.2** |

### SHORT-TERM CREDIT LINES

The Group maintains credit lines of MCHF 41.9 (PY: MCHF 40.6) from various lenders, which can be cancelled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. As at 31 December 2017 and 2016, the Group did not have any outstanding drawings on the above-mentioned credit lines.

### OTHER SHORT-TERM DEBT

As at 31 December 2017, the Group had MCHF 4.5 in other short-term debt (PY: MCHF 4.2). This debt incurred an effective interest rate of 5.4% (PY: 5.4%).

### CURRENCY MIX

Of the short-term debt outstanding as at 31 December 2017, MCHF 4.5 was denominated in EUR (PY: MCHF 4.1).

## 13. OTHER CURRENT LIABILITIES AND PROVISIONS

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Compensation-related liabilities | 88.5 | 89.9 |
| Customer-related liabilities | 107.8 | 77.3 |
| Value added tax payables | 44.5 | 49.7 |
| Short-term derivative financial instruments (see → **Note 15**) | 1.1 | 0.1 |
| Short-term interest payables | 3.8 | 3.5 |
| Other current liabilities | 40.7 | 43.0 |
| **Total other current liabilities** | **286.4** | **263.5** |

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

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Current provisions | 16.4 | 25.8 |
| Provisions for restructuring | 36.3 | 11.9 |
| **Total current provisions** | **52.7** | **37.7** |

The movements of current provisions for 2017 and 2016 are shown in the following table:

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Current provisions** | | |
| **1 January** | **25.8** | **15.4** |
| Additions | 4.6 | 15.9 |
| Used | -11.9 | -4.3 |
| Reversed | -2.2 | -0.6 |
| Translation differences | 0.1 | -0.6 |
| **31 December** | **16.4** | **25.8** |

The movements of provisions for restructuring for 2017 and 2016 are shown in the following table:

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Provisions for restructuring** | | |
| **1 January** | **11.9** | **16.2** |
| Additions | 50.9 | 1.5 |
| Transfers | -19.6 | 2.8 |
| Used | -6.6 | -8.0 |
| Reversed | -2.5 | -0.2 |
| Translation differences | 2.2 | -0.4 |
| **31 December** | **36.3** | **11.9** |

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, was communicated. 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. The costs of the closure had a negative impact of MCHF 45 on the result of the Geberit Group in 2017. As at 31 December 2017, the restructuring provision for this case amounted to MCHF 37.8 and is split into a current (MCHF 29.0) and non-current (MCHF 8.8) provision.

## 14. LONG-TERM DEBT

| | 2017 MCHF | 2016 MCHF |
|---|---|---|
| Bonds | 878.8 | 829.5 |
| Syndicated bank loan | 0.0 | 128.4 |
| Credit facility | 0.0 | 0.0 |
| Other long-term debt | 11.9 | 8.8 |
| **Total long-term debt** | **890.7** | **966.7** |
| Short-term portion of long-term debt | 0.0 | 0.0 |
| **Total long-term debt** | **890.7** | **966.7** |

### BONDS
Geberit has the following three bonds outstanding: a bond for MCHF 150 (fair value as at 31 December 2017: MCHF 150.7) with a term of four years and a coupon of 0.05% due 2019, a bond for MCHF 150 (fair value as at 31 December 2017: MCHF 151.4) with a term of eight years and a coupon of 0.3% due 2023, and a bond for MEUR 500 (fair value as at 31 December 2017: MEUR 507.9) with a term of six years and a coupon of 0.688% due 2021.

### SYNDICATED BANK LOAN
The syndicated bank loan was used for medium-term financing and had a term of three years (due in 2018). Its variable interest rate was based on the LIBOR plus a margin that depends on the ratio of net debt to EBITDA. MEUR 0 of the loan had been drawn as at 31 December 2017 (PY: MEUR 120). MEUR 155 was repaid in 2016 and the term loan facility was repaid in full and cancelled on 11 September 2017.

### REVOLVING CREDIT FACILITY
The revolving credit facility was a firmly committed credit line of MCHF 300 dating from October 2014 which was replaced by a new firmly committed credit line of MCHF 500 in November 2017. Like its predecessor, the new credit line also has a term of five years (due in 2022) as well as two renewal options of one additional year each. The interest rate continues to be variable and is based on the LIBOR plus a fixed margin. An additional fee is charged if this credit line is drawn down. None of this credit facility was drawn down as of 31 December 2017. A commitment fee – recorded as financial expenses – is charged in respect of the undrawn portion.

The MEUR 500 bond and the MCHF 500 credit facility are secured by guarantees from Geberit AG. The credit facility contains conditions typical for syndicated financing.

### OTHER LONG-TERM DEBT
As at 31 December 2017, the Group had MCHF 11.9 of other long-term debt (PY: MCHF 8.8). This debt incurred an effective interest rate of 6.0% (PY: 5.9%).

### CURRENCY MIX
Of the total long-term debt outstanding as at 31 December 2017, MCHF 592.3 was denominated in EUR (PY: MCHF 669.3) and MCHF 298.4 in CHF (PY: MCHF 297.4).

## 15. FINANCIAL INSTRUMENTS

### DERIVATIVE FINANCIAL INSTRUMENTS
Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments according to the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in → **Notes 3** and → **4**. As at 31 December 2017 and 2016, the following derivative financial instruments were outstanding:

**Forward foreign exchange contracts**

| | Contract values | | | | | Fair value 31.12. | Calculation method |
|---|---|---|---|---|---|---|---|
| **2017** | MCZK | MEUR | MGBP | MPLN | MNOK | MCHF | |
| Foreign exchange contracts | 0.0 | -200.0 | -0.3 | -48.5 | -5.0 | -0.9 | Mark-to-Market |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **2016** | MCZK | MEUR | MGBP | MPLN | MNOK | MCHF | |
| Foreign exchange contracts | -5.0 | -55.0 | -1.0 | 0.0 | 0.0 | 0.2 | Mark-to-Market |

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

**Measurement of financial instruments by categories in accordance with IFRS 9**
Based on the relevant balance sheet item of financial instruments, the following table shows an allocation of the balance sheet items to the classification by categories in accordance with IFRS 9. In addition, a fair value measurement hierarchy was introduced for assets and liabilities that are measured at fair value in accordance with IFRS 13. Level 1 contains all financial instruments with quoted prices in active markets. Level 2 contains all financial instruments with inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 contains all financial instruments with inputs for determining the assets and liabilities that are not based on observable market data.

| | Carrying amount as at 31.12.2017 | Financial assets at amortised cost | Financial assets at fair value through profit and loss | Fair value measurement hierarchy |
|---|---|---|---|---|
| | MCHF | MCHF | MCHF | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 412.7 | 412.7 | 0.0 | |
| Trade accounts receivable | 201.7 | 201.7 | 0.0 | |
| Other current assets (see → **Note 7**) | 122.1 | 122.1 | 0.0 | |
| Other non-current assets | 11.1 | 10.9 | 0.2 | Level 2 |
| Derivative financial instruments (see → **Note 7**) | 0.2 | 0.0 | 0.2 | Level 2 |
| **Total** | **747.8** | **747.4** | **0.4** | |

| | Carrying amount as at 31.12.2017 | Financial liabilities at amortised cost | Financial liabilities at fair value through profit and loss | Fair value measurement hierarchy |
|---|---|---|---|---|
| | MCHF | MCHF | MCHF | |
| **Financial liabilities** | | | | |
| Short-term debt | 4.5 | 4.5 | 0.0 | |
| Trade accounts payable | 126.1 | 126.1 | 0.0 | |
| Bonds | 878.8 | 878.8 | 0.0 | |
| Syndicated bank loan | 0.0 | 0.0 | 0.0 | |
| Other financial liabilities | 11.9 | 11.9 | 0.0 | |
| Derivative financial instruments | 1.1 | 0.0 | 1.1 | Level 2 |
| **Total** | **1,022.4** | **1,021.3** | **1.1** | |

| | Carrying amount as at 31.12.2016 | Financial assets at amortised cost[1] | Financial assets at fair value through profit and loss | Fair value measurement hierarchy |
|---|---|---|---|---|
| | MCHF | MCHF | MCHF | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 509.7 | 509.7 | 0.0 | |
| Trade accounts receivable | 174.4 | 174.4 | 0.0 | |
| Other current assets (see → **Note 7**) | 110.7 | 110.7 | 0.0 | |
| Other non-current assets | 5.4 | 5.2 | 0.2 | Level 2 |
| Derivative financial instruments (see → **Note 7**) | 0.3 | 0.0 | 0.3 | Level 2 |
| **Total** | **800.5** | **800.0** | **0.5** | |

[1] Under IAS 39 “Loans and receivables” category. No change in measurement basis under IFRS 9 (amortised cost).

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

**FAIR VALUE MEASUREMENT HIERARCHY:**
Level 1: quoted prices in active markets for identical assets
Level 2: observable prices, either directly or indirectly
Level 3: input factors that are not based on observable market data

There is no change to Geberit's classification or measurement of financial assets and financial liabilities as a result of the early adoption of IFRS 9. Only the descriptions of the categories were changed in accordance with IFRS 9.

**MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS**
The following table shows the carrying amount of all contractually defined future (not discounted) interest and amortisation payments of derivative and non-derivative financial instruments as at the balance sheet date:

| | Carrying amount | Maturity | | | | |
|---|---|---|---|---|---|---|
| | 31.12.2017 | 2018 | 2019 | 2020 | 2021 | 2022 and later |
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| Short-term debt | 4.5 | 4.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade accounts payable | 126.1 | 126.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bonds | 878.8 | 4.5 | 154.5 | 4.5 | 588.8 | 150.9 |
| Syndicated bank loan | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial liabilities | 11.9 | 0.7 | 3.3 | 3.1 | 2.8 | 4.6 |
| **Total non-derivative financial liabilities** | **1,021.3** | **136.1** | **157.8** | **7.6** | **591.6** | **155.5** |
| Derivative financial assets/liabilities, net | 0.9 | 248.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total derivative financial instruments** | **0.9** | **248.3** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Total** | **1,022.2** | **384.4** | **157.8** | **7.6** | **591.6** | **155.5** |

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

**ADDITIONAL INFORMATION TO THE CASHFLOW STATEMENT**

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

| | 2017 | | Noncash movements | | | 2016 |
|---|---|---|---|---|---|---|
| | Total | Cashflows | Changes in scope of consolidation | Translation differences | Others | Total |
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| Long-term debt | 890.7 | -137.0 | 0.0 | 52.3 | 8.7 | 966.7 |
| Short-term debt | 4.5 | -0.3 | 0.0 | 0.3 | 0.3 | 4.2 |
| Interest liabilities | 3.8 | -6.4 | 0.0 | 0.3 | 6.4 | 3.5 |
| **Total** | **899.0** | **-143.7** | **0.0** | **52.9** | **15.4** | **974.4** |

“Others” mainly contains the transfer of pension liabilities to long-term debt as well as interest and financing costs booked according to the effective interest rate method to “financial result, net”.

## 16. RETIREMENT BENEFIT PLANS

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

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

| | 2017 | 2016 |
|---|---|---|
| | MCHF | MCHF |
| **Switzerland** | | |
| Benefit obligation (for funded retirement benefit plans) | 597.5 | 582.9 |
| Plan assets at fair value | 573.9 | 510.6 |
| **Funded status** | **-23.6** | **-72.3** |
| | | |
| **Germany** | | |
| Benefit obligation (for unfunded retirement benefit plans) | 250.1 | 220.9 |
| Plan assets at fair value | 0.0 | 0.0 |
| **Funded status** | **-250.1** | **-220.9** |
| Reimbursement rights | 15.2 | 12.3 |

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Other plans** | | |
| Benefit obligation (for funded retirement benefit plans) | 44.1 | 42.2 |
| Benefit obligation (for unfunded retirement benefit plans) | 34.4 | 30.8 |
| Plan assets at fair value | 43.9 | 40.8 |
| **Funded status** | **-34.6** | **-32.2** |
| Reimbursement rights | 7.1 | 7.0 |
| | | |
| **Total** | | |
| Benefit obligation (for all retirement benefit plans) | 926.1 | 876.8 |
| Plan assets at fair value | 617.8 | 551.4 |
| **Funded status** | **-308.3** | **-325.4** |
| Reimbursement rights | 22.3 | 19.3 |

### SWISS RETIREMENT BENEFIT PLANS

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

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

If the pension fund is underfunded in accordance with the BVG, the Board of Trustees is obliged by law to initiate measures to rectify the situation, such as reducing the interest paid on retirement assets, reducing the benefit entitlement, or collecting remedial contributions. Legally accrued benefits may not be reduced. With remedial contributions, the risk is shared between the employer and employees and the employer is not legally obliged to pay more than 50% of the additional contributions. The technical funding ratio of this Foundation in accordance with the BVG was 118.2% as at 31 December 2017 (PY: 114.6%).

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

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

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

### GERMAN RETIREMENT BENEFIT PLANS

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

#### Capital account plans

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

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

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

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

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

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

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

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

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

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

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

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Current service cost | 35.3 | 33.2 |
| Past service cost | -7.2 | 0.0 |
| Contributions of employees | -9.4 | -9.2 |
| Net interest cost for retirement benefit plans | 3.9 | 4.2 |
| **Net periodic pension cost** | **22.6** | **28.2** |

The current service cost for the Swiss retirement benefit plans was MCHF 23.7 in 2017 (PY: MCHF 22.5) and for the German retirement benefit plans MCHF 10.6 (PY: MCHF 9.7). The past service cost for the Swiss retirement benefit plan (Gemeinschaftsstiftung) was MCHF -5.6 which is a technical effect related to a plan change according to IAS 19. The future pension benefits of the active members were reduced due to the steadily increasing life expectancy and low interest rates environment.

The net interest cost for the Swiss retirement benefit plans was MCHF 0.3 in 2017 (PY: MCHF 0.4) and for the German retirement benefit plans MCHF 3.3 (PY: MCHF 3.5).

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

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Actuarial gains (-)/losses: | 17.0 | 43.1 |
| - of which from changes in demographic assumptions | -0.1 | -1.0 |
| - of which from changes in financial assumptions | -4.4 | 43.4 |
| - of which from experience adjustments | 21.5 | 0.7 |
| Return on plan assets (excluding interest based on discount rate) | -46.0 | -22.2 |
| Return on reimbursement rights (excluding interest based on discount rate) | 0.0 | -0.1 |
| Asset ceiling adjustment | 0.0 | 0.0 |
| **Total pre-tax remeasurements recognised in other comprehensive income** | **-29.0** | **20.8** |

The remeasurements recognised in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2017 for the Swiss retirement benefit plans amounted to MCHF -35.3 (PY: MCHF 13.6) and for the German retirement benefit plans to MCHF 4.8 (PY: MCHF 5.4).

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

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Benefit obligation** | | |
| At beginning of year | 876.8 | 834.2 |
| Changes in scope of consolidation | -0.9 | -15.1 |
| Current service cost | 35.3 | 33.2 |
| Past service cost | -7.2 | 0.0 |
| Interest cost | 8.8 | 10.0 |
| Actuarial gains (-)/losses | 17.0 | 43.1 |
| New plans/plan adjustments | 0.0 | 1.5 |
| Benefits paid | -28.0 | -22.8 |
| Translation differences | 24.3 | -7.3 |
| **Benefit obligation at end of year** | **926.1** | **876.8** |

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Plan assets at fair value** | | |
| At beginning of year | 551.4 | 534.8 |
| Changes in scope of consolidation | 0.0 | -9.5 |
| Interest income (based on discount rate) | 4.3 | 5.3 |
| Return on plan assets (excluding interest based on discount rate) | 46.0 | 22.2 |
| Contributions of employees | 8.8 | 8.7 |
| Contributions of employers | 23.3 | 9.0 |
| New plans/plan adjustments | -0.5 | 0.0 |
| Benefits paid | -17.8 | -13.8 |
| Translation differences | 2.3 | -5.3 |
| **Plan assets at fair value at end of year** | **617.8** | **551.4** |
| | | |
| **Funded status at end of year** | **-308.3** | **-325.4** |
| Asset ceiling adjustment | 0.0 | 0.0 |
| Assets from defined benefit plans (see → **Note 10**) | -0.9 | -0.4 |
| **Net funded status at end of year** | **-309.2** | **-325.8** |

The position “Contributions of employers” includes a one-off payment to the amount of MCHF 13.8 to partly mitigate the reduction of the future pension benefits of the active members resulting from the plan change above.

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Fair value of reimbursement rights** | | |
| At beginning of year | 19.3 | 17.2 |
| Changes in scope of consolidation | 0.0 | 0.0 |
| Interest income (based on discount rate) | 0.6 | 0.5 |
| Return on reimbursement rights (excluding interest based on discount rate) | 0.0 | 0.1 |
| Contributions of employers | 1.4 | 1.3 |
| Contributions of employees | 0.6 | 0.5 |
| Benefits paid | -0.4 | -0.3 |
| Translation differences | 0.8 | 0.0 |
| **Fair value of reimbursement rights at end of year** | **22.3** | **19.3** |

As at 31 December 2017, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 15.2 (PY: MCHF 12.3).

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

| | | | 2017 | | | 2016 |
|---|---|---|---|---|---|---|
| | Listed on an active market<br>MCHF | Other<br>MCHF | Total<br>MCHF | Listed on an active market<br>MCHF | Other<br>MCHF | Total<br>MCHF |
| Equity instruments | 224.2 | 17.0 | 241.2 | 192.8 | 9.0 | 201.8 |
| Bonds and other debt instruments | 108.3 | 41.6 | 149.9 | 108.5 | 38.0 | 146.5 |
| Real estate property | 57.9 | 123.2 | 181.1 | 54.8 | 121.1 | 175.9 |
| Cash and cash equivalents | 36.3 | 0.0 | 36.3 | 20.1 | 0.0 | 20.1 |
| Other | 3.0 | 6.3 | 9.3 | 2.4 | 4.7 | 7.1 |
| **Total** | **429.7** | **188.1** | **617.8** | **378.6** | **172.8** | **551.4** |

The plan asset of the Swiss retirement benefit plans was MCHF 573.9 as at 31 December 2017 and the effective income on the plan assets was +9.4% in 2017 and +3.45% in 2016. As at the end of 2017, the plan assets included MCHF 6.6 (PY: MCHF 6.3) in equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate used by the Group.

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

| | | | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | Active members | Deferred members | Pensioners | Total | Active members[1] | Deferred members | Pensioners | Total |
| **Plan members (number)** | | | | | | | | |
| Swiss retirement benefit plans | 1,278 | | 516 | 1,794 | 1,238 | | 500 | 1,738 |
| German retirement benefit plans | 5,178 | 581 | 364 | 6,123 | 4,941 | 525 | 355 | 5,821 |
| **Total plan members** | **6,456** | **581** | **880** | **7,917** | **6,179** | **525** | **855** | **7,559** |
| | | | | | | | | |
| **Benefit obligation (in MCHF)** | | | | | | | | |
| Swiss retirement benefit plans | 346.9 | | 250.6 | 597.5 | 346.6 | | 236.3 | 582.9 |
| German retirement benefit plans | 181.8 | 26.9 | 41.4 | 250.1 | 156.4 | 23.7 | 40.8 | 220.9 |
| **Total benefit obligation** | **528.7** | **26.9** | **292.0** | **847.6** | **503.0** | **23.7** | **277.1** | **803.8** |
| Share in % | 62.3 | 3.2 | 34.5 | 100.0 | 62.6 | 2.9 | 34.5 | 100.0 |

[1] Error in number Active members for German retirement benefit plans. Correction according to IAS 8.

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

Employer contributions of MCHF 9.1 are expected for the Swiss retirement benefit plans in 2018. In Switzerland, an employer contribution reserve of MCHF 19.5 may be used for future contribution payments.

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

| | | 2017 | | 2016 |
|---|---|---|---|---|
| | CH | DE | CH | DE |
| Discount rate | 0.6 | 1.45 | 0.6 | 1.6 |
| Salary increase rate | 1.2 | 0 - 2,5 | 1.2 | 0 - 2,5 |
| Pension increase rate | 0.0 | 2.0 | 0.0 | 2.0 |
| Mortality | BVG 2015 generations table | 2005G actuarial tables | BVG 2015 generations table | 2005G actuarial tables |

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

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

| | Swiss retirement benefit plans: increase/reduction (-) in present value of benefit obligation | German retirement benefit plans: increase/reduction (-) in present value of benefit obligation |
|---|---|---|
| **Discount rate** | | |
| Increased by 50 basis points | -7.1% | -5.5% |
| Reduced by 50 basis points | +8.3% | +6.2% |
| **Salaries** | | |
| Increased by 25 basis points | +0.40% | +0.02% |
| Reduced by 25 basis points | -0.38% | -0.02% |

In addition, the Group's consolidated income statement for 2017 included expenses for defined contribution plans of MCHF 7.1 (PY: MCHF 7.4).

## 17. PARTICIPATION PLANS

### SHARE PLANS

In 2017, employees were able to purchase a defined number of shares at a discount of 45% (PY: 35%) compared to the market price ("Employee share purchase plan"). Geberit management was entitled to draw the previous year's variable remuneration partly or entirely in shares valued at market price ("Management share purchase plan"). For each of these shares, management participants received one option (see part 2: "Option plans"). As part of the "Directors programme", members of the Board of Directors received their compensation for 2016 in shares of Geberit AG (measured at current market value). All share plans are subject to blocking periods valid beyond the period of employment.

The share plans introduced in 2017 are summarised below:

| | End of blocking period | Number of participants | Number of shares issued | Issuing price CHF |
|---|---|---|---|---|
| Employee share purchase plan (ESPP) | 2019 | 2,785 | 19,783 | 239.77 |
| Management share purchase plan (MSPP) | 2020 | 110 | 14,204 | 435.95 |
| Directors programme (DSPP) | 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.

As at 31 December 2017, the Board of Directors, the Group Executive Board and the employees owned a combined total of 362,011 (PY: 353,688) shares, i.e. 1.0% (PY: 1.0%) of the share capital of Geberit AG under these plans.

### OPTION PLANS

The management has the opportunity to invest part or all of their variable remuneration in shares of Geberit AG through the management share purchase plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable remuneration to be invested in shares. In order to encourage management to participate in the programme, a free option is provided for each share purchased through the programme. These options are subject to a vesting period of four years: a quarter of the options can be exercised one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant.

In connection with an additional option plan (MSOP), the members of the Group Executive Board and managing directors are entitled to additional options. The options are subject to a vesting period of five years: a third of the options can be exercised three years after the grant, a further third four years after the grant and a further third five years after the grant.

The exercise price of the options corresponds to the fair market value of the Geberit shares at the time of grant. The options have a term of seven years (MSPP) or ten years (MSOP) respectively after which they expire. They can be exercised between the vesting date and the maturity date. The vesting of share options is subject to the achievement of a performance criterion - the average Return on Invested Capital (ROIC) - over the respective vesting period.

The following is a summary of the options allocated to the management in 2017:

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

The fair value of the options granted in 2017 amounted on average to CHF 34.72 (PY: CHF 26.81) for MSPP and CHF 39.87 (PY: CHF 31.42) for MSOP at the respective granting date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

| | Exercise price [1] | Expected Ø volatility | Expected Ø dividend yield | Contractual period | Riskfree Ø interest rate |
|---|---|---|---|---|---|
| | CHF | % | % | Years | % |
| Management share purchase plan (MSPP) | 435.95 | 16.95 | 2.28 | 7 | -0.33 |
| Option plan (MSOP) | 435.95 | 16.88 | 2.28 | 10 | -0.10 |

[1] The exercise price corresponds to the average price of Geberit shares for the period from 7. – 20.3.2017.

The following table summarises all option plans in place as at 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 | Number of options | Ø exercise price | Number of options | Ø exercise price | Number of options | Ø exercise price |
| | | CHF | | CHF | | CHF | | 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 473,375 options outstanding represent 1.3% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

The options outstanding as 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.

Cost resulting from participation plans amounted to MCHF 4.3 in 2017 (PY: MCHF 2.6); those for option plans totalled MCHF 3.2 (PY: MCHF 2.9).

## 18. DEFERRED TAX ASSETS AND LIABILITIES

| | 2017 | Movements 2017 | | | | | 2016 |
|---|---|---|---|---|---|---|---|
| | Total | (Charged) / credited to income | Through equity | Through OCI[1] | Changes in scope of consolidation | Translation differences | Total |
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| **Deferred tax assets** | | | | | | | |
| Loss carryforwards | 12.2 | 4.2 | 0.0 | 0.0 | 0.0 | -0.2 | 8.2 |
| Accrued pension obligations | 32.2 | -3.1 | 0.0 | -4.3 | -0.2 | 2.6 | 37.2 |
| Property, plant and equipment | 10.6 | 2.6 | 0.0 | 0.0 | 0.0 | 0.5 | 7.5 |
| Intangible assets | 13.4 | -5.4 | 0.0 | 0.0 | -0.2 | 0.0 | 19.0 |
| Other | 27.7 | 2.0 | 0.4 | 0.2 | 0.0 | 0.3 | 24.8 |
| **Total deferred tax assets** | **96.1** | **0.3** | **0.4** | **-4.1** | **-0.4** | **3.2** | **96.7** |
| **Deferred tax liabilities** | | | | | | | |
| Inventories | -3.6 | 1.3 | 0.0 | 0.0 | 0.0 | 0.1 | -5.0 |
| Property, plant and equipment | -29.3 | 4.4 | 0.0 | 0.0 | 0.0 | -2.7 | -31.0 |
| Intangible assets | -37.5 | 11.4 | -0.1 | 0.0 | 0.0 | -0.1 | -48.7 |
| Assets from defined benefit plans | -0.3 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 |
| Other | -5.8 | -0.8 | 0.0 | 0.0 | 0.0 | -0.2 | -4.8 |
| **Total deferred tax liabilities** | **-76.5** | **16.2** | **-0.1** | **0.0** | **0.0** | **-2.9** | **-89.7** |

[1] Recorded in other comprehensive income

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

[1] Recorded in other comprehensive income

In general, deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings in Group companies if earnings are planned to be remitted. As at 31 December 2017 and 2016, there were no such earnings, except for the Chinese subsidiaries. On the unremitted earnings from China, no deferred tax liabilities were recorded, as no plan exists to remit these earnings. Such a transfer of earnings would lead to income taxes of MCHF 0.2 (PY: MCHF 0.1).

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

| | 2017 | Without deferred tax asset | With deferred tax asset | 2016 | Without deferred tax asset | With deferred tax asset |
|---|---|---|---|---|---|---|
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| **Maturity** | | | | | | |
| 1 year | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 |
| 2 years | 11.3 | 6.6 | 4.7 | 0.0 | 0.0 | 0.0 |
| 3 years | 6.0 | 0.0 | 6.0 | 16.7 | 15.3 | 1.4 |
| 4 years | 2.7 | 0.0 | 2.7 | 7.2 | 0.0 | 7.2 |
| 5 years | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 2.0 |
| 6 years | 11.0 | 6.1 | 4.9 | 10.6 | 8.7 | 1.9 |
| > 6 years | 173.8 | 147.1 | 26.7 | 149.0 | 128.3 | 20.7 |
| **Total loss carryforwards** | **204.8** | **159.8** | **45.0** | **185.7** | **152.3** | **33.4** |

## 19. OTHER NON-CURRENT LIABILITIES AND PROVISIONS

| | 2017 | 2016 |
|---|---|---|
| | MCHF | MCHF |
| Accrued investment grants | 2.9 | 3.6 |
| Other non-current liabilities | 6.7 | 7.6 |
| **Total other non-current liabilities** | **9.6** | **11.2** |
| | | |
| Provisions for operating risks | 35.1 | 31.6 |
| Other non-current provisions | 13.0 | 3.2 |
| **Total non-current provisions** | **48.1** | **34.8** |
| | | |
| **Total other non-current liabilities and provisions** | **57.7** | **46.0** |

Movements of the provisions for operating risks in 2017 and 2016 are shown in the following table.

| | 2017 | 2016 |
|---|---|---|
| | MCHF | MCHF |
| **Provisions for operating risks** | | |
| **1 January** | **31.6** | **28.6** |
| Changes in scope of consolidation | -0.2 | 0.0 |
| Additions | 14.3 | 14.0 |
| Used | -10.7 | -8.4 |
| Reversed | -2.0 | -2.5 |
| Translation differences | 2.1 | -0.1 |
| **31 December** | **35.1** | **31.6** |

Provisions for operating risks mainly include provisions for warranties. The payments for the warranty claims delay on average 4.0 years (PY: 3.6 years).

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Other non-current provisions** | | |
| **1 January** | **3.2** | **2.3** |
| Changes in scope of consolidation | 0.0 | 0.0 |
| Additions | 2.7 | 0.0 |
| Transfers | 19.6 | 1.6 |
| Used | -12.7 | -0.6 |
| Reversed | -0.5 | -0.2 |
| Translation differences | 0.7 | 0.1 |
| **31 December** | **13.0** | **3.2** |

This position includes the non-current portion of the restructuring provision totalling MCHF 8.8 for the closure of the plants in France. The line item "Used" includes mainly payments for this closure in France. For a detailed explanation, see → **Note 13 "Other current liabilities and provisions"**.

## 20. CONTINGENCIES

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

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

## 21. CAPITAL STOCK AND TREASURY SHARES

| | 2017<br>pcs. | 2016<br>pcs. |
|---|---|---|
| **Issued shares** | | |
| **1 January** | **37,041,427** | **37,798,427** |
| Capital reduction | 0 | -757,000 |
| **31 December** | **37,041,427** | **37,041,427** |

Geberit AG launched a share buyback programme on 6 June 2017. Shares in an aggregate amount of up to CHF 450 million will be repurchased, less withholding tax, over a maximum period of three years. Based on the closing price of Geberit registered shares on 31 December 2017, this corresponds to around 1,050,000 registered shares or 2.8% of the share capital currently entered in the Commercial Register. 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 repurchased for a total value of MCHF 91.8.

| | 2017<br>pcs. | 2016<br>pcs. |
|---|---|---|
| **Stock of treasury shares** | | |
| From share buyback programmes | 205,250 | 0 |
| Other treasury shares | 186,390 | 239,869 |
| **Total treasury shares** | **391,640** | **239,869** |

The entire stock of treasury shares on 31 December 2017 amounted to 391,640 (PY: 239,869) with a carrying amount of MCHF 156.4 (PY: MCHF 79.4). Treasury shares are deducted from equity at historical cost.

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

## 22. EARNINGS PER SHARE

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

| | 2017 | 2016 |
|---|---|---|
| Attributable net income according to income statement (MCHF) | 527.4 | 548.2 |
| Weighted average number of ordinary shares (thousands) | 36,783 | 36,839 |
| **Total earnings per share (CHF)** | **14.34** | **14.88** |

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

| | 2017 | 2016 |
|---|---|---|
| Attributable net income according to income statement (MCHF) | 527.4 | 548.2 |
| Weighted average number of ordinary shares (thousands) | 36,783 | 36,839 |
| Adjustments for share options (thousands) | 72 | 72 |
| Weighted average number of ordinary shares (thousands) | 36,855 | 36,911 |
| **Total diluted earnings per share (CHF)** | **14.31** | **14.85** |

## 23. OTHER OPERATING EXPENSES, NET

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Outbound freight cost and duties | 106.6 | 98.0 |
| Energy and maintenance expenses | 133.1 | 129.2 |
| Marketing expenses | 108.1 | 105.2 |
| Administration expenses | 69.1 | 68.7 |
| Other operating expenses | 164.1 | 169.6 |
| Other operating income | -21.3 | -23.8 |
| **Total other operating expenses, net** | **559.7** | **546.9** |

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

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

In 2017, costs of MCHF 12.9 (PY: MCHF 16.4) were capitalised as property, plant and equipment or intangible assets. This includes in particular tools, mould and assembly lines that are part of the production process, as well as capitalised product development cost. The amount was deducted pro-rata from “Personnel expenses”, “Cost of materials” and “Other operating expenses, net”.

## 24. FINANCIAL RESULT, NET

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Interest expenses | -9.7 | -9.5 |
| Amortisation of deferred financing fees | -1.5 | -2.1 |
| Other financial expenses | -1.8 | -1.9 |
| **Total financial expenses** | **-13.0** | **-13.5** |
| Interest income and other | 1.2 | 1.9 |
| **Total financial income** | **1.2** | **1.9** |
| Foreign exchange loss (-)/gain | 2.4 | 2.3 |
| **Total financial result, net** | **-9.4** | **-9.3** |

"Interest expenses" mainly includes the interest for the bonds and for the syndicated bank loans. "Other financial expenses" mainly includes commitment and other fees.

## 25. INCOME TAX EXPENSES

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Current taxes | 101.4 | 117.3 |
| Deferred taxes | -16.5 | -34.7 |
| **Total income tax expenses** | **84.9** | **82.6** |

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 12.5% (PY: 14.6%) and the effective income tax expenses were as follows:

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Income tax expenses, at applicable rate | 76.8 | 91.8 |
| Operating losses with no current tax benefit | 13.9 | 3.1 |
| Offsetting of current profits against loss carryforwards without tax assets | -1.3 | -6.1 |
| Changes in future tax rates | -0.7 | -0.4 |
| Non-deductible expenses and non-taxable income, net | 0.4 | 0.8 |
| Other | -4.2 | -6.6 |
| **Total income tax expenses** | **84.9** | **82.6** |

The reduction of the weighted-average applicable tax rate of the Group by -210 bp mainly results from the MCHF 45 restructuring costs in France, which are considered as deductible for the calculation of the theoretical tax rate, but also from an improved country mix.

In 2017 the position "Other" includes mainly tax benefits from the capitalisation of loss carryforwards which occurred from reorganisation projects. The position "Operating losses with no current tax benefit" mainly includes the non-capitalisable loss in France which resulted from the aforementioned restructuring costs.

## 26. OPERATING LEASING

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Minimum lease payments** | | |
| < 1 year | 18.9 | 19.8 |
| 1-5 years | 51.1 | 53.7 |
| > 5 years | 64.7 | 71.3 |
| **Total minimum lease payments** | **134.7** | **144.8** |

The lease expenses for 2017 were MCHF 25.4 (PY: MCHF 24.8). The leasing agreements are mainly for rent of buildings and equipment.

## 27. RESEARCH AND DEVELOPMENT COST

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| Research and development expenses | 77.8 | 72.3 |
| Capitalised development expenses | -2.7 | -5.7 |
| Amortisation of capitalised development expenses | 3.3 | 2.1 |
| **Research and development cost** | **78.4** | **68.7** |

Research and development expenses totalling MCHF 77.8 (PY: MCHF 72.3) were included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net". This corresponds with 2.7% of net sales (PY: 2.6%). For five major development projects, the capitalisation criteria according to IAS 38.57 were met and expenses of MCHF 2.7 (PY: MCHF 5.7) were capitalised.

## 28. CASHFLOW FIGURES

Net cashflow is calculated as follows:

| | 2017<br>MCHF | 2016[3]<br>MCHF |
|---|---|---|
| EBITDA[1] | 772.0 | 785.2 |
| Financial result, net | -9.4 | -9.3 |
| Income tax expenses | -84.9 | -82.6 |
| Changes in deferred taxes[2] and current income tax liabilities and provisions | -41.2 | -21.4 |
| Changes in non-current provisions | 71.5 | 33.2 |
| Changes in non-current assets and other | 0.0 | -4.9 |
| **Net cashflow** | **708.0** | **700.2** |

[1] EBIT + Depreciation + Amortisation
[2] Only portion booked to the income statement
[3] Previous year figures were adjusted for comparability reasons due to reclassification

"Changes in non-current provisions" mainly includes the changes in provisions for operating risks, restructurings and accrued pension obligations charged or credited to net income as well as non-cash expenses resulting from share participation and option plans.

"Changes in non-current assets and other" mainly includes the reclassification of gains from the disposal of property, plant and equipment and subsidiaries and the amortisation of deferred financing fees.

Free cashflow is calculated as follows:

| | 2017 | 2016[3] |
|---|---|---|
| | MCHF | MCHF |
| Net cashflow | 708.0 | 700.2 |
| Purchase of property, plant and equipment and intangible assets, net | -155.5 | -132.9 |
| Changes in net working capital | -36.1 | 10.1 |
| Payments charged to non-current provisions | -33.0 | -20.8 |
| **Free cashflow** | **483.4** | **556.6** |

[3] Previous year figures were adjusted for comparability reasons due to reclassification

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

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

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

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

## 29. SEGMENT REPORTING

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

Due to the unity and focus of the business, the top management (Group Executive Board) and the management structure of the Geberit Group are organised by function (Overall Management, Sales Europe, Sales International, Marketing & Brands, Operations, Product Management & Innovation, Finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on net sales by markets and product lines and on the consolidated income statements, balance sheets, and statements of cashflows.

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

The information is as follows:

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Net sales by product lines** | | |
| Installation Systems | 871.3 | 789.9 |
| Cisterns and Mechanisms | 252.5 | 254.7 |
| Faucets and Flushing Systems | 129.2 | 123.4 |
| Waste Fittings and Traps | 108.5 | 95.5 |
| **Sanitary Systems** | **1,361.5** | **1,263.5** |
| | | |
| Building Drainage Systems | 329.9 | 300.6 |
| Supply Systems | 535.6 | 523.2 |
| **Piping Systems** | **865.5** | **823.8** |
| | | |
| Bathroom Ceramics | 546.8 | 561.5 |
| Ceramics Complementary Products | 134.5 | 160.2 |
| **Sanitary Ceramics** | **681.3** | **721.7** |
| | | |
| **Total net sales** | **2,908.3** | **2,809.0** |

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Net sales by markets** | | |
| Germany | 867.3 | 861.0 |
| Nordic Countries | 313.7 | 306.3 |
| Switzerland | 278.6 | 281.0 |
| Central/Eastern Europe | 280.1 | 256.8 |
| Benelux | 231.6 | 219.0 |
| Italy | 201.2 | 185.9 |
| France | 176.3 | 170.8 |
| Austria | 161.2 | 147.3 |
| United Kingdom/Ireland | 110.5 | 123.2 |
| Iberian Peninsula | 21.4 | 18.8 |
| Other markets | 266.4 | 238.9 |
| **Total net sales** | **2,908.3** | **2,809.0** |

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Share of net sales by customers** | | |
| Customers with more than 10% of net sales: customer A | 435.5 | 403.3 |
| **Total > 10%** | **435.5** | **403.3** |
| | | |
| Remaining customers with less than 10% of net sales | 2,472.8 | 2,405.7 |
| **Total net sales** | **2,908.3** | **2,809.0** |

| | 2017 MCHF | 2016 MCHF |
|---|---|---|
| **Property, plant and equipment by markets** | | |
| Germany | 298.7 | 250.0 |
| Nordic Countries | 39.2 | 36.0 |
| Switzerland | 161.7 | 161.7 |
| Central/Eastern Europe | 128.5 | 107.4 |
| Benelux | 5.4 | 4.9 |
| Italy | 57.6 | 48.5 |
| France | 10.0 | 10.2 |
| Austria | 42.6 | 39.6 |
| United Kingdom/Ireland | 2.5 | 2.3 |
| Iberian Peninsula | 13.5 | 11.7 |
| Other markets | 53.1 | 54.2 |
| **Total property, plant and equipment** | **812.8** | **726.5** |

## 30. RELATED PARTY TRANSACTIONS

In 2017 and 2016, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

| | 2017 MCHF | 2016 MCHF |
|---|---|---|
| Remuneration and salary fixed | 5.5 | 5.2 |
| Remuneration and salary variable | 2.0 | 2.7 |
| Options | 2.7 | 2.2 |
| Expenditure on pensions | 1.5 | 1.1 |
| Other | 0.1 | 0.1 |
| **Total** | **11.8** | **11.3** |

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

In 2017 and 2016, there were no further material related party transactions.

## 31. FOREIGN EXCHANGE RATES

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

| | | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|
| | Currency | | Balance sheet | Income statement | Balance sheet | Income statement |
| European Currency Union | EUR | 1 | 1.1687 | 1.1086 | 1.0736 | 1.0908 |
| United Kingdom | GBP | 1 | 1.3168 | 1.2675 | 1.2515 | 1.3344 |
| USA | USD | 1 | 0.9777 | 0.9844 | 1.0191 | 0.9845 |
| Poland | PLN | 100 | 28.0300 | 26.0350 | 24.2900 | 25.0150 |
| China | CNY | 100 | 15.0200 | 14.5750 | 14.6600 | 14.7610 |
| Denmark | DKK | 100 | 15.6920 | 14.9170 | 14.4400 | 14.6460 |
| Australia | AUD | 1 | 0.7620 | 0.7547 | 0.7368 | 0.7328 |
| Czech Republic | CZK | 100 | 4.5650 | 4.1890 | 3.9730 | 4.0380 |
| Hungary | HUF | 100 | 0.3764 | 0.3590 | 0.3453 | 0.3500 |
| Norway | NOK | 100 | 11.8630 | 11.9270 | 11.8130 | 11.7380 |
| Sweden | SEK | 100 | 11.8530 | 11.5290 | 11.2020 | 11.5210 |
| Singapore | SGD | 1 | 0.7314 | 0.7129 | 0.7048 | 0.7137 |
| South Africa | ZAR | 100 | 7.9100 | 7.3820 | 7.4800 | 6.7060 |
| Turkey | TRY | 100 | 25.8250 | 26.8470 | 28.8840 | 32.5180 |
| Russia | RUB | 100 | 1.6960 | 1.6840 | 1.6790 | 1.4940 |
| Ukraine | UAH | 100 | 3.4800 | 3.7060 | 3.7600 | 3.8600 |
| India | INR | 100 | 1.5300 | 1.5140 | 1.5000 | 1.4660 |
| Nigeria | NGN | 100 | 0.2720 | 0.2970 | 0.3230 | 0.3500 |
| Romania | RON | 100 | 25.0800 | 24.3080 | 23.6700 | 24.2850 |

## 32. SUBSEQUENT EVENTS

On 7 March 2018, the board of directors approved the new brand strategy. This strategy foresees, that some of the former Sanitec trademarks will be integrated into the Geberit trademark (see → **Note 11**) in the respective markets. Consequently, the affected trademarks will no longer have an indefinite useful life but a finite useful life causing annual amortisation over the remaining useful life of each individual trademark. The effect on the income statement is currently under review. Based on the analysis performed so far the impact is not expected to be material.

The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on 12 March 2018.

## 33. GROUP COMPANIES AS AT 31 DECEMBER 2017

| Switzerland | Currency | Share capital ('000) | Ownership in % |
|---|---|---|---|
| Geberit AG, Rapperswil-Jona | CHF | 3,704 | |
| Geberit Holding AG, Rapperswil-Jona | CHF | 39,350 | 100 |
| Geberit International AG, Rapperswil-Jona | CHF | 1,000 | 100 |
| Geberit International Sales AG, Rapperswil-Jona | CHF | 1,000 | 100 |
| Geberit Verwaltungs AG, Rapperswil-Jona | CHF | 1,000 | 100 |
| Geberit Vertriebs AG, Rapperswil-Jona | CHF | 1,000 | 100 |
| Geberit Marketing e Distribuzione SA, Rapperswil-Jona | EUR | 821 | 100 |
| Geberit Produktions AG, Rapperswil-Jona | CHF | 4,000 | 100 |
| Geberit Apparate AG, Rapperswil-Jona | CHF | 1,000 | 100 |
| Geberit Fabrication SA, Givisiez | CHF | 7,000 | 100 |
| Geberit Finanz AG, Rapperswil-Jona | EUR | 832 | 100 |
| **Australia** | | | |
| Geberit Pty Ltd., North Ryde NSW | AUD | 2,060 | 100 |
| **Austria** | | | |
| Geberit Vertriebs GmbH & Co. KG, Pottenbrunn | EUR | 728 | 100 |
| Geberit Produktions GmbH & Co. KG, Pottenbrunn | EUR | 7,995 | 100 |
| Geberit Beteiligungsverwaltung GmbH, Pottenbrunn | EUR | 35 | 100 |
| Geberit Huter GmbH, Matrei | EUR | 37 | 100 |
| **Belgium** | | | |
| Geberit N.V., Machelen | EUR | 62 | 100 |
| **Channel Islands** | | | |
| Geberit Reinsurance Ltd., Guernsey | EUR | 2 | 100 |
| **China** | | | |
| Geberit Flushing Technology Co. Ltd., Daishan | CNY | 63,376 | 100 |
| Geberit Plumbing Technology Co. Ltd., Shanghai | CNY | 152,453 | 100 |
| Geberit Shanghai Trading Co. Ltd., Shanghai | CNY | 5,000 | 100 |
| Geberit Shanghai Investment Administration Co. Ltd., Shanghai | CNY | 13,638 | 100 |
| Sanitec Trading (Zhongshan) Co. Ltd., Zhongshan | CNY | 2,130 | 100 |
| **Czech Republic** | | | |
| Geberit spol. s.r.o., Prague | CZK | 6,000 | 100 |
| **Denmark** | | | |
| Geberit A/S, Lystrup | DKK | 10,000 | 100 |
| **Finland** | | | |
| Geberit Oy, Helsinki | EUR | 50 | 100 |
| Geberit Investment Oy, Helsinki | EUR | 3 | 100 |
| Geberit Production Oy, Tammisaari | EUR | 1,046 | 100 |
| **France** | | | |
| Geberit S.a.r.l., Samoreau | EUR | 1,686 | 100 |
| Geberit Holding France S.A., Samoreau | EUR | 10,388 | 100 |
| Allia S.A.S., Samoreau | EUR | 26,582 | 100 |
| Alliages Céramiques S.A.S., Limoges | EUR | 4,577 | 100 |
| Produits Céramiques de Touraine S.A.S., Samoreau | EUR | 350 | 100 |

| | | | |
|---|---|---|---|
| **Germany** | | | |
| Geberit Verwaltungs GmbH, Pfullendorf | EUR | 50 | 100 |
| Geberit Service GmbH & Co. KG, Pfullendorf | EUR | 50 | 100 |
| Geberit Vertriebs GmbH, Pfullendorf | EUR | 1,000 | 100 |
| Geberit Produktions GmbH, Pfullendorf | EUR | 7,500 | 100 |
| Geberit Logistik GmbH, Pfullendorf | EUR | 500 | 100 |
| Geberit Mapress GmbH, Langenfeld | EUR | 2,701 | 100 |
| Geberit RLS Beteiligungs GmbH, Langenfeld | EUR | 50 | 100 |
| Geberit Lichtenstein GmbH, Lichtenstein | EUR | 1,025 | 100 |
| Geberit Weilheim GmbH, Weilheim | EUR | 1,025 | 100 |
| Allia Holding GmbH, Pfullendorf | EUR | 65 | 100 |
| Keramag Service GmbH & Co. KG, Pfullendorf | EUR | 100 | 100 |
| Keramag Keramische Werke GmbH, Ratingen | EUR | 12,500 | 100 |
| Ceravid GmbH, Essen | EUR | 26 | 100 |
| ABC Verwaltungs GmbH, Vlotho | EUR | 26 | 100 |
| **Hungary** | | | |
| Geberit Kft, Budapest | HUF | 49,900 | 100 |
| **India** | | | |
| Geberit Plumbing Technology India Pvt. Ltd., Bangalore | INR | 12,861 | 100 |
| Geberit India Manufacturing Pvt. Ltd., Bangalore | INR | 56,875 | 100 |
| **Italy** | | | |
| Geberit Produzione S.p.a., Villadose | EUR | 4,200 | 100 |
| Geberit Service S.p.a., Spilimbergo | EUR | 120 | 100 |
| Pozzi Ginori S.p.a., Spilimbergo | EUR | 10,000 | 100 |
| **Lithuania** | | | |
| Geberit UAB, Vilnius | EUR | 1,250 | 100 |
| **Netherlands** | | | |
| Geberit B.V., Nieuwegein | EUR | 18 | 100 |
| Geberit International B.V., Nieuwegein | EUR | 51 | 100 |
| **Nigeria** | | | |
| Geberit Nigeria Ltd., Ikoyi, Lagos | NGN | 10,000 | 100 |
| **Norway** | | | |
| Geberit AS, Lorenskog | NOK | 4,400 | 100 |
| Geberit Service AS, Porsgrund | NOK | 282 | 100 |
| **Poland** | | | |
| Geberit Sp. z o.o., Warsaw | PLN | 10,638 | 100 |
| Geberit Service Sp. z o.o., Lodz | PLN | 1,800 | 100 |
| Geberit Ozorków Sp.z o.o., Ozorkow | PLN | 32,400 | 100 |
| Geberit Produkcja Sp.z o.o., Kolo | PLN | 100,000 | 100 |
| **Portugal** | | | |
| Geberit Tecnologia Sanitária S.A., Lisbon | EUR | 275 | 100 |
| Geberit Produção S.A., Carregado | EUR | 2,750 | 100 |
| **Romania** | | | |
| Geberit SRL, Bucharest | RON | 13,500 | 100 |
| **Russia** | | | |
| Geberit RUS LLC, Moscow | RUB | 150,010 | 100 |

| | | | |
|---|---|---|---|
| **Singapore** | | | |
| Geberit South East Asia Pte. Ltd., Singapore | SGD | 100 | 100 |
| **Slovakia** | | | |
| Geberit Slovensko s.r.o., Bratislava | EUR | 200 | 100 |
| **Slovenia** | | | |
| Geberit proizvodnja d.o.o., Ruše | EUR | 104 | 100 |
| Geberit prodaja d.o.o., Ruše | EUR | 42 | 100 |
| **South Africa** | | | |
| Geberit Southern Africa (Pty.) Ltd., Johannesburg | ZAR | 4 | 100 |
| **Spain** | | | |
| Geberit S.A.U., Barcelona | EUR | 3,823 | 100 |
| **Sweden** | | | |
| Geberit AB, Bromölla | SEK | 700 | 100 |
| Geberit Service AB, Bromölla | SEK | 50 | 100 |
| Ifö Sanitär AB, Bromölla | SEK | 20,000 | 100 |
| **Turkey** | | | |
| Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul | TRY | 17,922 | 100 |
| **Ukraine** | | | |
| Slavuta Holdings LLC, Kiev | UAH | 65,654 | 100 |
| PJSC Slavuta Plant "Budfarfor", Slavuta | UAH | 57,400 | 100 |
| TOV Geberit Plastics Production LLC, Kiev | UAH | 16,860 | 100 |
| Geberit Trading LLC, Kiev | UAH | 9,000 | 100 |
| **United Kingdom** | | | |
| Geberit Sales Ltd., Warwick | GBP | 3,520 | 100 |
| Geberit Service, Alsager | GBP | 0.4 | 100 |
| Twyford Ltd., Alsager | GBP | 1,000 | 100 |
| Twyfords Ltd., Alsager | GBP | 2,528 | 100 |
| **USA** | | | |
| Duffin Manufacturing Co., Elyria | USD | 69 | 100 |
| The Chicago Faucet Company, Des Plaines | USD | 100 | 100 |

# REPORT OF THE STATUTORY AUDITOR

PricewaterhouseCoopers AG
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Telephone +41 58 792 44 00
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Report of the statutory auditor
to the General Meeting
Geberit AG
Rapperswil-Jona

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Geberit Group which comprise the → **consolidated balance sheet** as at 31 December 2017 and the → **consolidated income statement**, → **consolidated statement of comprehensive income**, → **consolidated statement of changes in equity** and → **consolidated statement of cash flows** for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

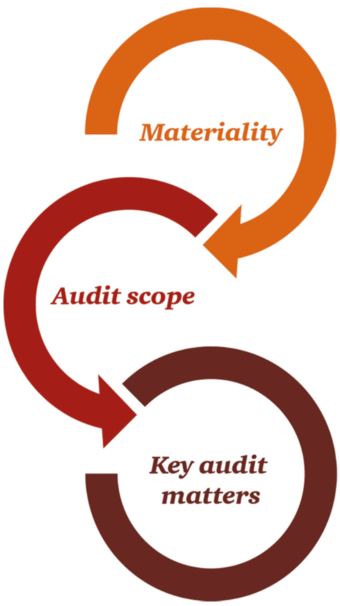
### BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OUR AUDIT APPROACH

***Overview***




Overall materiality is based on profit before income tax expenses.

We concluded full scope audit work at 22 Group companies in 12 countries. These Group companies contributed 69% of the Group's revenue. The selection of companies is renewed each year.

In addition, specified audit procedures were performed on a further 2 reporting units in 2 countries. The remaining companies were ad-dressed by analytical reviews.

As key audit matter the following area of focus has been identified:

Impairment testing of goodwill and of intangible assets with an indefinite useful life

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

The approach for the audit of the consolidated financial statements was determined taking into account the work performed by the component auditors in the PwC network. The Group auditor performed the audit of the consolidation, disclosures and presentation of the consolidated financial statements. Through our involvement in the work of the component auditors, we were able to ensure sufficient appropriate audit evidence was obtained to provide a basis for our opinion on the consolidated financial statements. Our involvement comprised communicating the risks identified at Group level, evaluating the materiality thresholds participating in the closing meetings, examining the reporting and conducting conference calls with the component auditors during the interim audit and the year-end audit.

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

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

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

**IMPAIRMENT TESTING OF GOODWILL AND OF INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Impairment testing of goodwill and of intangible assets with an indefinite useful life was deemed a key audit matter for the following two reasons.<br><br>Goodwill and intangible assets with an indefinite useful life represent significant amounts on the balance sheet (goodwill totalling CHF 1,346.1 million and intangible assets with an indefinite useful life totalling CHF 323.6 million). These assets are not regularly amortised but tested for impairment at least annually.<br><br>Further, in calculating the value-in-use for these tests, the Board of Directors and Management have significant scope for judgement in determining revenue and margin growth assumptions and the discount rate to be applied to the expected cash flows and in specifying the cash-generating units (CGUs).<br><br>With regard to the accounting policies and disclosures regarding goodwill and intangible assets with an indefinite useful life, please refer to the notes to the consolidated financial statements → **1 'Basic information and principles of the report – Main sources of estimation uncertainty'**, → **3 'Summary of significant accounting policies – Intangible assets and goodwill'** and → **11 'Goodwill and intangible assets' (tables)**. | Impairment testing of goodwill and intangible assets with an indefinite useful life is based on a process defined by the Board of Directors. This process uses the business plans approved by the Board of Directors. As part of the process, Management estimates the cash flows for the cash-generating units concerned.<br><br>We assessed the identification of the CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and governance of the Group.<br><br>We compared the business results of the year under review with the forecasts prepared in the prior year in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows. The business results of the year under review, after excluding one-off effects, slightly exceeded the budget. As in previous years, Management based its forecasts this year on the growth rates and margins used in the current business plan of the Geberit Group.<br><br>We compared Management's assumptions concerning long-term revenue growth and margin growth with industry growth figures and historical margin data, respectively. We compared the discount rate with the cost of capital of the Group and of analogous firms. In addition, we performed a plausibility check on the forecast change in net working capital.<br><br>The assumptions used were consistent and in line with our expectations.<br><br>We tested the sensitivity analyses of the key assumptions. These analyses enabled us to assess any potential impairment of goodwill or of intangible assets with an indefinite useful life.<br><br>On the basis of the evidence obtained from our audit, we consider the valuation method and the underlying assumptions to be an appropriate and adequate basis for the impairment testing of goodwill and of intangible assets with an indefinite useful life. |

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

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

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

**RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, 12 March 2018

FINANCIAL REPORT

# GEBERIT AG

2017

# BALANCE SHEETS

| | 31.12.2017 MCHF | 31.12.2016 MCHF |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 4.9 | 0.0 |
| Other current receivable | | |
| - Third parties | 5.2 | 4.8 |
| - Group companies | 55.6 | 17.2 |
| Prepaid expenses | 1.6 | 2.6 |
| **Total current assets** | **67.3** | **24.6** |
| | | |
| **Non-current assets** | | |
| Loan to group companies | 300.0 | 300.0 |
| Investments | 996.9 | 996.9 |
| **Total non-current assets** | **1,296.9** | **1,296.9** |
| | | |
| **Total assets** | **1,364.2** | **1,321.5** |
| | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| - Third parties | 6.0 | 2.7 |
| - Group companies | 3.9 | 4.3 |
| **Total current liabilities** | **9.9** | **7.0** |
| | | |
| **Long term interest-bearing liabilities** | | |
| Bonds | 300.0 | 300.0 |
| **Total long term interest-bearing liabilities** | **300.0** | **300.0** |
| | | |
| **Shareholders' equity** | | |
| Capital stock | 3.7 | 3.7 |
| Legal capital reserves | | |
| - General reserves, share premium | 0.8 | 0.8 |
| - Reserves from capital contributions | 25.7 | 25.7 |
| Legal reserves from retained earnings | | |
| - Reserves for treasury shares held by group companies | 64.6 | 79.4 |
| Free reserves from retained earnings | | |
| - Free reserves | 546.1 | 511.3 |
| - Retained earnings | 505.2 | 393.6 |
| Treasury shares | | |
| - against free reserves | -91.8 | 0.0 |
| **Total shareholders' equity** | **1,054.3** | **1,014.5** |
| | | |
| **Total liabilities and shareholders' equity** | **1,364.2** | **1,321.5** |

# INCOME STATEMENTS

| | 2017<br>MCHF | 2016<br>MCHF |
|---|---|---|
| **Income** | | |
| Dividends from Group companies | 501.1 | 388.1 |
| Other financial income | 6.1 | 6.9 |
| Other operating income | 0.5 | 0.5 |
| **Total income** | **507.7** | **395.5** |
| | | |
| **Expenses** | | |
| Administrative expenses | 3.9 | 3.8 |
| Financial expenses | 1.7 | 1.6 |
| Direct tax expenses | 0.1 | 0.3 |
| **Total expenses** | **5.7** | **5.7** |
| | | |
| **Net income** | **502.0** | **389.8** |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. STANDARDS

### 1.1 GENERAL
The financial statements were prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. The significant valuation principles, which are not statutory, are described below.

### 1.2 TREASURY SHARES
The treasury shares are recorded at cost and are shown as a minus position in equity. For the shares of Geberit AG, held by the subsidiary Geberit Holding AG reserves for own shares are recorded in the equity of Geberit AG.

### 1.3 LONG TERM INTEREST-BEARING LIABILITIES
The interest-bearing liabilities are stated at their nominal value. Costs incurred in the context of the placement of bonds are capitalized in the prepaid expenses and amortized linearly over the term.

### 1.4 DERIVATIVES
Derivative instruments used for hedging purposes are valued together with the underlying transaction. Positive or negative fair market values will not be recognized during the lifetime of the contract but at settlement date.

### 1.5 WAIVER OF CASH FLOW STATEMENT AND ADDITIONAL INFORMATION IN THE NOTES
As the Geberit group prepares a consolidated financial statement in accordance with a recognized standard for financial reporting (IFRS), Geberit AG waived in the actual financial statements, in accordance with the statutory provisions, to present separate notes to interest-bearing liabilities and auditing fees and the presentation of a cash flow statement.

## 2. OTHER STATUTORY DISCLOSURES

### 2.1 GUARANTEES, ASSETS PLEDGED IN FAVOR OF THIRD PARTIES

| | 31.12.2017<br>MCHF | 31.12.2016<br>MCHF |
|---|---|---|
| Guarantee notes, MEUR 500, 0.688%, due 30.03.2021 | 584.4 | 536.8 |
| Guarantee Revolving Facility, due 06.11.2022 | 500.0 | 0.0 |
| Guarantee Term Loan Facility, MEUR 0 (PY: MEUR 120), due 10.02.2018[1] | 0.0 | 128.8 |
| Guarantee Revolving Facility, due 19.11.2019[1] | 0.0 | 300.0 |
| Guraantee GRI Pensions | 0.1 | 0.1 |

[1] early cancellation in 2017

The guarantees are limited to the distributable reserves of the company.

### 2.2 SIGNIFICANT INVESTMENTS

| | 2017 Ownership in % | 2017 capital stock | 2016 Ownership in % | 2016 capital stock |
|---|---|---|---|---|
| Geberit Holding AG, Rapperswil-Jona | 100 | TCHF 39 350 | 100 | TCHF 39 350 |
| Geberit Reinsurance Ltd., Guernsey | 100 | TEUR 2 | 100 | TEUR 2 |

The investments are stated separately at the respective acquisition costs, less any adjustments required. The indirect investments are shown in the Notes to the Consolidated Financial Statements in the → **Note 33**.

### 2.3 SHARE CAPITAL

The share capital of Geberit AG consists of 37,041,427 ordinary shares with a par value of CHF 0.10 each.

| | 2017 | 2016 |
|---|---|---|
| **Number of shares issued** | **pcs.** | **pcs.** |
| **January 1** | **37,041,427** | **37,798,427** |
| Capital reduction as at June 2016 | 0 | -757,000 |
| **December 31** | **37,041,427** | **37,041,427** |

### 2.4 CAPITAL CONTRIBUTION RESERVES

From the total of MCHF 25.7 shown as at 31.12.2017 the amount of MCHF 4.2 was confirmed by the Swiss tax authorities and is therefore available for withholding tax free distribution.

### 2.5 TREASURY SHARES

Treasury shares held by Geberit AG or by companies in which Geberit AG holds a majority interest:

| | Number of registered shares | High in CHF | Average in CHF | Low in CHF |
|---|---|---|---|---|
| **Balance at December 31, 2016** | **239,869** | | | |
| Purchases share buyback program 2017 - 2020 | 205,250 | 484.20 | 447.08 | 423.65 |
| Other Purchases | 35,000 | 439.47 | 434.85 | 429.40 |
| Sales | -88,479 | 483.59 | 438.46 | 401.50 |
| **Balance at December 31, 2017** | **391,640** | | | |
| Number of treasury shares held by Geberit AG | 205,250 | | | |

The Board of Directors of Geberit AG decided in March 2017 to initiate a share buyback program. Over a maximum period of three years, shares amounting to a total of a maximum of CHF 450 million will be repurchased, less withholding tax. As at December 31, 2017, in total 205'250 shares equal to MCHF 91.8 were repurchased under the program.

The legal reserves for treasury shares were recorded at cost.

### 2.6 BONDS

Geberit has the following bonds outstanding:

- a bond of MCHF 150 with a term of four years and a coupon of 0.05%, due 17.04.2019
- a bond of MCHF 150 with a term of eight years and a coupon of 0.3%, due 17.04.2023

### 2.7 SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE GROUP EXECUTIVE BOARD

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

| | A. Baehny Chairman | H. Reuter Vice Chairman | F. Ehrat | T. Hübner | J. Tang-Jensen | E. Zehnder-Lai | Total |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Shareholdings Board of Directors** | | | | | | | |
| Shares | 56,812 | 8,318 | 2,281 | 858 | 2,511 | 0 | 70,780 |
| Options | 55,231 | 0 | 0 | 0 | 0 | 0 | 55,231 |
| Share of voting rights | 0.15% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.0% | 0.19% |

| | 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 |
| Share of voting rights | 0.15% | < 0.1% | 0.0% | < 0.1% | < 0.1% | < 0.1% | 0.18% |

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

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. Baumüller | M. Reinhard | E. Renfordt-Sasse | K. Spachmann | R. van Triest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | | | |
| **Shareholdings Group Executive Board** | | | | | | | | | | |
| Shares | | | 6,212 | 32,840 | 2,850 | 2,500 | 2,452 | 12,407 | 200 | 59,461 |
| Percentage voting rights shares | | | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.16% |
| **Call options[1]** | | | | | | | | | | |
| End of vesting period: | | | | | | | | | | |
| Lapsed | 2018-2023 | 306.01 | 7,474 | 9,172 | 2,922 | 3,783 | 4,779 | 3,236 | 10 | 31,376 |
| 2018 | 2021-2024 | 357.20 | 5,745 | 7,091 | 784 | 7,261 | 2,631 | 6,140 | 50 | 29,702 |
| 2019 | 2022-2026 | 382.28 | 11,302 | 7,484 | 697 | 7,989 | 4,074 | 6,647 | 2,596 | 40,789 |
| 2020 | 2023-2027 | 398.85 | 13,053 | 7,427 | 1,926 | 7,895 | 3,664 | 6,632 | 4,602 | 45,199 |
| 2021 | 2024-2027 | 398.85 | 12,776 | 7,299 | 1,878 | 7,770 | 3,567 | 6,554 | 4,592 | 44,436 |
| 2022 | 2027 | 435.95 | 6,270 | 3,176 | 1,504 | 3,314 | 1,504 | 2,926 | 2,006 | 20,700 |
| **Total options** | | | **56,620** | **41,649** | **9,711** | **38,012** | **20,219** | **32,135** | **13,856** | **212,202** |
| Percentage potential share of voting rights options | | | 0.15% | 0.11% | < 0.1% | 0.10% | < 0.1% | < 0,1% | < 0,1% | 0.57% |

[1] Purchase ratio 1 share for 1 option

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

[1] Purchase ratio 1 share for 1 option

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

### 2.8 SIGNIFICANT SHAREHOLDERS
According to the information available to the Board of Directors, the following shareholders have attained or exceeded the threshold of 3% of the share capital of Geberit AG:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Black Rock, New York (notification dated: 08.07.2017) | 4.99% | 4.94% |
| Capital Group Companies, Inc., Los Angeles (notification dated: 25.11.2017) | < 3.00% | 4.84% |

### 2.9 EMPLOYEES
In Geberit AG no employees are employed.

## 3. PROFIT DISTRIBUTION

### PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS
Proposal by the Board of Directors to the General Meeting:

### APPROPRIATION OF AVAILABLE EARNINGS

| | 2017<br>CHF | 2016<br>CHF |
|---|---|---|
| Available earnings | | |
| Net income | 501,972,181 | 389,770,714 |
| Balance brought forward | 3,169,266 | 3,812,822 |
| **Total available earnings** | **505,141,447** | **393,583,536** |
| | | |
| Transfer to free reserves | 120,000,000 | 20,000,000 |
| Proposed/paid dividend | 383,096,241 | 370,414,270 |
| Balance to be carried forward | 2,045,206 | 3,169,266 |
| **Total appropriation of available earnings** | **505,141,447** | **393,583,536** |

### DIVIDEND PAYMENTS
The Board of Directors proposes a dividend of CHF 10.40 per share (PY: CHF 10.00). The dividend payment is subject to withholding tax.

The number of shares with dividend rights will change if the number of shares held by Geberit AG changes. The Board of Directors may therefore adapt the total amount of the proposed dividend to the number of shares with dividend rights at the General Meeting.

# REPORT OF THE STATUTORY AUDITOR

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Report of the statutory auditor
to the general meeting of
Geberit AG
Rapperswil-Jona

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Geberit AG which comprise the → **balance sheet** as at 31 December 2017, → **income statement** and → **notes** for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2017 comply with Swiss law and the articles of incorporation.

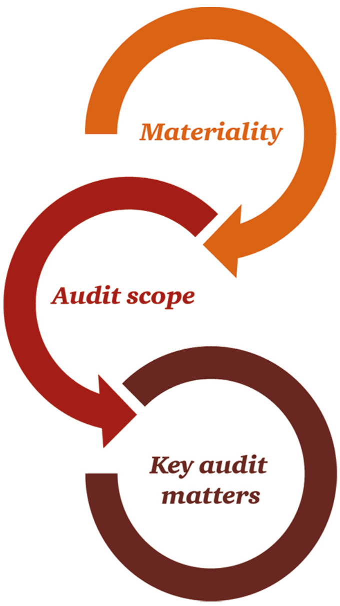
### BASIS FOR OPINION

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OUR AUDIT APPROACH

***Overview***




Overall materiality is based on profit before income tax expenses.

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

As key audit matter the following area of focus has been identified:
Impairment testing of equity investments

### AUDIT SCOPE

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

### MATERIALITY

The scope of our audit was influenced by our application of materiality. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

### REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

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

### IMPAIRMENT TESTS FOR GOODWILL AND INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Impairment testing of equity investments was deemed a key audit matter for the following two reasons:<br><br>Equity investments in Gerberit Holding AG and Geberit Reinsurance Ltd. in the amount of CHF 996.9 million represent the largest asset category on the balance sheet (73.1% of total assets). If this investment had to be written down, it would have a significant impact on the equity capital of the Company.<br><br>Testing for impairment depends on the future results of the companies concerned. In addition, there is significant scope for judgement in determining the assumptions underlying forecast results.<br><br>Please refer to the notes to the financial statements and, specifically, the recognition, valuation and disclosure methods in → **note 2.2 'Significant investments'**. | We tested the equity investments as at 31 December 2017 for impairment. Management has performed impairment tests on the investments in Geberit Holding AG and Geberit Reinsurance Ltd.<br><br>We performed the following:<br>- compared the actual results of each company with its budget in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows;<br>- checked for plausibility the outlook based on the multi-year plan approved by the Board of Directors and discussed the outlook with Management;<br><br>On the basis of the audit procedures performed, we addressed the risk of the impairment of the equity investments. We have no findings to report. |

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, 12 March 2018