

FINANCIAL REPORT

GEBERIT AG
2017

BALANCE SHEETS

	31.12.2017	31.12.2016
	MCHF	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	2016
	MCHF	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	31.12.2016
	MCHF	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
Guarantee 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 options¹

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 options¹

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	2016
	CHF	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.

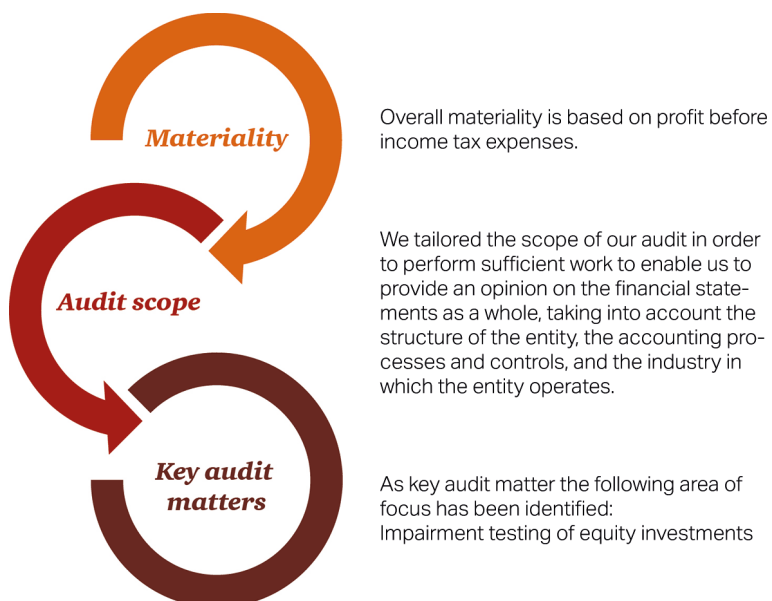
BASIS FOR OPINION

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



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:

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.

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.

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.

We performed the following:

- 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;
- checked for plausibility the outlook based on the multi-year plan approved by the Board of Directors and discussed the outlook with Management;

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