

GEBERIT GROUP

FINANCIAL REPORT

2018

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CONSOLIDATED BALANCE SHEETS

	Note	31.12.2018 MCHF	31.12.2017 MCHF
Assets			
Current assets			
Cash and cash equivalents		282.2	412.7
Trade accounts receivable	6	197.5	201.7
Other current assets and current financial assets	7	107.3	122.3
Inventories	8	304.9	313.3
Total current assets		891.9	1,050.0
Non-current assets			
Property, plant and equipment	9	828.9	812.8
Deferred tax assets	18	91.9	96.1
Other non-current assets and non-current financial assets	10	37.4	35.0
Goodwill and intangible assets	11	1,651.7	1,748.9
Total non-current assets		2,609.9	2,692.8
Total assets		3,501.8	3,742.8
Liabilities and equity			
Current liabilities			
Short-term debt	12	154.3	4.5
Trade accounts payable		94.8	126.1
Tax liabilities		104.0	101.8
Other current liabilities	13	281.7	286.4
Current provisions	13	26.4	52.7
Total current liabilities		661.2	571.5
Non-current liabilities			
Long-term debt	14/15	683.1	890.7
Accrued pension obligations	16	291.5	309.2
Deferred tax liabilities	18	67.9	76.5
Other non-current liabilities	19	8.3	9.6
Non-current provisions	19	44.4	48.1
Total non-current liabilities		1,095.2	1,334.1
Equity			
Capital stock	21	3.7	3.7
Reserves		2,163.7	2,194.7
Cumulative translation adjustments		-422.0	-361.2
Total equity		1,745.4	1,837.2
Total liabilities and equity		3,501.8	3,742.8

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

CONSOLIDATED INCOME STATEMENTS

1.1. – 31.12.

	Note	2018 MCHF	2017 MCHF
Net sales	29	3,080.5	2,908.3
Cost of materials		893.2	829.8
Personnel expenses		744.0	746.8
Depreciation	9	105.0	105.7
Amortisation of intangible assets	11	55.2	44.6
Other operating expenses, net	23	575.5	559.7
Total operating expenses, net		2,372.9	2,286.6
Operating profit (EBIT)		707.6	621.7
Financial expenses	24	-17.7	-13.0
Financial income	24	2.3	1.2
Foreign exchange loss (-)/gain	24	-5.0	2.4
Financial result, net		-20.4	-9.4
Profit before income tax expenses		687.2	612.3
Income tax expenses	25	90.0	84.9
Net income		597.2	527.4
- Attributable to shareholders of Geberit AG		597.2	527.4
EPS (CHF)	22	16.40	14.34
EPS diluted (CHF)	22	16.39	14.31

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1.1. – 31.12.

	Note	2018 MCHF	2017 MCHF
Net income according to the income statement		597.2	527.4
Cumulative translation adjustments		-60.8	92.0
Income tax expenses		0.0	0.2
Cumulative translation adjustments, net of tax		-60.8	92.2
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		-60.8	92.2
Remeasurements of pension plans	16	17.7	29.0
Income tax expenses		-2.9	-4.3
Remeasurements of pension plans, net of tax		14.8	24.7
Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax		14.8	24.7
Total other comprehensive income, net of tax		-46.0	116.9
Total comprehensive income		551.2	644.3
- Attributable to shareholders of Geberit AG		551.2	644.3

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of Geberit AG					Total equity MCHF
	Ordinary shares	Reserves	Treasury shares	Pension plans	Cum. translation adjustments	
	MCHF	MCHF	MCHF	MCHF	MCHF	
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 ¹		-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
Net income		597.2				597.2
Other comprehensive income				14.8	-60.8	-46.0
Distribution ¹		-380.8				-380.8
Share buyback programme			-184.7			-184.7
Purchase (-)/sale of treasury shares		5.3	-76.6			-71.3
Management option plans		-6.2				-6.2
Balance at 31.12.2018	3.7	2,721.7	-417.7	-140.3	-422.0	1,745.4

¹ The dividend (ex2017) was CHF 10.40 per share (PY: CHF 10.00).

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

CONSOLIDATED STATEMENTS OF CASHFLOWS

1.1. – 31.12.

	Note	2018 MCHF	2017 MCHF
Cash provided by operating activities			
Net income		597.2	527.4
Depreciation and amortisation	9/11	160.2	150.3
Financial result, net	24	20.4	9.4
Income tax expenses	25	90.0	84.9
Other non-cash income and expenses ¹		-6.5	16.7
Operating cashflow before changes in net working capital and taxes		861.3	788.7
Income taxes paid		-102.7	-129.7
Changes in trade accounts receivable ¹		12.8	4.5
Changes in inventories ¹		-4.9	-18.5
Changes in trade accounts payable		-27.1	6.7
Changes in other positions of net working capital ¹		8.1	-11.3
Net cash from/used in (-) operating activities		747.5	640.4
Cash from/used in (-) investing activities			
Sales of subsidiaries	2/10	0.0	9.7
Purchase of property, plant & equipment and intangible assets	9/11	-162.4	-159.0
Proceeds from sale of property, plant & equipment and intangible assets		8.6	3.5
Interest received		0.0	0.0
Other, net		-2.8	-2.0
Net cash from/used in (-) investing activities		-156.6	-147.8
Cash from/used in (-) financing activities			
Proceeds from borrowings	14/15	691.8	70.2
Repayments of borrowings	14/15	-737.1	-207.5
Interest paid		-6.0	-6.4
Distribution		-380.8	-368.4
Share buyback programme	21	-183.6	-88.3
Purchase (-)/sale of treasury shares		-92.2	-2.1
Financing cost paid		-0.4	-1.5
Other, net		-5.8	-1.3
Net cash from/used in (-) financing activities		-714.1	-605.3
Effects of exchange rates on cash and cash equivalents		-7.3	15.7
Net increase/decrease (-) in cash and cash equivalents		-130.5	-97.0
Cash and cash equivalents at beginning of year		412.7	509.7
Cash and cash equivalents at end of year		282.2	412.7

¹ Following a reclassification in 2018, the prior year figures relating to net cash from operating activities were adjusted accordingly in the interests of comparability. 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 Installation and Flushing Systems, Piping Systems and Bathroom Systems 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.

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 18**)

2. CHANGES IN GROUP STRUCTURE

2018

No significant changes in the Group structure took place in 2018.

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Standard/ Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 2 – Share-based Payment	1.1.2018	<p>The amendments made to IFRS 2 in June 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in IFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature.</p> <p>This amendment has no impact on the consolidated financial statements.</p>	1.1.2018
IFRS 9 – Financial Instruments	1.1.2018	<p>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.</p> <p>The nature of the main changes resulting from the new standard is as follows:</p> <p>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 cashflow characteristics of the financial assets. The classification of financial liabilities does not follow the approach used for the financial assets and remains unchanged.</p> <p>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 ECLs at each reporting date.</p> <p>3) Hedge accounting: The new hedge accounting model is less rule-based, aligning accounting more closely with the Group's risk management practices and enabling a wider range of different economic hedging strategies.</p> <p>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.</p>	1.1.2017
IFRS 15 – Revenue from Contracts with Customers	1.1.2018	<p>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.</p> <p>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.</p> <p>Certain contracts include variable consideration components such as discounts or sales based rebates. Based on an analysis the Group reallocated certain payments to third parties as sales deductions to net sales but this does not have any material impact on the consolidated financial statements.</p> <p>The new standard does not have any material impact on recognition and measurement of revenue. IFRS 15 results in increased disclosures.</p>	1.1.2018
IFRIC 22 – Foreign Currency Transactions and Advance Considerations	1.1.2018	<p>The interpretation clarifies the recognition of a non-monetary asset or non-monetary liability arising from the prepayment 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 prepayment 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.</p> <p>The amendment has no impact on the consolidated financial statements.</p>	1.1.2018
Annual improvements of IFRS 2014 - 2016	various	The ordinary annual clarifications and minor amendments of various standards have no material impact on the consolidated financial statements.	various

New or revised IFRS standards and interpretations as from 2019 and their adoption by the Group

Standard/ Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 16 – Leases	1.1.2019	<p>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.</p> <p>The adoption of this standard will have an impact on the consolidated financial statements. The value of the right-of-use assets capitalised will be around MCHF 70. A financial liability representing the future</p>	1.1.2019

New or revised IFRS standards and interpretations as from 2019 and their adoption by the Group

		lease payments will be shown at approximately the same amount. The Group will apply the modified retrospective method, with assets and liabilities included on 1 January 2019.	
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.	1.1.2019
		The amendment has no material impact on the consolidated financial statements.	
Amendments to IAS 19 Employee Benefits	1.1.2019	The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan takes place, the updated assumptions from this remeasurement must be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. This will change the amounts that would otherwise have been charged to profit or loss in the period after the change, and may lead to a more frequent remeasurement of the net liability.	1.1.2019
		This amendment has no material impact on the consolidated financial statements.	
Annual improvements of IFRS 2015 - 2017	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. 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 (5–12 years), software (4–6 years) and capitalised development costs (6 years).

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 correspond to the amount of consideration to be expected from contracts with customers for the sale of products and do not include any amounts recovered on behalf of third parties.

Sales per transaction are recorded at a single point in time at which the customer obtains effective control over the products that have been delivered. This single point in time depends on the different terms of delivery.

Net sales include the invoiced amounts after deduction of rebates, cash discounts and customer bonuses. Customer bonuses are sales deductions linked to the achievement of predefined targets (e.g. level of sales). Payments to third parties for which Geberit receives no directly linked services are also deducted from sales.

MARKETING EXPENSES

All expenses associated with advertising and promoting products are recorded 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 (R&D)

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 adopted early on 1 January 2017. It is not 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.

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** and → **Note 15**).

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 a certain limit that is determined on the basis of clearly defined creditworthiness criteria such as rating, system relevance and state guarantees (e.g. for Swiss cantonal 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 2018, the Group's CfaR amounted to MCHF 26.5 (PY: MCHF 34.5), hence there was a 95% likelihood that any loss resulting from currency risk would not exceed MCHF 26.5.

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:

- the fair market value risk for financial positions bearing fixed interest rates
- 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:

	2018	2017
	MCHF	MCHF
EBITDA	867.8	772.0
Financial result, net + CfaR	9.4	9.8
EBITDA/(Financial result, net + CfaR)	92x	79x

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 193.4 (PY: MCHF 631.4).

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 2018, the average balance of trade receivables is about 139% (PY: 131%) 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	2018	2017
Foreign exchange rate risk	Cashflow-at-Risk (CfaR)	MCHF 26.5	MCHF 34.5
Interest rate risk	EBITDA/(financial result, net + CfaR)	92x	79x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 193.4	MCHF 631.4

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:

	2018	2017
	MCHF	MCHF
Gearing		
Debt	837.4	895.2
Liquid funds and marketable securities	282.2	412.7
Net debt	555.2	482.5
Equity	1,745.4	1,837.2
Net debt/equity	31.8%	26.3%
Return on equity (ROE)		
Equity (rolling)	1,817.4	1,718.7
Net income	597.2	527.4
ROE	32.9%	30.7%
Return on invested capital (ROIC)		
Invested capital (rolling)	2,823.3	2,696.0
Net operating profit after taxes (NOPAT)	609.3	526.2
ROIC	21.6%	19.5%

6. TRADE ACCOUNTS RECEIVABLE

	2018	2017
	MCHF	MCHF
Trade accounts receivable	208.5	212.6
Allowances	-11.0	-10.9
Total trade accounts receivable	197.5	201.7

Of the total trade accounts receivable, MCHF 8.5 were denominated in CHF, MCHF 64.6 in EUR, MCHF 20.4 in USD, MCHF 21.7 in GBP, MCHF 12.2 in SEK, MCHF 18.0 in DKK, MCHF 12.2 in NOK and MCHF 6.1 in PLN.

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

	2018	2017
	MCHF	MCHF
Allowances for trade accounts receivable		
1 January	10.9	12.7
Changes in scope of consolidation	0.0	-0.6
Additions	3.9	1.0
Used	-2.2	-0.4
Reversed	-1.1	-2.4
Translation differences	-0.5	0.6
31 December	11.0	10.9

	2018	2017
	MCHF	MCHF
Maturity analysis of trade accounts receivable		
Not due	137.7	144.4
Past due < 30 days	44.2	36.1
Past due < 60 days	10.3	20.8
Past due < 90 days	2.8	1.4
Past due < 120 days	1.1	1.3
Past due > 120 days	12.4	8.6
Allowances	-11.0	-10.9
Total trade accounts receivable	197.5	201.7

The agreed payment terms range from 30 to 120 days.

7. OTHER CURRENT ASSETS AND CURRENT FINANCIAL ASSETS

	2018	2017
	MCHF	MCHF
Value added tax receivables	61.7	78.3
Income tax refunds receivable	17.9	20.2
Short-term derivative financial instruments ¹ (see → Note 15)	0.4	0.2
Prepaid expenses	10.5	11.2
Other current assets	16.8	12.4
Total other current assets and current financial assets	107.3	122.3

¹ Not part of the calculation of net working capital

The position "Other current assets" includes other receivables from governments of MCHF 5.9 (PY: MCHF 2.1).

8. INVENTORIES

	2018	2017
	MCHF	MCHF
Raw materials, supplies and other inventories	101.7	102.0
Work in progress	49.5	55.9
Finished goods	129.7	128.2
Merchandise	23.9	27.1
Prepayments to suppliers	0.1	0.1
Total inventories	304.9	313.3

As at 31 December 2018, inventories included allowances for slow-moving and obsolete items of MCHF 46.2 (PY: MCHF 43.5).

9. PROPERTY, PLANT AND EQUIPMENT

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2018					
Cost at beginning of year	2,267.0	656.2	1,445.2	65.4	100.2
Additions	151.4	11.2	39.6	8.6	92.0
Disposals	-88.7	-19.0	-63.2	-6.5	
Transfers	2.0	9.6	37.8	1.7	-47.1
Translation differences	-71.4	-18.5	-45.3	-3.6	-4.0
Cost at end of year	2,260.3	639.5	1,414.1	65.6	141.1
Accumulated depreciation at beginning of year	1,454.2	345.0	1,067.0	42.2	0.0
Depreciation	105.0	16.5	79.7	8.8	
Disposals	-82.5	-13.9	-62.1	-6.5	
Translation differences	-45.3	-8.2	-34.4	-2.7	
Accumulated depreciation at end of year	1,431.4	339.4	1,050.2	41.8	0.0
Carrying amounts at end of year	828.9	300.1	363.9	23.8	141.1
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

As at 31 December 2018, there were no qualified assets for which borrowing costs were capitalised during the production phase. As at 31 December 2018, the Group had entered into firm commitments for capital expenditures of MCHF 14.5 (PY: MCHF 15.0).

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

	2018	2017
	MCHF	MCHF
Reinsurance policies for pension obligations (see → Note 16)	23.8	22.3
Assets from defined benefit plans (see → Note 16)	1.7	0.9
Deposits	2.7	2.6
Capitalised financing costs	0.9	1.2
Other	8.3	8.0
Total other non-current assets and non-current financial assets	37.4	35.0

In 2018 and 2017 the position "Other" mainly includes long-term receivables in connection with the sale of the Varicor Group which was executed in 2017.

11. GOODWILL AND INTANGIBLE ASSETS

	Total	Goodwill	Patents and technology	Trademarks	Other intangible assets ¹
	MCHF	MCHF	MCHF	MCHF	MCHF
2018					
Cost at beginning of year	2,341.9	1,568.3	271.8	385.4	116.4
Additions	11.0				11.0
Disposals	-4.3				-4.3
Transfers	0.4				0.4
Translation differences	-63.4	-51.2	-5.3	-6.0	-0.9
Cost at end of year	2,285.6	1,517.1	266.5	379.4	122.6
Accumulated amortisation at beginning of year	593.0	222.2	234.8	61.8	74.2
Amortisation	55.2		36.5	8.1	10.6
Disposals	-4.2				-4.2
Translation differences	-10.1	-4.5	-4.9		-0.7
Accumulated amortisation at end of year	633.9	217.7	266.4	69.9	79.9
Carrying amounts at end of year	1,651.7	1,299.4	0.1	309.5	42.7

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

	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

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

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 2018. 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)			
	31.12.2018	31.12.2017	Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate pretax	Discount rate posttax
	MCHF	MCHF		%	%	%
Goodwill	1,299.4	1,346.1	U	2.8 (2.9)	6.3 (6.2)	5.6 (5.6)
Geberit trademark	84.6	84.6	U	2.8 (2.9)	6.2 (6.2)	5.6 (5.6)
Various other trademarks	224.9	239.0	U	2.8 (2.0 - 2.9)	5.9 -6.9 (5.9 - 7.2)	5.8 - 6.7 (5.8 - 6.8)

GOODWILL

The discounted cashflow method is applied to test the goodwill for impairment. The Group bases the impairment test on the results from the current business plan (for a four-year period) and the assumptions in this plan 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 drawn from 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

The item "Various other trademarks" includes the trademarks Ifö, Keramag, Kolo, IDO, Twyford, Allia and Sphinx.

The relief from royalty method is used to test the trademarks (Ifö, Kolo, IDO and Twyford) for impairment. 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 drawn from 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.

On 7 March 2018, the Board of Directors approved the new brand strategy. This strategy foresees that some of the Bath & Shower Systems brands will be gradually integrated into the Geberit brand in the respective markets. Consequently, the affected brands (Keramag, Allia and Sphinx) now have a finite useful life causing total annual amortisation of around MCHF 8.0 over their remaining useful life.

SENSITIVITY ANALYSIS

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

12. SHORT-TERM DEBT

	2018	2017
	MCHF	MCHF
Other short-term debt	4.6	4.5
Short-term portion of long-term debt (2018: CHF Bond)	149.7	0.0
Total short-term debt	154.3	4.5

SHORT-TERM CREDIT LINES

The Group maintained credit lines of MCHF 41.3 (PY: MCHF 41.9) 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 2018 and 2017, the Group did not have any outstanding drawings on the above-mentioned credit lines.

OTHER SHORT-TERM DEBT

As at 31 December 2018, the Group had MCHF 4.6 in other short-term debt (PY: MCHF 4.5). This debt incurred an effective interest rate of 5.4% (PY: 5.4%).

CURRENCY MIX

Of the total short-term debt outstanding as at 31 December 2018, MCHF 4.6 was denominated in EUR (PY: MCHF 4.5) and MCHF 149.7 in CHF (PY: MCHF 0.0).

13. OTHER CURRENT LIABILITIES AND PROVISIONS

	2018	2017
	MCHF	MCHF
Compensation-related liabilities	83.5	88.5
Customer-related liabilities	121.7	107.8
Value added tax payables	31.2	44.5
Short-term derivative financial instruments (see → Note 15)	0.0	1.1
Short-term interest payables	2.5	3.8
Other current liabilities	42.8	40.7
Total other current liabilities	281.7	286.4

The outstanding customer bonuses are offset against the outstanding trade accounts receivable (→ **Note 6**). If the balance of outstanding trade receivables as at 31 December is smaller than the outstanding customer bonuses, these are reported under "Customer-related liabilities". The position "Other current liabilities" mainly includes accruals for services and deliveries not invoiced.

	2018	2017
	MCHF	MCHF
Other current provisions	5.8	16.4
Provisions for restructuring	20.6	36.3
Total current provisions	26.4	52.7

The movements of other current provisions for 2018 and 2017 are shown in the following table:

	2018	2017
	MCHF	MCHF
Other current provisions		
1 January	16.4	25.8
Additions	3.9	4.6
Used	-3.6	-11.9
Reversed	-10.2	-2.2
Translation differences	-0.7	0.1
31 December	5.8	16.4

The movements of provisions for restructuring for 2018 and 2017 are shown in the following table:

	2018	2017
	MCHF	MCHF
Provisions for restructuring		
1 January	36.3	11.9
Additions	0.4	50.9
Transfers	6.0	-19.6
Used	-17.4	-6.6
Reversed	-3.7	-2.5
Translation differences	-1.0	2.2
31 December	20.6	36.3

In 2017, ceramic production at the plant in Digoin (F) was discontinued and the plant in La Villeneuve-au-Chêne (F) was completely closed. As at 30 June 2017, a restructuring provision was recognised to cover the cost of these measures (MCHF 44.0). The cashout ("Used") from this provision amounted to MCHF 12.5 in 2017 and MCHF 15.7 in 2018 (see also → **Note 19**).

14. LONG-TERM DEBT

	2018	2017
	MCHF	MCHF
Bonds	663.5	878.8
Credit facility	157.6	0.0
Other long-term debt	11.7	11.9
Total long-term debt before reclassification	832.8	890.7
Short-term portion of long-term debt (2018: CHF Bond)	-149.7	0.0
Total long-term debt	683.1	890.7

BONDS

In November 2018, Geberit repurchased and cancelled 35% (MEUR 175) of the outstanding EUR bond as part of a public buy-back offer. The buyback was partly financed through use of the credit facility. As at the end of 2018, the three outstanding bonds are as follows: a bond for MCHF 150 (fair value as at 31 December 2018: MCHF 150.2) 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 2018: MCHF 151.4) with a term of eight years and a coupon of 0.3% due 2023, and a bond for MEUR 325 (fair value as at 31 December 2018: MEUR 328.8) with a term of six years and a coupon of 0.688% due 2021.

REVOLVING CREDIT FACILITY

A firmly committed credit line of MCHF 500 has been available to the Group since November 2017. The credit line has a term of five years (due in 2022) as well as two renewal options of one additional year each. The interest rate is variable and based on the LIBOR plus a fixed margin. An additional fee is charged if this credit line is drawn down. MEUR 140 of the credit facility had been drawn down by the end of 2018. A commitment fee – recorded as financial expenses – was charged in respect of the undrawn portion.

The MEUR 325 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 2018, the Group had MCHF 11.7 of other long-term debt (PY: MCHF 11.9). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

CURRENCY MIX

Of the total long-term debt outstanding as at 31 December 2018, MCHF 533.4 was denominated in EUR (PY: MCHF 592.3) and MCHF 149.7 in CHF (PY: MCHF 298.4).

15. FINANCIAL INSTRUMENTS

DERIVATIVE FINANCIAL INSTRUMENTS

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments in accordance with 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 2018 and 2017, the following derivative financial instruments were outstanding:

FORWARD FOREIGN EXCHANGE CONTRACTS

	Contract values					Fair value 31.12.	Calculation method
2018	MCZK	MEUR	MDKK	MPLN	MNOK	MCHF	
Foreign exchange contracts	-10.0	-78.0	-7.0	-60.0	-5.0	0.4	Mark-to-Market
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

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

HEDGE ACCOUNTING

No hedge accounting was applied in 2018 or 2017.

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 31.12.2018	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	282.2	282.2	0.0	
Trade accounts receivable	197.5	197.5	0.0	
Other current assets (see → Note 7)	106.9	106.9	0.0	
Other non-current assets	10.5	10.3	0.2	Level 2
Derivative financial instruments (see → Note 7)	0.4	0.0	0.4	Level 2
Total	597.5	596.9	0.6	

	Carrying amount as at 31.12.2018	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 (CHF bond: MCHF 149.7)	154.3	154.3	0.0	
Trade accounts payable	94.8	94.8	0.0	
Bonds	513.8	513.8	0.0	
Credit facility	157.6	157.6	0.0	
Other financial liabilities	11.7	11.7	0.0	
Derivative financial instruments	0.0	0.0	0.0	Level 2
Total	932.2	932.2	0.0	

	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	
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	

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 was 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				
		31.12.2018	2019	2020	2021	2022
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt (incl. CHF bond)	154.3	154.9	0.0	0.0	0.0	0.0
Trade accounts payable	94.8	94.8	0.0	0.0	0.0	0.0
Bonds	513.8	3.0	3.0	368.7	0.5	150.5
Credit facility	157.6	0.1	158.0	0.0	0.0	0.0
Other financial liabilities	11.7	0.7	3.8	3.5	2.8	3.3
Total non-derivative financial liabilities	932.2	253.5	164.8	372.2	3.3	153.8
Derivative financial assets/liabilities, net	-0.4	105.6	0.0	0.0	0.0	0.0
Total derivative financial instruments	-0.4	105.6	0.0	0.0	0.0	0.0
Total	931.8	359.1	164.8	372.2	3.3	153.8

	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
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

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:

	2018		Noncash movements			2017
	Total	Cashflows	Changes in scope of consolidation	Translation differences	Others	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Long-term debt	683.1	-44.8	0.0	-20.9	-141.9	890.7
Short-term debt	154.3	-0.5	0.0	-0.2	150.5	4.5
Interest liabilities	2.5	-6.0	0.0	-0.1	4.8	3.8
Total	839.9	-51.3	0.0	-21.2	13.4	899.0

"Others" mainly contains the transfer of pension liabilities to long-term debt, the reclassification of long-term debt (due within the next twelve months) to short-term debt and the 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.

	2018	2017
	MCHF	MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	578.2	597.5
Plan assets at fair value	563.6	573.9
Funded status	-14.6	-23.6
Germany		
Benefit obligation (for unfunded retirement benefit plans)	241.9	250.1
Plan assets at fair value	0.0	0.0
Funded status	-241.9	-250.1
Reimbursement rights	16.3	15.2
Other plans		
Benefit obligation (for funded retirement benefit plans)	37.8	44.1
Benefit obligation (for unfunded retirement benefit plans)	34.0	34.4
Plan assets at fair value	38.5	43.9
Funded status	-33.3	-34.6
Reimbursement rights	7.5	7.1
Total		
Benefit obligation (for all retirement benefit plans)	891.9	926.1
Plan assets at fair value	602.1	617.8
Funded status	-289.8	-308.3
Reimbursement rights	23.8	22.3

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 111.3% as at 31 December 2018 (PY: 118.2%).

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 Geberit Keramik GmbH, Ratingen, a benefit obligation arose from certain pension commitments made and there is also a benefit obligation with reinsurance assets.

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

	2018	2017
	MCHF	MCHF
Current service cost	38.1	35.3
Past service cost	-3.6	-7.2
Contributions of employees	-10.0	-9.4
Net interest cost for retirement benefit plans	3.7	3.9
Net periodic pension cost	28.2	22.6

The current service cost for the Swiss retirement benefit plans was MCHF 25.0 in 2018 (PY: MCHF 23.7) and for the German retirement benefit plans MCHF 11.9 (PY: MCHF 10.6). The past service cost for the Swiss retirement benefit plan (Gemeinschaftsstiftung) was MCHF -3.8 which is a technical effect related to plan changes 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 0.1 in 2018 (PY: MCHF 0.3) and for the German retirement benefit plans MCHF 3.3 (PY: MCHF 3.3).

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

	2018	2017
	MCHF	MCHF
Actuarial gains (-)/losses:	-35.9	17.0
- of which from changes in demographic assumptions	0.3	-0.1
- of which from changes in financial assumptions	-36.0	-4.4
- of which from experience adjustments	-0.2	21.5
Return on plan assets (excluding interest based on discount rate)	18.4	-46.0
Return on reimbursement rights (excluding interest based on discount rate)	-0.2	0.0
Asset ceiling adjustment	0.0	0.0
Total pre-tax remeasurements recognised in other comprehensive income	-17.7	-29.0

The remeasurements recognised in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2018 for the Swiss retirement benefit plans amounted to MCHF -11.6 (PY: MCHF -35.3) and for the German retirement benefit plans to MCHF -6.5 (PY: MCHF 4.8).

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

	2018	2017
	MCHF	MCHF
Benefit obligation		
At beginning of year	926.1	876.8
Changes in scope of consolidation	0.0	-0.9
Current service cost	38.1	35.3
Past service cost	-3.6	-7.2
Interest cost	8.9	8.8
Actuarial gains (-)/losses	-35.9	17.0
Benefits paid	-28.0	-28.0
Translation differences	-13.7	24.3
Benefit obligation at end of year	891.9	926.1

	2018	2017
	MCHF	MCHF
Plan assets at fair value		
At beginning of year	617.8	551.4
Interest income (based on discount rate)	4.6	4.3
Return on plan assets (excluding interest based on discount rate)	-18.4	46.0
Contributions of employees	9.3	8.8
Contributions of employers	9.7	23.3
New plans/plan adjustments	0.0	-0.5
Benefits paid	-18.6	-17.8
Translation differences	-2.3	2.3
Plan assets at fair value at end of year	602.1	617.8
Funded status at end of year	-289.8	-308.3
Asset ceiling adjustment	0.0	0.0
Assets from defined benefit plans (see → Note 10)	-1.7	-0.9
Net funded status at end of year	-291.5	-309.2

The position "Contributions of employers" includes a one-off payment to the amount of MCHF 13.8 made in 2017 to partly mitigate the reduction of the future pension benefits of the active members resulting from the plan change above.

	2018	2017
	MCHF	MCHF
Fair value of reimbursement rights		
At beginning of year	22.3	19.3
Interest income (based on discount rate)	0.6	0.6
Return on reimbursement rights (excluding interest based on discount rate)	0.2	0.0
Contributions of employers	1.4	1.4
Contributions of employees	0.7	0.6
Benefits paid	-0.9	-0.4
Translation differences	-0.5	0.8
Fair value of reimbursement rights at end of year	23.8	22.3

As at 31 December 2018, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 16.3 (PY: MCHF 15.2).

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

	2018			2017		
	Listed on an active market	Other	Total	Listed on an active market	Other	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Equity instruments	198.1	17.0	215.1	224.2	17.0	241.2
Bonds and other debt instruments	110.4	43.6	154.0	108.3	41.6	149.9
Real estate property	47.9	130.2	178.1	57.9	123.2	181.1
Cash and cash equivalents	46.1	0.0	46.1	36.3	0.0	36.3
Other	2.7	6.2	8.9	3.0	6.3	9.3
Total	405.2	197.0	602.2	429.7	188.1	617.8

The plan asset of the Swiss retirement benefit plans was MCHF 563.6 as at 31 December 2018 and the effective income on the plan assets was -2.05% in 2018 and +9.4% in 2017. As at the end of 2018, the plan assets included MCHF 6.1 (PY: MCHF 6.6) 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:

	2018				2017			
	Active members	Deferred members	Pensioners	Total	Active members	Deferred members	Pensioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,299		528	1,827	1,278		516	1,794
German retirement benefit plans	5,155	675	341	6,171	5,178	581	364	6,123
Total plan members	6,454	675	869	7,998	6,456	581	880	7,917
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	345.8		232.4	578.2	346.9		250.6	597.5
German retirement benefit plans	178.3	26.0	37.6	241.9	181.8	26.9	41.4	250.1
Total benefit obligation	524.1	26.0	270.0	820.1	528.7	26.9	292.0	847.6
Share in %	63.9	3.2	32.9	100.0	62.3	3.2	34.5	100.0

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

Employer contributions of MCHF 10.1 are expected for the Swiss retirement benefit plans in 2019. 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 %):

	2018		2017	
	CH	DE	CH	DE
Discount rate	0.8	1.70	0.6	1.45
Salary increase rate	1.2	2 - 2.5	1.2	0 - 2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2015 generations table	Heubeck 2018G	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	-7.0%	-5.4%
Reduced by 50 basis points	+8.2%	+6.0%
Salaries		
Increased by 25 basis points	+0.40%	+0.00%
Reduced by 25 basis points	-0.32%	-0.00%

In addition, the Group's consolidated income statement for 2018 included expenses for defined contribution plans of MCHF 8.0 (PY: MCHF 7.1).

17. PARTICIPATION PLANS

SHARE PLANS

In 2018, employees were able to purchase a defined number of shares at a discount of 35% (PY: 45%) compared to the market price ("Employee share purchase plan"). 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 2017 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 2018 are summarised below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan (ESPP)	2020	2,518	18,327	280.95
Management share purchase plan (MSPP)	2021	101	9,448	432.20
Directors programme (DSPP)	2022	7	3,199	432.20
Total			30,974	

The 30,974 shares required for these plans were taken from the stock of treasury shares.

As at 31 December 2018, the Board of Directors, the Group Executive Board and the employees owned a combined total of 386,381 (PY: 362,011) 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 granting. 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 2018:

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan (MSPP)	2019 - 2022	2025	101	9,448	432.20
Option plan (MSOP)	2021 - 2023	2028	90	107,331	432.20
Total				116,779	

The fair value of the options granted in 2018 amounted on average to CHF 36.61 (PY: CHF 34.72) for MSPP and CHF 39.29 (PY: CHF 39.87) 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)	432.20	16.88	2.39	7	-0.09
Option plan (MSOP)	432.20	16.14	2.39	10	0.16

¹ The exercise price corresponds to the average price of Geberit shares for the period from 6. – 19.3.2018.

The following table summarises all option plans in place as at 31 December 2018:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2020 - 2024	146,974	296.63	143,635	293.39
2019	2022 - 2026	68,248	363.69	62,430	357.09
2020	2023 - 2027	77,238	398.78	38,575	361.75
2021	2024 - 2028	109,865	410.33	36,027	361.75
2022	2025 - 2028	70,175	433.93	0	433.93
2023	2028	35,444	432.20	0	432.20
Total		507,944	374.19	280,667	325.73

The following movements took place in 2018 and 2017:

	MSOP		MSPP		Total 2018		Total 2017	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
		CHF		CHF		CHF		CHF
Outstanding 1 January	426,857	351.34	46,518	353.09	473,375	351.52	402,715	313.91
Granted options	107,331	432.20	9,448	432.20	116,779	432.20	123,794	435.95
Forfeited options	24,736	399.08	654	369.40	25,390	398.31	1,987	359.97
Expired options	0	0	0	0	0	0	0	0
Exercised options	47,571	294.86	9,249	285.72	56,820	293.37	51,147	259.38
Outstanding 31 December	461,881	373.39	46,063	382.21	507,944	374.19	473,375	351.52
Exercisable at 31 December	124,875	289.04	19,020	322.38	143,895	293.39	130,426	282.31

The 507,944 options outstanding represent 1.4% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares. The options outstanding as at 31 December 2018 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 5.5 years (PY: 6.1 years). Costs resulting from share plans amounted to MCHF 3.0 in 2018 (PY: MCHF 4.3); those for option plans totaled MCHF 3.8 (PY: MCHF 3.2).

18. DEFERRED TAX ASSETS AND LIABILITIES

	2018		Movements 2018				2017
	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	24.6	13.3	0.0	0.0	0.0	-0.9	12.2
Accrued pension obligations	28.2	0.2	0.0	-2.9	0.0	-1.3	32.2
Property, plant and equipment	5.5	-3.2	0.0	0.0	0.0	-1.9	10.6
Intangible assets	7.9	-5.0	0.0	0.0	0.0	-0.5	13.4
Other	25.7	-0.3	-2.2	0.0	0.0	0.5	27.7
Total deferred tax assets	91.9	5.0	-2.2	-2.9	0.0	-4.1	96.1
Deferred tax liabilities							
Inventories	-3.5	0.1	0.0	0.0	0.0	0.0	-3.6
Property, plant and equipment	-27.3	-0.4	0.0	0.0	0.0	2.4	-29.3
Intangible assets	-29.9	6.3	0.0	0.0	0.0	1.3	-37.5
Assets from defined benefit plans	-0.8	-0.5	0.0	0.0	0.0	0.0	-0.3
Other	-6.4	0.7	0.0	0.0	0.0	-1.3	-5.8
Total deferred tax liabilities	-67.9	6.2	0.0	0.0	0.0	2.4	-76.5

¹ Recorded in other comprehensive income

	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

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 2018 and 2017, 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.

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:

	2018	Without deferred tax asset	With deferred tax asset	2017	Without deferred tax asset	With deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Maturity						
1 year	6.5	6.5	0.0	0.0	0.0	0.0
2 years	3.7	0.0	3.7	11.3	6.6	4.7
3 years	2.1	2.1	0.0	6.0	0.0	6.0
4 years	25.1	21.0	4.1	2.7	0.0	2.7
5 years	8.6	1.5	7.1	0.0	0.0	0.0
6 years	23.7	4.2	19.5	11.0	6.1	4.9
> 6 years	166.9	113.3	53.6	173.8	147.1	26.7
Total loss carryforwards	236.6	148.6	88.0	204.8	159.8	45.0

19. OTHER NON-CURRENT LIABILITIES AND PROVISIONS

	2018	2017
	MCHF	MCHF
Accrued investment grants	2.4	2.9
Other non-current liabilities	5.9	6.7
Total other non-current liabilities	8.3	9.6
Provisions for operating risks	35.8	35.1
Other non-current provisions	8.6	13.0
Total non-current provisions	44.4	48.1
Total other non-current liabilities and provisions	52.7	57.7

Movements of the provisions for operating risks in 2018 and 2017 are shown in the following table.

	2018	2017
	MCHF	MCHF
Provisions for operating risks		
1 January	35.1	31.6
Changes in scope of consolidation	0.0	-0.2
Additions	27.4	14.3
Used	-24.8	-10.7
Reversed	-0.5	-2.0
Translation differences	-1.4	2.1
31 December	35.8	35.1

Provisions for operating risks mainly include provisions for warranties. The payments for the warranty claims delay on average 3.7 years (PY: 4.0 years).

In 2018, the item "Used" includes payments for a claim that is almost completely covered by insurance.

	2018	2017
	MCHF	MCHF
Other non-current provisions		
1 January	13.0	3.2
Additions	2.7	2.7
Transfers	-6.3	19.6
Used	-0.5	-12.7
Reversed	0.0	-0.5
Translation differences	-0.3	0.7
31 December	8.6	13.0

In 2018, this position includes the non-current portion of the restructuring provision of MCHF 2.6 (PY: MCHF 8.8) for the French restructuring measures in 2017. In 2017 the line item "Used" includes mainly payments in relation to this provision. For a detailed explanation, see → **Note 13**.

20. CONTINGENCIES

The Group is involved in several legal proceedings arising from the ordinary course of business. The Group believes that none of these proceedings either individually or in the aggregate is likely to have a material 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

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

Geberit AG launched a share buyback programme on 6 June 2017. Shares in an aggregate amount of up to MCHF 450.0 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 2018 and taking into account the shares already repurchased by this date, this corresponds to around 1,100,000 registered shares or 3.0% 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 2018, 650,801 shares had been repurchased for a total value of MCHF 276.5.

	2018	2017
	pcs.	pcs.
Stock of treasury shares		
From share buyback programmes	650,801	205,250
Other treasury shares	348,381	186,390
Total treasury shares	999,182	391,640

The entire stock of treasury shares on 31 December 2018 amounted to 999,182 (PY: 391,640) with a carrying amount of MCHF 417.7 (PY: MCHF 156.4). 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.

	2018	2017
Attributable net income according to income statement (MCHF)	597.2	527.4
Weighted average number of ordinary shares (thousands)	36,408	36,783
Total earnings per share (CHF)	16.40	14.34

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.

	2018	2017
Attributable net income according to income statement (MCHF)	597.2	527.4
Weighted average number of ordinary shares (thousands)	36,408	36,783
Adjustments for share options (thousands)	34	72
Weighted average number of ordinary shares (thousands)	36,442	36,855
Total diluted earnings per share (CHF)	16.39	14.31

23. OTHER OPERATING EXPENSES, NET

	2018	2017
	MCHF	MCHF
Outbound freight cost and duties	111.2	106.6
Energy and maintenance expenses	132.7	133.1
Marketing expenses	112.1	108.1
Administration expenses	73.2	69.1
Other operating expenses	179.5	164.1
Other operating income	-33.2	-21.3
Total other operating expenses, net	575.5	559.7

"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 2018, "Other operating expenses" includes the costs of a warranty claim that is almost completely covered by insurance. The corresponding insurance benefit is included in "Other operating income".

In 2018, costs of MCHF 14.7 (PY: MCHF 12.9) 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

	2018	2017
	MCHF	MCHF
Interest expenses	-10.3	-9.7
Amortisation of deferred financing fees	-1.1	-1.5
Other financial expenses	-6.3	-1.8
Total financial expenses	-17.7	-13.0
Interest income and other	2.3	1.2
Total financial income	2.3	1.2
Foreign exchange loss (-)/gain	-5.0	2.4
Total financial result, net	-20.4	-9.4

"Interest expenses" mainly includes the interest for the bonds. In 2018, apart from commitment and other fees, the position "Other financial expenses" mainly includes the call premium of the tender offer related to the EUR bond.

25. INCOME TAX EXPENSES

	2018	2017
	MCHF	MCHF
Current taxes	101.2	101.4
Deferred taxes	-11.2	-16.5
Total income tax expenses	90.0	84.9

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.9% (PY: 12.5%) and the effective income tax expenses were as follows:

	2018	2017
	MCHF	MCHF
Income tax expenses, at applicable rate	95.7	76.8
Operating losses with no current tax benefit	0.1	13.9
Offsetting of current profits against loss carryforwards without tax assets	-4.8	-1.3
Changes in future tax rates	0.1	-0.7
Non-deductible expenses and non-taxable income, net	2.5	0.4
Other	-3.6	-4.2
Total income tax expenses	90.0	84.9

The increase of the weighted-average applicable tax rate of the Group by 140 bp in 2018 mainly results from the MCHF 45 restructuring costs in France, which were considered in 2017 as deductible for the calculation of the theoretical tax rate.

In 2018 and 2017, the position "Other" mainly includes tax benefits from the capitalisation of loss carryforwards following improved operational performance. The position "Operating losses with no current tax benefit" contains the not capitalised loss in France which resulted from the aforementioned restructuring costs.

26. OPERATING LEASING

	2018	2017
	MCHF	MCHF
Minimum lease payments		
< 1 year	20.6	18.9
1-5 years	47.5	51.1
> 5 years	32.3	64.7
Total minimum lease payments	100.4	134.7

In the course of the implementation of IFRS 16 the definition of lease term and lease obligations were clarified and figures of 2018 were adjusted accordingly. The lease expenses for 2018 were MCHF 25.1 (PY: MCHF 25.4). The leasing agreements are mainly for rent of buildings and equipment.

27. RESEARCH AND DEVELOPMENT COST

	2018	2017
	MCHF	MCHF
Research and development expenses	77.6	77.8
Capitalised development expenses	-5.6	-2.7
Amortisation of capitalised development expenses	4.1	3.3
Research and development cost	76.1	78.4

In 2018, research and development expenses totalling MCHF 77.6 (PY: MCHF 77.8) were included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net". This represents 2.5% of net sales (PY: 2.7%). For four major development projects, the capitalisation criteria according to IAS 38.57 were met and expenses of MCHF 5.6 (PY: MCHF 2.7) were capitalised.

28. CASHFLOW FIGURES

Net cashflow is calculated as follows:

	2018	2017 ²
	MCHF	MCHF
EBITDA ¹	867.8	772.0
Changes in net working capital from operating core activities	-19.2	-7.3
Changes in the other positions of the net working capital	8.1	-11.3
Changes in provisions	-11.8	19.5
Income taxes paid	-102.7	-129.7
Other non-cash income and expenses	5.3	-2.8
Net cash from/used in (-) operating activities	747.5	640.4

¹ EBIT + Depreciation + Amortisation

² The definition of "Net cashflow" and "Free cashflow" was adapted to the definition of the statements of cashflows, and the prior year figures were reclassified in the interests of comparability.

The position «Changes in net working capital from operating core activities» includes the change of trade accounts receivable, trade accounts payable and inventories. The residual positions of the net working capital are shown in the position «Changes in the other positions of the net working capital» if they are not part of «Changes in provisions», «Income taxes paid» or «Interest and other financing cost paid, net».

«Changes in provisions» contains the change of all short and long-term provisions.

The position «Other non-cash income and expenses» mainly contains the correction of non-cash items from the participation programs as well as the reclassification of (gains)/losses from the sale of property, plant and equipment and intangible assets as well as from subsidiaries.

Free cashflow is calculated as follows:

	2018	2017 ²
	MCHF	MCHF
Net cash from/used in (-) operating activities	747.5	640.4
Purchase of property, plant and equipment and intangible assets, net	-153.8	-155.5
Interest and other financing cost paid, net	-12.2	-9.2
Free cashflow	581.5	475.7

² The definition of "Net cashflow" and "Free cashflow" was adapted to the definition of the statements of cashflows, and the prior year figures were reclassified in the interests of comparability.

«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 companies is local market development, which contains as a main focus the support of installers, sanitary planners, architects, wholesalers and other distributors. Research and development of the whole range of products is carried out centrally by Geberit International AG. All corporate tasks are also centralised at Geberit International AG.

Due to the unity and focus of the business, the top management (Group Executive Board) and the management structure of the Geberit Group are organised by function (Overall Management, Sales Europe, Sales International, Marketing & Brands, Operations, Product Management & Innovation, Finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on net sales by markets and product areas 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 basis for revenue recognition is the same for all markets and product areas. The geographical allocation of net sales is based on the domicile of the customers.

The information is as follows:

	2018	2017
	MCHF	MCHF
Net sales by product areas		
Installation and Flushing Systems ¹	1,132.5	1,048.3
Piping Systems	928.3	865.5
Bathroom Systems ¹	1,019.7	994.5
Total net sales	3,080.5	2,908.3

¹ Following a reclassification in 2018, the prior year figures were adjusted accordingly in the interests of comparability.

	2018	2017
	MCHF	MCHF
Net sales by markets		
Germany	934.1	867.3
Nordic Countries	311.6	313.7
Switzerland	282.7	278.6
Central/Eastern Europe	307.2	280.1
Benelux	252.4	231.6
Italy	216.2	201.2
France	187.1	176.3
Austria	170.6	161.2
United Kingdom/Ireland	111.6	110.5
Iberian Peninsula	24.5	21.4
Other markets	282.5	266.4
Total net sales	3,080.5	2,908.3
	2018	2017
	MCHF	MCHF
Share of net sales by customers		
Customers with more than 10% of net sales: customer A	482.1	435.5
Total > 10%	482.1	435.5
Remaining customers with less than 10% of net sales	2,598.4	2,472.8
Total net sales	3,080.5	2,908.3
	2018	2017
	MCHF	MCHF
Property, plant and equipment by markets		
Germany	310.1	298.7
Nordic Countries	40.3	39.2
Switzerland	161.6	161.7
Central/Eastern Europe	135.6	128.5
Benelux	6.4	5.4
Italy	58.1	57.6
France	11.2	10.0
Austria	38.9	42.6
United Kingdom/Ireland	2.3	2.5
Iberian Peninsula	13.1	13.5
Other markets	51.3	53.1
Total property, plant and equipment	828.9	812.8

30. RELATED PARTY TRANSACTIONS

In 2018 and 2017, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

	2018	2017
	MCHF	MCHF
Remuneration and salary fixed	5.4	5.5
Remuneration and salary variable	1.7	2.0
Options	2.5	2.7
Expenditure on pensions	1.0	1.5
Other	0.1	0.1
Total	10.7	11.8

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

In 2018 and 2017, there were no further material related party transactions.

31. FOREIGN EXCHANGE RATES

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

	Currency		2018		2017	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.1255	1.1564	1.1687	1.1086
United Kingdom	GBP	1	1.2489	1.3050	1.3168	1.2675
USA	USD	1	0.9848	0.9782	0.9777	0.9844
Poland	PLN	100	26.2000	27.1550	28.0300	26.0350
China	CNY	100	14.3110	14.8090	15.0200	14.5750
Denmark	DKK	100	15.0700	15.5090	15.6920	14.9170
Australia	AUD	1	0.6955	0.7328	0.7620	0.7547
Czech Republic	CZK	100	4.3700	4.5190	4.5650	4.1890
Hungary	HUF	100	0.3500	0.3640	0.3764	0.3590
Norway	NOK	100	11.3300	12.0290	11.8630	11.9270
Sweden	SEK	100	10.9700	11.2610	11.8530	11.5290
Singapore	SGD	1	0.7216	0.7253	0.7314	0.7129
South Africa	ZAR	100	6.8400	7.4330	7.9100	7.3820
Turkey	TRY	100	18.5800	20.4560	25.8250	26.8470
Russia	RUB	100	1.4130	1.5630	1.6960	1.6840
Ukraine	UAH	100	3.5401	3.6030	3.4800	3.7060
India	INR	100	1.4100	1.4270	1.5300	1.5140
Nigeria	NGN	100	0.2710	0.2710	0.2720	0.2970
Romania	RON	100	24.1300	24.8030	25.0800	24.3080

32. SUBSEQUENT EVENTS

The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on 11 March 2019.

33. GROUP COMPANIES AS AT 31 DECEMBER 2018

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 / St. Pölten	EUR	728	100
Geberit Produktions GmbH & Co KG, Pottenbrunn / St. Pölten	EUR	7,995	100
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn / St. Pölten	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
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, Tammisaari	EUR	3	100
Geberit Production Oy, Tammisaari	EUR	2,813	100
France			
Geberit S.a.r.l., Samoreau	EUR	1,686	100
Geberit Holding France S.A., Samoreau	EUR	10,388	100
Geberit Services S.A.S., Samoreau	EUR	1,931	100
Geberit Production S.A.S., Limoges	EUR	4,577	100

Germany	Currency	Share capital ('000)	Ownership in %
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
Geberit Keramik Service GmbH & Co. KG, Pfullendorf	EUR	100	100
Geberit Keramik GmbH, Ratingen	EUR	12,500	100
Ceraavid GmbH, Essen	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., Milan	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	Currency	Share capital ('000)	Ownership in %
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
Geberit Production 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
Geberit Ceramic Production PrJSC, 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



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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Geberit AG and its subsidiaries (Geberit Group), which comprise the → **consolidated balance sheet** as at 31 December 2018 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 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

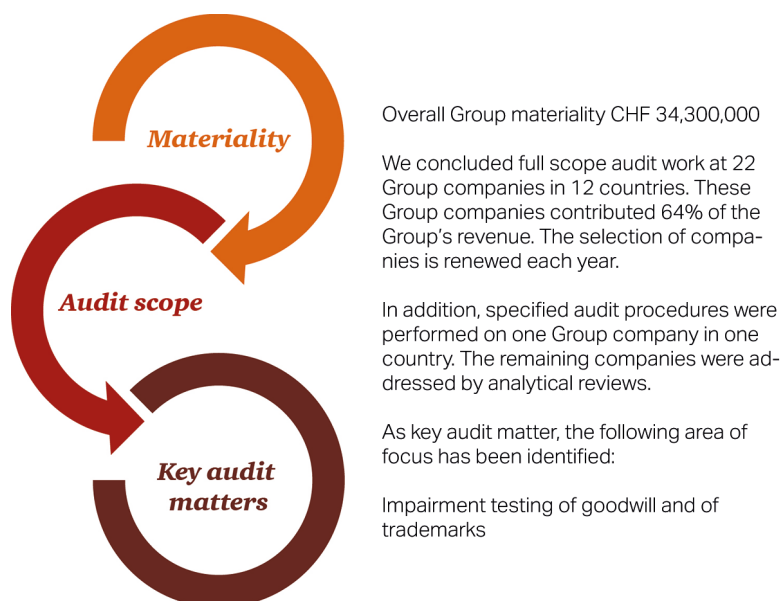
BASIS FOR OPINION

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



MATERIALITY

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. 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.

Overall Group materiality	CHF 34,300,000
How we determined it	5% of the profit before income tax expenses
Rationale for the materiality benchmark applied	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.

We agreed with the Audit Committee that we would report to them misstatements above CHF 3,430,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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. We were sufficiently involved in the audit 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 limits, specifying the materiality thresholds, participating in closing meetings, examining the reporting and conducting conference calls with the component auditors during the interim audit and the year-end audit.

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 TRADEMARKS

Key audit matter

Impairment testing of goodwill and of trademarks was deemed a key audit matter for the following two reasons:

Goodwill and trademarks represent a significant amount on the balance sheet (goodwill totalling CHF 1,299.4 million and trademarks totalling CHF 309.5 million). A useful life is defined for trademarks that are integrated progressively into the Geberit trademarks. Goodwill and trademarks with an indefinite useful life are not regularly amortised but tested for impairment at least annually. 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 rates to be applied to the expected cash flows and in determining the cash-generating units (CGUs).

With regard to the accounting policies and information on goodwill and trademarks, 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).

How our audit addressed the key audit matter

Impairment testing of goodwill and trademarks 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.

We assessed the determination of the CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and governance of the Geberit Group.

We compared the business results of the year under review with the forecasts prepared in the prior year in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows. The business results of the year under review were in line with the budget. As in previous years, Management based its forecasts this year on the growth rates and margins according to the current business plan of the Geberit Group.

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.

The assumptions used were consistent and in line with our expectations.

We also assessed the useful life accorded to trademarks with a finite useful life.

We tested the sensitivity analyses of the key assumptions. These analyses enabled us to assess any potential impairment of goodwill or of trademarks.

On the basis of the evidence obtained from our audit, we consider the valuation method and the assumptions used to be an appropriate and adequate basis for the impairment testing of goodwill and of trademarks.

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.
- 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, 11 March 2019

FINANCIAL REPORT

GEBERIT AG

2018

BALANCE SHEETS

	31.12.2018	31.12.2017
	MCHF	MCHF
Assets		
Current assets		
Cash	5.6	4.9
Other current receivable		
- Third parties	4.5	5.2
- Group companies	2.4	55.6
Prepaid expenses	0.6	1.6
Total current assets	13.1	67.3
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	1,310.0	1,364.2
Liabilities		
Current liabilities		
- Third parties	7.1	6.0
- Bonds	150.0	0.0
- Group companies	35.7	3.9
Total current liabilities	192.8	9.9
Long term interest-bearing liabilities		
Bonds	150.0	300.0
Total long term interest-bearing liabilities	150.0	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	133.2	64.6
Free reserves from retained earnings		
- Free reserves	597.6	546.1
- Retained earnings	482.7	505.2
Treasury shares		
- against free reserves	-276.5	-91.8
Total shareholders' equity	967.2	1,054.3
Total liabilities and shareholders' equity	1,310.0	1,364.2

INCOME STATEMENTS

	2018	2017
	MCHF	MCHF
Income		
Dividends from Group companies	482.3	501.1
Other financial income	2.8	6.1
Other operating income	0.5	0.5
Total income	485.6	507.7
Expenses		
Administrative expenses	3.9	3.9
Financial expenses	1.7	1.7
Direct tax expenses	-0.1	0.1
Total expenses	5.5	5.7
Net income	480.1	502.0

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

	31.12.2018	31.12.2017
	MCHF	MCHF
Guarantee notes, MEUR 325 (PY: MEUR 500), 0.688%, due 30.03.2021	365.8	584.4
Guarantee Revolving Facility, due 06.11.2022	500.0	500.0
Guarantee GRI Pensions	0.1	0.1

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

2.2 SIGNIFICANT INVESTMENTS

	2018 Ownership in %	2018 capital stock	2017 Ownership in %	2017 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.

	2018	2017
Number of shares issued	pcs.	pcs.
January 1	37,041,427	37,041,427
December 31	37,041,427	37,041,427

2.4 CAPITAL CONTRIBUTION RESERVES

From the total of MCHF 25.7 shown as at 31.12.2018 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	Prices per share		
		High	Average	Low
		in CHF	in CHF	in CHF
Balance at December 31, 2017	391,640			
Purchases share buyback program 2017 - 2020	445,551	452.95	414.53	375.17
Other Purchases	250,000	467.09	434.01	412.25
Sales	-88,009	467.30	435.44	412.90
Balance at December 31, 2018	999,182			
Number of treasury shares held by Geberit AG	650,801			

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 for a total amount of maximum CHF 450 million will be repurchased, less withholding tax. As at December 31, 2018, in total 650'801 shares for a total amount of MCHF 276.5 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 2018 and 2017, 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
2018							
Shareholdings Board of Directors							
Shares	70,778	9,023	2,798	1,343	2,920	363	87,225
Options	41,864	0	0	0	0	0	41,864
Share of voting rights	0.19%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.24%
	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%

As of December 31, 2018, there were no outstanding loans or credits between the company and members of the Board of Directors

As of the end of 2018 and 2017, 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	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Ziegler	Total
2018										
Shareholdings Group Executive Board										
Shares			7,404	31,564	3,078	1,546	12,500	300	2,416	58,808
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	2020-2024	332.00	13,219	8,836	3,706	6,166	807	60	2,857	35,651
2019	2022-2026	394.76	11,600	7,665	754	4,074	6,766	2,621	980	34,460
2020	2023-2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024-2028	409.97	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025-2028	434.08	13,439	6,623	3,088	3,098	6,056	4,067	2,071	38,442
2023	2028	432.20	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			78,425	44,744	14,520	23,757	33,075	20,064	11,073	225,658
Percentage potential share of voting rights options			0.21%	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.61%

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
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	2020-2023	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

As of December 31, 2018, 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:

	31.12.2018	31.12.2017
Black Rock, New York (notification dated: 01.08.2018)	4.98%	4.99%
Marathon Asset Management, London (notification dated: 20.12.2018)	3.02%	< 3.00%

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

	2018	2017
	CHF	CHF
Available earnings		
Net income	480,166,127	501,972,181
Balance brought forward	2,563,126	3,169,266
Total available earnings	482,729,253	505,141,447
Transfer to free reserves	80,000,000	120,000,000
Proposed/paid dividend	393,018,761	382,578,321
Balance to be carried forward	9,710,492	2,563,126
Total appropriation of available earnings	482,729,253	505,141,447

DIVIDEND PAYMENTS

The Board of Directors proposes a dividend of CHF 10.80 per share (PY: CHF 10.40). 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 2018, → **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 2018 comply with Swiss law and the company's articles of incorporation.

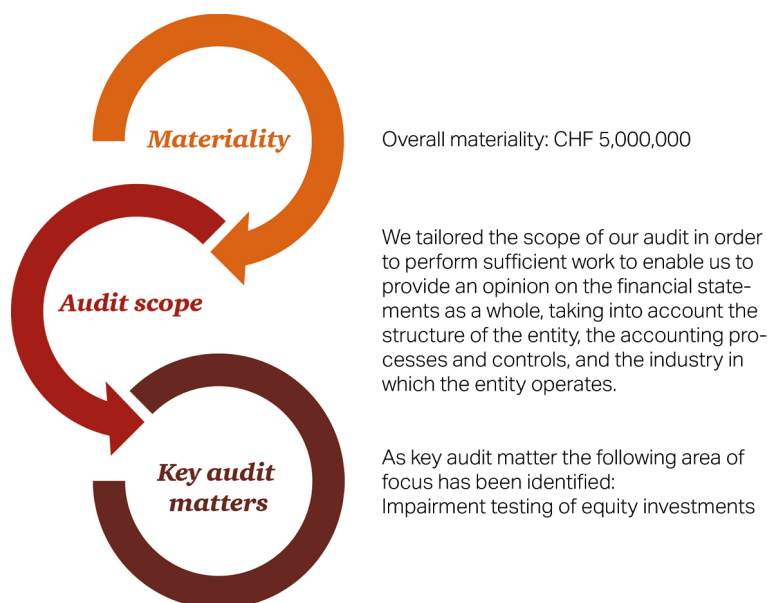
BASIS FOR OPINION

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



MATERIALITY

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the 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 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 as set out in the table below. 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.

Overall materiality	CHF 5,000,000
How we determined it	1 % of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 500'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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.

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 TESTING OF EQUITY INVESTMENTS

Key audit matter	How our audit addressed the key audit matter
<p>Impairment testing of equity investments was deemed a key audit matter for the following two reasons:</p> <p>Equity investments in Geberit Holding AG and Geberit Reinsurance Ltd. in the amount of CHF 996.9 million represent the largest asset category on the balance sheet (76.1% of total assets). If this investment had to be written down, it would have a significant impact on the equity capital of the Company.</p> <p>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.</p> <p>Please refer to the notes to the financial statements and, specifically, the recognition, valuation and disclosure methods in → note 2.2 'Significant investments'.</p>	<p>We tested the equity investments as at 31 December 2018 for impairment. Management has performed impairment tests on the investments in Geberit Holding AG and Geberit Reinsurance Ltd.</p> <p>We performed the following:</p> <ul style="list-style-type: none"> - 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; <p>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.</p>

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 judgment 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.

- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, 11 March 2019