

Finan- cial Report

Geberit Group 2015

Geberit Group

Highlights financial year

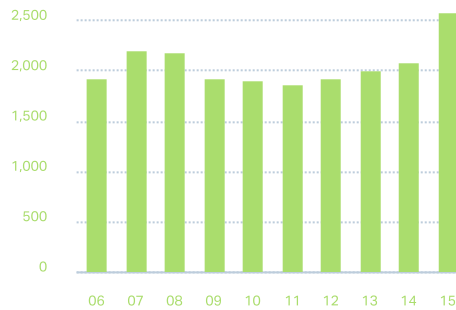
Net sales

+2.7%

Organic, currency-adjusted net sales growth in 2015

Net sales development 2006 – 2015

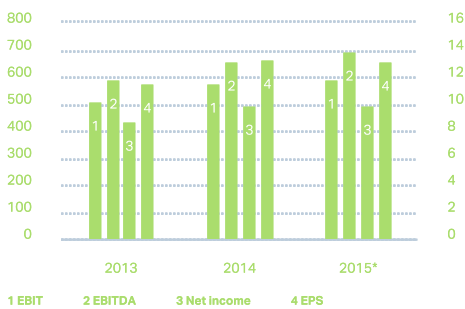
(in CHF million)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2013 – 2015

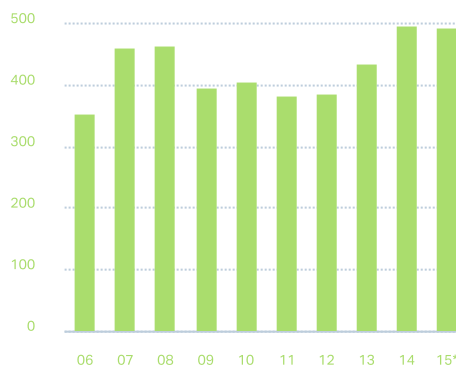
(in CHF million)

(EPS: in CHF)



Net income development 2006 – 2015

(in CHF million)



Operating cashflow margin* (EBITDA margin)

26.7%

Free Cashflow (in CHF)

484.0 mio.

5.1% above prior year

Earnings per share*
(in CHF)

13.23

-0.4% versus prior year

Payout ratio

63.3%

The payout ratio is in the upper range of the target corridor of 50 to 70%

Investments in property, plant and equipment and intangible assets
(in CHF)

147.3 mio.

+40.6% versus prior year

R&D expenditures
(in CHF)

63.4 mio.

7.6 million more versus prior year

Net sales
(in CHF)

≈ 200 mio.

negative currency effects

Operating cashflow (EBITDA)
(in CHF)

≈ 70 mio.

negative currency effects

* Adjusted for costs in connection with the Sanitec acquisition (transaction, integration, and one-off financing costs, as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

Geberit key figures

2011 – 2015

| | | 2015 | 2014 | 2013 | 2012 ³ | 2011 |
|--|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net sales | MCHF | 2,593.7 | 2,089.1 | 1,999.9 | 1,919.6 | 1,867.6 |
| Change on previous year | % | +24.2 | +4.5 | +4.2 | +2.8 | -1.7 |
| Operating profit (EBIT)² | MCHF | 590.9 | 576.9 | 510.7 | 456.5 | 449.2 |
| Margin in % of net sales ² | % | 22.8 | 27.6 | 25.5 | 23.8 | 24.1 |
| Net income² | MCHF | 493.1 | 498.6 | 435.8 | 387.5 | 384.0 |
| Margin in % of net sales ² | % | 19.0 | 23.9 | 21.8 | 20.2 | 20.6 |
| Operating cashflow (EBITDA)² | MCHF | 693.5 | 657.1 | 592.8 | 536.6 | 532.0 |
| Margin in % of net sales ² | % | 26.7 | 31.5 | 29.6 | 28.0 | 28.5 |
| Free cashflow | MCHF | 484.0 | 460.4 | 444.3 | 391.0 | 386.0 |
| Margin in % of net sales | % | 18.7 | 22.0 | 22.2 | 20.4 | 20.7 |
| Financial results, net² | MCHF | -17.2 | -1.7 | -5.5 | -7.2 | -7.3 |
| Capital expenditures | MCHF | 147.3 | 104.8 | 98.0 | 86.0 | 92.6 |
| Research and development expenses | MCHF | 63.4 | 55.8 | 50.9 | 49.8 | 48.4 |
| In % of net sales | % | 2.4 | 2.7 | 2.5 | 2.6 | 2.6 |
| Earnings per share^{1,2} | CHF | 13.23 | 13.28 | 11.59 | 10.16 | 9.82 |
| Employees | | | | | | |
| Number of employees (31.12) | | 12,126 | 6,247 | 6,226 | 6,134 | 6,004 |
| Annual average | | 12,477 | 6,303 | 6,219 | 6,150 | 5,992 |
| Net sales per employee | TCHF | 207.9 | 331.4 | 321.6 | 312.1 | 311.7 |
| Balance sheet | | | | | | |
| | | 31.12.2015 | 31.12.2014 | 31.12.2013 | 31.12.2012 | 31.12.2011 |
| Total assets | MCHF | 3,553.8 | 2,431.5 | 2,226.0 | 2,007.4 | 2,122.7 |
| Liquid funds and marketable securities | MCHF | 459.6 | 749.7 | 612.8 | 423.1 | 542.0 |
| Net working capital | MCHF | 146.6 | 169.1 | 127.9 | 134.4 | 114.1 |
| Property, plant and equipment | MCHF | 715.4 | 550.9 | 536.4 | 521.2 | 516.2 |
| Goodwill and intangible assets | MCHF | 1,757.1 | 645.3 | 645.5 | 638.1 | 645.2 |
| Total debt | MCHF | 1,139.2 | 10.5 | 11.7 | 14.7 | 75.6 |
| Equity | MCHF | 1,482.2 | 1,717.1 | 1,664.1 | 1,431.3 | 1,419.5 |
| Equity ratio | % | 41.7 | 70.6 | 74.8 | 71.3 | 66.9 |
| Gearing | % | 45.9 | -43.0 | -36.1 | -28.5 | -32.9 |

¹ Based on the 1:10 stock split implemented on May 8, 2007.

² 2015: Adjusted for costs in connection with the Sanitec acquisition (transaction, integration and one-off financing costs as well as amortization of intangible assets and one-off costs resulting from the inventory revaluation)

³ Restatement see → [Note 1](#) in the consolidated financial statements of the Geberit Group 2013

Geberit key figures

2006 – 2010

| | | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net sales | MCHF | 1,900.0 | 1,931.0 | 2,178.9 | 2,206.4 | 1,935.1 |
| Change on previous year | % | -1.6 | -11.4 | -1.2 | +14.0 | +12.6 |
| Operating profit (EBIT)² | MCHF | 486.2 | 526.7 | 563.4 | 553.8 | 482.2 |
| Margin in % of net sales ² | % | 25.6 | 27.3 | 25.9 | 25.1 | 24.9 |
| Net income² | MCHF | 406.8 | 397.5 | 466.3 | 463.3 | 355.0 |
| Margin in % of net sales ² | % | 21.4 | 20.6 | 21.4 | 21.0 | 18.3 |
| Operating cashflow (EBITDA)² | MCHF | 573.7 | 611.0 | 649.1 | 637.9 | 569.1 |
| Margin in % of net sales ² | % | 30.2 | 31.6 | 29.8 | 28.9 | 29.4 |
| Free cashflow | MCHF | 493.8 | 349.7 | 407.9 | 362.7 | 355.5 |
| Margin in % of net sales | % | 26.0 | 18.1 | 18.7 | 16.4 | 18.4 |
| Financial results, net² | MCHF | -14.3 | -13.5 | 5.4 | -11.4 | -16.3 |
| Capital expenditures | MCHF | 80.5 | 106.4 | 152.5 | 103.5 | 81.3 |
| Research and development expenses | MCHF | 44.2 | 45.6 | 46.0 | 48.1 | 44.3 |
| In % of net sales | % | 2.3 | 2.4 | 2.1 | 2.2 | 2.3 |
| Earnings per share^{1,2} | CHF | 10.32 | 10.18 | 11.90 | 11.67 | 8.86 |
| Employees | | | | | | |
| Number of employees (31.12) | | 5,820 | 5,608 | 5,697 | 5,344 | 5,269 |
| Annual average | | 5,793 | 5,634 | 5,684 | 5,360 | 5,199 |
| Net sales per employee | TCHF | 328.0 | 342.7 | 383.3 | 411.6 | 372.2 |
| Balance sheet | | | | | | |
| | | 31.12.2010 | 31.12.2009 | 31.12.2008 | 31.12.2007 | 31.12.2006 |
| Total assets | MCHF | 2,171.2 | 2,212.2 | 2,054.1 | 2,298.3 | 2,010.7 |
| Liquid funds and marketable securities | MCHF | 586.6 | 406.5 | 302.6 | 450.1 | 182.4 |
| Net working capital | MCHF | 108.5 | 180.9 | 156.5 | 168.7 | 131.9 |
| Property, plant and equipment | MCHF | 514.3 | 576.2 | 555.5 | 529.3 | 533.9 |
| Goodwill and intangible assets | MCHF | 658.8 | 753.1 | 756.2 | 828.8 | 825.1 |
| Total debt | MCHF | 73.4 | 110.9 | 152.3 | 273.9 | 323.1 |
| Equity | MCHF | 1,520.9 | 1,509.2 | 1,311.9 | 1,404.4 | 1,065.9 |
| Equity ratio | % | 70.0 | 68.2 | 63.9 | 61.1 | 53.0 |
| Gearing | % | -33.7 | -19.6 | -11.5 | -12.5 | 13.2 |

¹ Based on the 1:10 stock split implemented on May 8, 2007.

² 2015: Adjusted for costs in connection with the Sanitec acquisition (transaction, integration and one-off financing costs as well as amortization of intangible assets and one-off costs resulting from the inventory revaluation)

Consolidated Balance Sheets

| | Note | 31.12.2015 MCHF | 31.12.2014 MCHF |
|---|------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 459.6 | 749.7 |
| Trade accounts receivable | 6 | 130.6 | 125.3 |
| Other current assets and current financial assets | 7 | 90.7 | 55.9 |
| Inventories | 8 | 279.9 | 205.7 |
| Total current assets | | 960.8 | 1,136.6 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 715.4 | 550.9 |
| Deferred tax assets | 18 | 95.7 | 76.3 |
| Other non-current assets and non-current financial assets | 10 | 24.8 | 22.4 |
| Goodwill and intangible assets | 11 | 1,757.1 | 645.3 |
| Total non-current assets | | 2,593.0 | 1,294.9 |
| Total assets | | 3,553.8 | 2,431.5 |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Short-term debt | 12 | 3.7 | 3.9 |
| Trade accounts payable | | 105.5 | 62.3 |
| Tax liabilities and tax provisions | | 108.5 | 78.3 |
| Other current liabilities | 13 | 217.0 | 224.3 |
| Current provisions | 13 | 31.6 | 2.0 |
| Total current liabilities | | 466.3 | 370.8 |
| Non-current liabilities | | | |
| Long-term debt | 14 | 1,135.5 | 6.6 |
| Accrued pension obligations | 16 | 300.8 | 256.5 |
| Deferred tax liabilities | 18 | 128.0 | 48.4 |
| Other non-current liabilities | 19 | 10.1 | 7.6 |
| Non-current provisions | 19 | 30.9 | 24.5 |
| Total non-current liabilities | | 1,605.3 | 343.6 |
| Equity | | | |
| Capital stock | 21 | 3.8 | 3.8 |
| Reserves | | 1,912.5 | 1,944.0 |
| Cumulative translation adjustments | | -434.1 | -230.7 |
| Total equity | | 1,482.2 | 1,717.1 |
| Total liabilities and equity | | 3,553.8 | 2,431.5 |

The accompanying [Notes](#) are an integral part of the consolidated financial statements.

Consolidated Income Statements

| | Note | 2015 MCHF | 2014 MCHF |
|--|-----------|----------------|----------------|
| Net sales | 29 | 2,593.7 | 2,089.1 |
| Cost of materials | | 784.4 | 604.2 |
| Personnel expenses | | 671.6 | 483.9 |
| Depreciation | 9 | 95.9 | 77.0 |
| Amortization of intangible assets | 11 | 37.5 | 3.2 |
| Other operating expenses, net | 23 | 506.0 | 343.9 |
| Total operating expenses, net | | 2,095.4 | 1,512.2 |
| Operating profit (EBIT) | | 498.3 | 576.9 |
| Financial expenses | 24 | -20.1 | -4.0 |
| Financial income | 24 | 1.2 | 2.1 |
| Foreign exchange loss (-) /gain | 24 | -4.6 | 0.2 |
| Financial result, net | | -23.5 | -1.7 |
| Profit before income tax expenses | | 474.8 | 575.2 |
| Income tax expenses | 25 | 52.4 | 76.6 |
| Net income | | 422.4 | 498.6 |
| - Attributable to shareholders of Geberit AG | | 422.4 | 498.6 |
| EPS (CHF) | 22 | 11.33 | 13.28 |
| EPS diluted (CHF) | 22 | 11.31 | 13.26 |

The accompanying → [Notes](#) are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

| | Note | 2015 MCHF | 2014 MCHF |
|--|------|---------------|---------------|
| Net income according to the income statement | | 422.4 | 498.6 |
| Cumulative translation adjustments ¹ | | -203.7 | -4.8 |
| Taxes | | 0.3 | 0.0 |
| Cumulative translation adjustments, net of tax | | -203.4 | -4.8 |
| Cashflow hedge accounting | 15 | 71.5 | -71.5 |
| Taxes | | -10.2 | 10.2 |
| Cashflow hedge accounting, net of tax | | 61.3 | -61.3 |
| Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax | | -142.1 | -66.1 |
| Remeasurements of pension plans | 16 | -14.8 | -82.3 |
| Taxes | | 2.7 | 17.2 |
| Remeasurements of pension plans, net of tax | | -12.1 | -65.1 |
| Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax | | -12.1 | -65.1 |
| Total other comprehensive income, net of tax | | -154.2 | -131.2 |
| Total comprehensive income | | 268.2 | 367.4 |
| - Attributable to shareholders of Geberit AG | | 268.2 | 367.4 |

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

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

Consolidated Statements of Changes in Equity

| | Attributable to shareholders of Geberit AG | | | | | | Total equity MCHF |
|---------------------------------------|--|----------------|-----------------|---------------|------------------|------------------------------|----------------------|
| | Ordinary shares | Reserves | Treasury shares | Pension plans | Hedge accounting | Cum. translation adjustments | |
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF | |
| Balance at 31.12.2013 | 3.8 | 2,013.0 | -40.5 | -86.3 | 0.0 | -225.9 | 1,664.1 |
| Net income | | 498.6 | | | | | 498.6 |
| Other comprehensive income | | | | -65.1 | -61.3 | -4.8 | -131.2 |
| Distribution | | -282.0 | | | | | -282.0 |
| Share buyback program | | | -37.4 | | | | -37.4 |
| Purchase (-) /Sale of treasury shares | | 8.8 | -0.4 | | | | 8.4 |
| Management option plans | | -3.4 | | | | | -3.4 |
| Balance at 31.12.2014 | 3.8 | 2,235.0 | -78.3 | -151.4 | -61.3 | -230.7 | 1,717.1 |
| Net income | | 422.4 | | | | | 422.4 |
| Other comprehensive income | | | | -12.1 | 61.3 | -203.4 | -154.2 |
| Distribution | | -310.7 | | | | | -310.7 |
| Share buyback program | | | -167.6 | | | | -167.6 |
| Purchase (-) /Sale of treasury shares | | 7.6 | -30.6 | | | | -23.0 |
| Management option plans | | -1.8 | | | | | -1.8 |
| Balance at 31.12.2015 | 3.8 | 2,352.5 | -276.5 | -163.5 | 0.0 | -434.1 | 1,482.2 |

The accompanying → [Notes](#) are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

| | Note | 2015 MCHF | 2014 MCHF |
|---|------|-----------------|---------------|
| Cash provided by operating activities | | | |
| Net income | | 422.4 | 498.6 |
| Depreciation and amortization | 9/11 | 133.4 | 80.2 |
| Financial result, net | 24 | 23.5 | 1.7 |
| Income tax expenses | 25 | 52.4 | 76.6 |
| Other non-cash income and expenses | | 22.6 | 18.1 |
| Operating cashflow before changes in net working capital and taxes | | 654.3 | 675.2 |
| Income taxes paid | | -82.6 | -64.5 |
| Changes in trade accounts receivable | | 20.8 | -2.6 |
| Changes in inventories | | 9.7 | -35.0 |
| Changes in trade accounts payable | | -17.2 | 0.5 |
| Changes in other positions of net working capital | | 27.1 | 1.9 |
| Net cash from/used (-) in operating activities | | 612.1 | 575.5 |
| Cash from/used (-) in investing activities | | | |
| Acquisitions of subsidiaries, net | 2 | -1,185.4 | 0.0 |
| Purchase of property, plant & equipment and intangible assets | 9/11 | -147.3 | -104.8 |
| Proceeds from sale of property, plant & equipment and intangible assets | | 6.3 | 2.5 |
| Marketable securities, net | | 0.0 | 73.1 |
| Interest received | | 1.3 | 3.2 |
| Other, net | | -0.1 | -0.3 |
| Net cash from/used (-) in investing activities | | -1,325.2 | -26.3 |
| Cash from/used (-) in financing activities | | | |
| Proceeds from borrowings | 2/14 | 1,985.5 | 0.0 |
| Repayments of borrowings | 2/14 | -1,033.6 | -4.2 |
| Interest paid | | -3.5 | 0.0 |
| Distribution | | -310.7 | -282.0 |
| Share buyback program | | -159.8 | -37.4 |
| Purchase (-) /Sale of treasury shares | | -44.5 | -4.5 |
| Financing cost paid | | -14.5 | 0.0 |
| Other, net | | -1.2 | -8.9 |
| Net cash from/used (-) in financing activities | | 417.7 | -337.0 |
| Effects of exchange rates on cash and cash equivalents | | 5.3 | -0.6 |
| Net increase/decrease (-) in cash and cash equivalents | | -290.1 | 211.6 |
| Cash and cash equivalents at beginning of year | | 749.7 | 538.1 |
| Cash and cash equivalents at end of year | | 459.6 | 749.7 |

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

For further cashflow figures see → Note 28

Notes to the Consolidated Financial Statements

1. Basic information and principles of the report

The Geberit Group is an international company that focuses on the sanitary industry and, specifically, the areas of sanitary technology and bathroom ceramics. The Group's product range consists of the Sanitary Systems, Piping Systems and Sanitary Ceramics product areas. Worldwide, the vast majority of its products are sold through the wholesale channel. Geberit sells its products in more than 113 countries. The Group is present in 44 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. Companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

2. Changes in Group structure

2015:

Acquisition of the Sanitec Group

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

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

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

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

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

The following assets and liabilities were incorporated at fair value into the consolidated balance sheet of the Geberit Group when the Sanitec Group was consolidated for the first time on February 10, 2015:

| | Note | Sanitec Group MCHF |
|---|------|--------------------------|
| Cash and cash equivalents | | 18.1 |
| Trade accounts receivable | | 36.2 |
| Other current assets and current financial assets | | 40.5 |
| Inventories | | 128.7 |
| Property, plant and equipment | 9 | 165.2 |
| Deferred tax assets | 18 | 20.0 |
| Other non-current assets and non-current financial assets | | 1.0 |
| Intangible assets | 11 | 367.1 |
| Total assets | | 776.8 |
| Short-term debt | | 152.7 |
| Trade accounts payable | | 64.7 |
| Tax liabilities and tax provisions | | 31.2 |
| Other current liabilities and provisions | 13 | 85.5 |
| Accrued pension obligations | 16 | 40.3 |
| Deferred tax liabilities | 18 | 88.7 |
| Other non-current provisions and liabilities | 19 | 10.5 |
| Total liabilities | | 473.6 |
| Acquisition price | | 1,203.5 |
| Acquired net assets | | 303.2 |
| Goodwill | | 900.3 |

The "Intangible assets" item largely contains the Sanitec trademarks (MCHF 229.1) and technology know-how (MCHF 129.2). The trademarks were assigned an indefinite term and are therefore not being amortised. Technology know-how is being amortised over four years.

The goodwill largely results from the following synergy potential:

- Cost reduction in administrative and corporate functions
- Sales promotion in the complementary markets
- New product combination opportunities
- Joint development of products

Any possible amortization of goodwill is not tax effective.

The cashflow from this transaction is as follows:

| | MCHF |
|--|----------------|
| Acquisition price | 1,203.5 |
| Existing cash and cash equivalents | -18.1 |
| Cash used in investing activities | 1,185.4 |

From the time of its acquisition, Sanitec has contributed from the ordinary business (without one-off and recurring acquisition costs) net sales for the reporting period of MCHF 649.0 and net profit of MCHF 51.3 to the Geberit Group. If the acquisition had already taken place on January 1, 2015, net sales for the reporting period would have amounted to MCHF 709.1 and net income to MCHF 55.5.

In addition, the changes in the Group structure are as follows:

2015:

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

2014:

- Geberit RUS LLC, Moscow (newly founded)
- Geberit Finanz AG, Rapperswil-Jona (newly founded)
- Geberit Investment Oy, Vantaa (Helsinki) (newly founded)

3. Summary of significant accounting policies

New or revised IFRS standards and interpretations 2015 and their adoption by the Group

| Standard/Interpretation | Enactment | Relevance for Geberit | Adoption |
|-------------------------|-----------|-----------------------|----------|
|-------------------------|-----------|-----------------------|----------|

No new or revised IFRS standards have been put into effect this year.

The Group has applied the amendments of the annual improvements to IFRS of the 2010 - 2012 and 2011 - 2013 cycles for 2015. They did not have any significant impact on the consolidated financial statements.

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

| Standard/Interpretation | Enactment | Relevance for Geberit | Planned adoption |
|---|-----------|---|------------------|
| IFRS 9 – Financial Instruments | 1.1.2018 | The complete version of IFRS 9 'Financial Instruments' includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortized cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. This amendment has no material impact on the consolidated financial statements. | 1.1.2018 |
| IFRS 10 – Consolidated Financial Statements; IAS 28 – Investments in Associates and Joint Ventures | 1.1.2016 | These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments have no impact on the consolidated financial statements. | 1.1.2016 |
| IFRS 10 – Consolidated Financial Statements; IFRS 12 – Disclosure of Interests in Other Entities; IAS 28 – Investments in Associates and Joint Ventures | 1.1.2016 | The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. These amendments have no impact on the consolidated financial statements. | 1.1.2016 |
| IFRS 11 – Joint Arrangements | 1.1.2016 | The additional guidance clarifies that the acquisition of an interest in a joint operation that meets the definition of a business under IFRS 3 is not a business combination as the acquiring party does not obtain control. This amendment has no impact on the consolidated financial statements. | 1.1.2016 |
| IFRS 15 – Revenue from Contracts with Customers | 1.1.2018 | The new standard on the recognition of revenue from contracts with customers is based on a five step approach: 1) Identify the contract with the customer 2) Identify the separate performance obligations in the contract 3) Determine the transaction price 4) Allocate the transaction price to separate performance obligations 5) Recognize revenue when a performance obligation is satisfied. These amendments will have an impact on the consolidated financial statements. According to the ongoing assessment, no material impact is expected. | 1.1.2018 |
| IFRS 16 - Leases | 1.1.2019 | Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. These amendments will mainly have an impact on the consolidated balance sheet. | 1.1.2019 |
| IAS 16 – Property, Plant and Equipment; IAS 38 – Intangible Assets | 1.1.2016 | Clarifies which principle for the basis of depreciation and amortization can be used. The objective of the amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortization of items of property, plant and equipment or intangible assets. This amendment has no impact on the consolidated financial statements. | 1.1.2016 |

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

| | | | |
|---|----------|---|----------|
| IAS 27 – Separate Financial Statements | 1.1.2016 | The amendment restores the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This amendment has no impact on the consolidated financial statements. | 1.1.2016 |
| Annual improvements of IFRS and interpretations (IFRIC) | various | The ordinary annual clarifications and minor amendments of various standards and interpretations 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 realizable 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 realizable 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 capitalized 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), molds (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 is charged to the income statement as incurred.

Borrowing costs of all material qualifying assets are capitalized 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 capitalized 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 capitalized must be determined by applying a capitalization 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 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 and intangible assets with an indefinite useful life are not regularly amortized but tested for impairment on an annual basis. Since the capitalized trademarks are an inherent element of the business model of the Geberit Group and are therefore used over an indefinite time period, they are assigned an indefinite useful life. Impairments

are recorded immediately as expenses in the consolidated income statements, and in the case of goodwill, not reversed in subsequent periods. The amortization of intangible assets with a definite useful life is calculated using the straight-line method based on the following useful lives: patents and technology (4–10 years), trademarks (5 years), software (4–6 years) and capitalized development costs (6 years).

Valuation of intangible assets and goodwill

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

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

Provisions

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

Net sales

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

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

Marketing expenses

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

Taxes

The consolidated financial statements include current income taxes based on the taxable earnings of the Group companies and are calculated according to national tax rules. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated either using the current tax rate or the tax rate expected to be applicable in the period in which these differences will reverse. If the realization of future tax savings related to tax loss carryforwards and other deferred tax assets is no longer probable, then the deferred tax assets are reduced accordingly.

A liability for deferred taxes is recognized 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 that is acquired on a lease and deemed to be owned in respect of its risks and rewards is classified under finance leasing. Leased property, plant and equipment is capitalized and depreciated over its estimated economic useful life. The corresponding lease obligations are recognized as liabilities. Payments under operating leases are reported as operating expenses on a straight-line basis and charged directly to the income statement accordingly.

Research and development expenditures

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

Retirement benefit plans

The Group manages different employee pension funds structured as both defined benefit and defined contribution plans. These pension funds are 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 recognized in other comprehensive income as "Remeasurements pension plans". This item also includes the return on plan assets/reimbursement rights (excluding the interest based on the discount rate) and any effects of an asset ceiling adjustment. For defined benefit plans with an independent pension fund, the funded status of the pension fund is included in the consolidated balance sheet. Any surplus is capitalized in compliance with IAS 19.64 and IFRIC 14. The annual net periodic pension costs calculated for defined benefit plans are recognized 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 payment 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 programs 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 programs. The dilution from option programs is determined on the basis of the number of ordinary shares that could have been bought for the amount of the accumulated difference between the market price and exercise price of the options. The relevant market price used is the average Geberit share price for the financial year.

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

Financial instruments

Trade accounts receivable and other current assets are carried at amortized cost less allowances for credit losses. Trade accounts payable and other payables are carried at amortized cost. The carrying amount of such items virtually corresponds to their fair value.

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

Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The recognition of derivatives in the Group's balance sheet is based on internal valuations or on the valuation of the respective financial institution (see → [Note 15](#)).

Hedge accounting

Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded together with the change in fair value of the underlying item directly in the income statements, net. The effective portion of instruments designated as cashflow hedges is recognized in → ["other comprehensive income"](#). The ineffective portion of such instruments is recorded in financial result, net. Changes in value resulting from cashflow hedges recognized in equity through the consolidated statements of comprehensive income are recorded in the income statement in the period in which the cashflow from the hedged transaction is recognized in the income statement.

4. Risk assessment and management

General

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

The policy defines a structured process according to which the business risks are systematically managed. In this process, risks are identified, analyzed and evaluated concerning the likelihood of occurrence and magnitude, and risk-control measurements are determined. Each member of management is responsible for the implementation of the risk-management measures in his area of responsibility. The Board of Directors is periodically informed about the major changes in the risk

assessment and about risk-management actions taken. The permanent observation and control of the risks is a management objective. For risks concerning accounting and financial reporting, a special assessment is carried out as part of the risk control process. The Geberit internal control system for financial reporting defines in this regard control measures that reduce the related risks.

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

Management of counterparty risks from treasury activities

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

In general, liquid funds are invested for 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 put into fixed-term deposits at banks. To avoid cluster risks, the value of an investment per third party may not exceed MCHF 50 (or MCHF 70 for the major Swiss banks). In addition, investments with the same counterparty may not exceed half of the Group's total deposits. The Group has not suffered any losses on such transactions to date.

Management of foreign exchange rate risk

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

Any remaining currency risks are measured with the value-at-risk (VaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the fair value of foreign currency positions and therefore on the financial result of the Group is evaluated. The risk is controlled with the key figure (VaR +/- unrealized gains/losses from foreign exchange positions)/equity. Based on internal limits, it is decided whether any hedging measures have to be taken. Normally, forward exchange contracts are used as hedging instruments. The limit for the key figure is determined annually and amounts to 0.5% (PY: 0.5%) of equity for the reporting period.

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

| Model | Method | Confidence level | Holding period |
|--------------|------------------------------|------------------|----------------|
| J. P. Morgan | Variance-covariance approach | 95% | 30 days |

Foreign exchange rate risk as of December 31:

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Value-at-risk +/- unrealized gains/losses | 5.6 | 3.0 |
| Equity | 1,482.2 | 1,717.1 |
| (Value-at-risk +/- unrealized gains/losses)/equity | 0.4% | 0.2% |

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 taken into account with the integration of financial positions bearing fixed interest rates with a maturity under 12 months in the measurement of the interest rate risk.

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

interest rate changes on the cashflow of a financial position is evaluated. The calculation of the CfaR is based on the same model as the calculation of the value-at-risk regarding the foreign exchange rate risk.

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

Interest rate risk as of December, 31:

| | 2015 MCHF | 2014 MCHF |
|--|--------------|--------------|
| EBITDA | 631.7 | 657.1 |
| Financial result, net + CfaR | 12.7 | 0.9 |
| EBITDA/(Financial result, net + CfaR) | 50x | 730x |

Combined foreign exchange rate and interest rate risk

The following table shows the combined foreign exchange rate and interest rate risk according to the calculation method of the value-at-risk model, and includes all foreign exchange rate risk, and interest rate risk positions and instruments described above. Foreign exchange rate risks and interest rate risks are monitored with the key figures as previously mentioned.

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Combined foreign exchange rate and interest rate risk | 19.1 | 4.1 |

Management of liquidity risk

Liquid funds (including the committed unused credit lines) must be available in order to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortization 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 516.8 (PY: MCHF 864.7).

Management of credit risk

Major credit risks to the Group mainly result from the sale of its products (debtor risk). Products are sold throughout the world, but primarily within continental Europe. Ongoing evaluations of the customers' financial situation are performed and, generally, no further collateral is required. Concentrations of debtors' risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses. Actual losses have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of receivables at year-end is not representative because of the low sales volume in December. In 2015, the average balance of receivables is about 176% of the amount at year-end.

Summary

The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed in order to make sure that they meet the requirements of financial markets, changes in the Group organization 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 | 2015 | 2014 |
|----------------------------|--|------------|------------|
| Foreign exchange rate risk | (VaR +/- unrealized gains/losses)/equity | 0.4% | 0.2% |
| Interest rate risk | EBITDA/(financial result, net + CfaR) | 50x | 730x |
| Liquidity risk | (Deficit)/excess of liquidity reserve | MCHF 516.8 | MCHF 864.7 |

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
- guarantee 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 programs
- capital increases
- incur or repay debt

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

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

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

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

The relevant values as of December 31 are outlined below:

| | 2015 MCHF | 2014 MCHF |
|--|--------------|---------------|
| Gearing | | |
| Debt | 1,139.2 | 10.5 |
| Liquid funds and marketable securities | 459.6 | 749.7 |
| Net debt | 679.6 | -739.2 |
| Equity | 1,482.2 | 1,717.1 |
| Net debt/equity | 45.9% | -43.0% |
| Return on equity (ROE) | | |
| Equity (rolling) | 1,530.2 | 1,706.7 |
| Net income | 422.4 | 498.6 |
| ROE | 27.6% | 29.2% |
| Return on invested capital (ROIC) | | |
| Invested capital (rolling) | 2,504.9 | 1,404.5 |
| Net operating profit after taxes (NOPAT) | 425.6 | 497.9 |
| ROIC | 17.0% | 35.5% |

6. Trade accounts receivable

| | 2015 MCHF | 2014 MCHF |
|--|--------------|--------------|
| Trade accounts receivable | 145.4 | 135.1 |
| Allowances | -14.8 | -9.8 |
| Total trade accounts receivable | 130.6 | 125.3 |

Of trade accounts receivable, MCHF 4.8 was denominated in CHF, MCHF 70.3 in EUR, MCHF 10.4 in USD, MCHF 16.6 in GBP, MCHF 5.9 in SEK, MCHF 3.9 in DKK, MCHF 6.9 in NOK and MCHF -0.3 in PLN.

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

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Allowances for trade accounts receivable | | |
| January 1 | 9.8 | 8.2 |
| Changes in scope of consolidation | 6.6 | 0.0 |
| Additions | 0.8 | 2.4 |
| Used | -0.5 | -0.5 |
| Reversed | -0.9 | -0.2 |
| Translation differences | -1.0 | -0.1 |
| December 31 | 14.8 | 9.8 |

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Maturity analysis of trade accounts receivable | | |
| Not due | 95.5 | 106.4 |
| Past due < 30 days | 33.5 | 14.1 |
| Past due < 60 days | 4.2 | 5.7 |
| Past due < 90 days | 0.9 | 1.3 |
| Past due < 120 days | 1.0 | 0.6 |
| Past due > 120 days | 10.3 | 7.0 |
| Allowances | -14.8 | -9.8 |
| Total trade accounts receivable | 130.6 | 125.3 |

7. Other current assets and current financial assets

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Value-added tax receivables | 53.7 | 38.3 |
| Income tax refunds receivable | 15.6 | 2.2 |
| Short-term derivative financial instruments (see → Note 15) ¹ | 0.5 | 0.8 |
| Prepaid expenses | 6.8 | 9.3 |
| Other current assets | 14.1 | 5.3 |
| Total other current assets and current financial assets | 90.7 | 55.9 |

¹ Is not part of the calculation of net working capital

8. Inventories

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Raw materials, supplies and other inventories | 92.0 | 69.6 |
| Work in progress | 48.8 | 45.5 |
| Finished goods | 130.3 | 79.7 |
| Merchandise | 8.8 | 10.8 |
| Prepayments to suppliers | 0.0 | 0.1 |
| Total inventories | 279.9 | 205.7 |

As of December 31, 2015, inventories included allowances for slow-moving and obsolete items of MCHF 44.3 (PY: MCHF 21.7).

9. Property, plant and equipment

| | Total MCHF | Land and buildings MCHF | Machinery and equipment MCHF | Office equipment MCHF | Assets under constr. / advance payments MCHF |
|--|----------------|-------------------------------|---------------------------------------|-----------------------------|---|
| 2015 | | | | | |
| Cost at beginning of year | 1,392.1 | 396.2 | 883.9 | 56.9 | 55.1 |
| Changes in scope of consolidation | 724.4 | 236.0 | 482.3 | | 6.1 |
| Additions | 133.3 | 5.2 | 45.9 | 7.2 | 75.0 |
| Disposals | -62.7 | -9.6 | -49.8 | -3.3 | |
| Transfers | 0.0 | 2.7 | 41.6 | 1.0 | -45.3 |
| Translation differences | -64.9 | -16.1 | -42.7 | -3.1 | -3.0 |
| Cost at end of year | 2,122.2 | 614.4 | 1,361.2 | 58.7 | 87.9 |
| Accumulated depreciation at beginning of year | 841.2 | 159.8 | 637.5 | 43.9 | 0.0 |
| Changes in scope of consolidation | 559.2 | 159.0 | 400.2 | | |
| Depreciation | 95.9 | 15.0 | 75.7 | 5.2 | |
| Disposals | -58.5 | -7.2 | -48.0 | -3.3 | |
| Translation differences | -31.0 | -2.2 | -26.3 | -2.5 | |
| Accumulated depreciation at end of year | 1,406.8 | 324.4 | 1,039.1 | 43.3 | 0.0 |
| Carrying amounts at end of year | 715.4 | 290.0 | 322.1 | 15.4 | 87.9 |

| | Total | Land and buildings | Machinery and equipment | Office equipment | Assets under constr. / advance payments |
|--|----------------|--------------------|-------------------------|------------------|---|
| | MCHF | MCHF | MCHF | MCHF | MCHF |
| 2014 | | | | | |
| Cost at beginning of year | 1,315.1 | 376.4 | 834.5 | 56.8 | 47.4 |
| Additions | 94.2 | 12.8 | 40.3 | 4.4 | 36.7 |
| Disposals | -12.6 | -1.3 | -6.7 | -4.6 | |
| Transfers | 0.0 | 8.5 | 20.2 | 0.2 | -28.9 |
| Translation differences | -4.6 | -0.2 | -4.4 | 0.1 | -0.1 |
| Cost at end of year | 1,392.1 | 396.2 | 883.9 | 56.9 | 55.1 |
| Accumulated depreciation at beginning of year | 778.7 | 150.3 | 585.3 | 43.1 | 0.0 |
| Depreciation | 77.0 | 10.9 | 61.1 | 5.0 | |
| Disposals | -11.8 | -1.2 | -6.2 | -4.4 | |
| Translation differences | -2.7 | -0.2 | -2.7 | 0.2 | |
| Accumulated depreciation at end of year | 841.2 | 159.8 | 637.5 | 43.9 | 0.0 |
| Carrying amounts at end of year | 550.9 | 236.4 | 246.4 | 13.0 | 55.1 |

As of December 31, 2015, buildings were insured at MCHF 872.6 (PY: MCHF 440.0) and equipment at MCHF 1,518.2 (PY: MCHF 955.2) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 2,390.8 (PY: MCHF 1,395.2).

As of December 31, 2015, there were no qualified assets for which borrowing costs were capitalized during the production phase. As of December 31, 2015, the Group had entered into firm commitments for capital expenditures of MCHF 23.3 (PY: MCHF 9.0).

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

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Reinsurance policies for pension obligations (see → Note 16) | 17.2 | 16.2 |
| Assets from defined benefit plans (see → Note 16) | 1.4 | 0.0 |
| Deposits | 2.1 | 1.4 |
| Capitalized financing costs | 0.6 | 3.3 |
| Other | 3.5 | 1.5 |
| Total other non-current assets and non-current financial assets | 24.8 | 22.4 |

11. Goodwill and intangible assets

| | Total | Goodwill | Patents and technology | Trademarks | Other intangible assets ¹ |
|--|----------------|----------------|------------------------|--------------|--------------------------------------|
| | MCHF | MCHF | MCHF | MCHF | MCHF |
| 2015 | | | | | |
| Cost at beginning of year | 1,086.5 | 765.8 | 127.2 | 144.4 | 49.1 |
| Changes in scope of consolidation | 1302.8 | 900.3 | 129.2 | 229.1 | 44.2 |
| Additions | 14.0 | | | | 14.0 |
| Disposals | -2.9 | | | | -2.9 |
| Translation differences | -144.0 | -158.1 | 4.5 | 8.0 | 1.6 |
| Cost at end of year | 2,256.4 | 1,508.0 | 260.9 | 381.5 | 106.0 |
| Accumulated amortization at beginning of year | 441.2 | 225.9 | 127.2 | 59.8 | 28.3 |
| Changes in scope of consolidation | 35.4 | | | | 35.4 |
| Amortization | 37.5 | | 30.8 | | 6.7 |
| Disposals | -2.5 | | | | -2.5 |
| Translation differences | -12.3 | -12.7 | 0.5 | | -0.1 |
| Accumulated amortization at end of year | 499.3 | 213.2 | 158.5 | 59.8 | 67.8 |
| Carrying amounts at end of year | 1,757.1 | 1,294.8 | 102.4 | 321.7 | 38.2 |
| 2014 | | | | | |
| Cost at beginning of year | 1,092.8 | 775.9 | 127.2 | 144.4 | 45.3 |
| Additions | 10.6 | | | | 10.6 |
| Disposals | -7.6 | | | | -7.6 |
| Translation differences | -9.3 | -10.1 | | | 0.8 |
| Cost at end of year | 1,086.5 | 765.8 | 127.2 | 144.4 | 49.1 |
| Accumulated amortization at beginning of year | 447.3 | 227.9 | 127.2 | 59.8 | 32.4 |
| Amortization | 3.2 | | | | 3.2 |
| Disposals | -7.6 | | | | -7.6 |
| Translation differences | -1.7 | -2.0 | | | 0.3 |
| Accumulated amortization at end of year | 441.2 | 225.9 | 127.2 | 59.8 | 28.3 |
| Carrying amounts at end of year | 645.3 | 539.9 | 0.0 | 84.6 | 20.8 |

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

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2015, there was no need for an impairment of these assets. The following table shows the carrying amount of positions which are material for the Group. The table also shows the parameters used in the impairment analysis.

| | Carrying amount 31.12.2015 | Carrying amount 31.12.2014 | Calculation of recoverable amount (PY numbers in brackets) | | | |
|-----------------------------------|-------------------------------|-------------------------------|---|--|---------------------------------|----------------------------------|
| | | | Value in use (U) or fair value less cost to sell (F) | Growth rate beyond planning period % | Discount rate pretax % | Discount rate posttax % |
| | | | | | | |
| Goodwill from LBO Geberit | 221.8 | 238.0 | U | 2.10 (2.80) | 8.00 (7.60) | 7.10 (6.90) |
| Goodwill from Mapress acquisition | 254.8 | 283.5 | U | 2.50 (2.70) | 9.40 (8.80) | 7.30 (7.00) |
| Goodwill from Sanitec acquisition | 800.9 | 0.0 | U | 2.10 | 8.60 | 7.30 |
| Geberit trademarks | 84.6 | 84.6 | U | 2.10 (2.80) | 8.20 (7.90) | 7.10 (6.90) |
| Various trademarks | 237.1 | 0.0 | U | 2.10 | 6.10 - 9.30 | 6.00 - 7.80 |

The growth rates beyond the planning period are based on Euroconstruct estimates and on history-based internal assumptions about price and market share development. All trademarks are tested on the basis of the relief of royalty method. The position "Various trademarks" contains mainly the trademarks Ifö, Keramag, Kolo, IDO, Twyford, Allia and Sphinx. From today's perspective, management believes that a possible and reasonable change of one of the crucial parameters (see → **Note 3**) used to calculate the recoverable amounts would not lead to an impairment. The scenarios used to support this assumption are based specifically on decreases in both, the operating margins and the growth rate beyond the planning periods.

12. Short-term debt

| | 2015 MCHF | 2014 MCHF |
|------------------------------|--------------|--------------|
| Other short-term debt | 3.7 | 3.9 |
| Total short-term debt | 3.7 | 3.9 |

Short-term credit lines

The Group maintains credit lines of MCHF 45.6 (PY: MCHF 47.8) from various lenders, which can be canceled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. As of December 31, 2015 and 2014, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Financing of the acquisition of Sanitec is described in detail in → **Note 2**.

Other short-term debt

As of December 31, 2015, the Group had MCHF 3.7 in other short-term debt (PY: MCHF 3.9). This debt incurred an effective interest rate of 5.6% (PY: 5.5%).

Currency mix

Of the short-term debt outstanding as of December 31, 2015, MCHF 3.7 was denominated in EUR (PY: MCHF 3.9).

13. Other current liabilities and provisions

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Compensation-related liabilities | 88.6 | 55.4 |
| Customer-related liabilities | 58.0 | 60.5 |
| Value added tax payables | 28.3 | 19.5 |
| Short-term derivative financial instruments (see → Note 15) | 0.0 | 71.5 |
| Short-term interest payables | 5.1 | 0.1 |
| Other current liabilities | 37.0 | 17.3 |
| Total other current liabilities | 217.0 | 224.3 |
| Current provisions | 15.4 | 2.0 |
| Provisions for restructuring | 16.2 | 0.0 |
| Total current provisions | 31.6 | 2.0 |
| Total other current liabilities and provisions | 248.6 | 226.3 |

The movements of current provisions for 2015 and 2014 are shown in the following table:

| | 2015 MCHF | 2014 MCHF |
|-----------------------------------|--------------|--------------|
| Current provisions | | |
| January 1 | 2.0 | 5.1 |
| Changes in scope of consolidation | 12.6 | 0.0 |
| Additions | 4.0 | 1.1 |
| Used | -2.3 | -1.4 |
| Reversed | -1.2 | -2.7 |
| Translation differences | 0.3 | -0.1 |
| December 31 | 15.4 | 2.0 |

The movements of provisions for restructuring for 2015 and 2014 are shown in the following table:

| | 2015 MCHF | 2014 MCHF |
|-------------------------------------|--------------|--------------|
| Provisions for restructuring | | |
| January 1 | 0.0 | 0.0 |
| Changes in scope of consolidation | 13.5 | 0.0 |
| Additions | 4.0 | 0.0 |
| Used | -1.9 | 0.0 |
| Reversed | 0.0 | 0.0 |
| Translation differences | 0.6 | 0.0 |
| December 31 | 16.2 | 0.0 |

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

14. Long-term debt

| | 2015 MCHF | 2014 MCHF |
|---|----------------|--------------|
| Bonds | 831.4 | 0.0 |
| Syndicated bank loan (term loan facility) | 295.7 | 0.0 |
| Credit facility (revolving facility) | 0.0 | 0.0 |
| Other long-term debt | 8.4 | 6.6 |
| Total long-term debt | 1,135.5 | 6.6 |

Bonds

Geberit has the following three bonds outstanding: a bond for MCHF 150 (fair value as of 31 December 2015: MCHF 150.3) with a term of four years and a coupon of 0.05%, a bond for MCHF 150 (fair value as of 31 December 2015: MCHF 151.2) with a term of eight years and a coupon of 0.3%, and a bond for MEUR 500 (fair value as of 31 December 2015: MCHF 498.0) with a term of six years and a coupon of 0.688%.

Syndicated bank loan (term loan facility)

MEUR 325 of the syndicated bank loan (term loan facility) initially of MEUR 400 had been drawn down. The not required part of MEUR 75 was canceled in 2015. The term loan facility is used for medium-term financing and has a term of three years. Its variable interest rate is based on the LIBOR plus a margin that depends on the ratio of net debt to EBITDA. MEUR 50.0 were repaid early as of 17 November 2015 and MEUR 275.0 of the loan had been drawn on as of 31 December 2015. Its fair value of MCHF 297.6 was calculated by discounting all future cashflows at the current interest rate (swap rate for residual term plus credit spread).

Credit facility (revolving facility)

The firmly committed credit line ("revolving facility") of MCHF 300 is intended to ensure the Group's financial flexibility and has a term of five years. The interest rate is variable and is based on the LIBOR plus a fixed margin. An additional fee is charged if this credit line is drawn down. None of this credit facility was drawn down in 2015. A commitment fee is charged in respect of the portion not drawn down.

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

- Net debt/EBITDA: max. 2.50x

This ratio was 0.97x in the reporting period.

Other long-term debt

As of December 31, 2015, the Group had MCHF 8.4 of other long-term debt (PY: MCHF 6.6). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix

Of the total long-term debt outstanding as of December 31, 2015, MCHF 839.1 was denominated in EUR (PY: MCHF 6.6) and MCHF 296.4 in CHF (PY: MCHF 0).

15. Financial instruments

Derivative financial instruments

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments according to the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in [→Notes 3](#) and [→4](#). As of December 31, 2015 and 2014, the following derivative financial instruments were outstanding.

a) Contingent FX Forward Transactions

The following instruments were used to hedge foreign exchange rate risks arising from the acquisition of the Sanitec Group (purchase price hedging):

| 2014 | Maturity | Strike price | Contract amount buy | Contract amount sell | Fair value 31.12. | Calculation method |
|------------------|------------|--------------|---------------------|----------------------|-------------------|--------------------|
| | | | MSEK | MCHF/MEUR | MCHF | |
| SEK buy/CHF sell | 31.08.2015 | 7.3560 | 3'900 | -530.2 | -33.7 | Mark-to-Market |
| SEK buy/EUR sell | 31.08.2015 | 8.9263 | 4'830 | -541.1 | -34.9 | Mark-to-Market |

These two instruments were released as of February 10, 2015 on conclusion of the Sanitec acquisition.

These instruments were designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value is recognized in the Consolidated Statements of Comprehensive Income.

b) Interest rate swaps

The following instruments were used to hedge interest rate risks arising from the financing of the Sanitec Group acquisition (fixation of the interest rate up to the point of bond take-out):

| 2014 | Trade date | Effective date | Termination date | Notional amount | Fixed rate (payer Geberit) | Floating rate (receiver Geberit) | Fair value 31.12. | Calculation method |
|------------------------|------------|----------------|------------------|-----------------|----------------------------|----------------------------------|-------------------|--------------------|
| | | | | MCHF/MEUR | % | % | MCHF | |
| Interest rate swap CHF | 20.11.2014 | 29.01.2015 | 29.01.2019 | 150 | 0.1020 | 6 M CHF-LIBOR | -0.8 | DCF ¹ |
| Interest rate swap EUR | 20.11.2014 | 29.01.2015 | 29.01.2021 | 250 | 0.5622 | 6 M EUR-EURIBOR | -2.1 | DCF ¹ |

When the bonds were issued, these instruments were released as planned as of March 19, 2015 (interest rate swap EUR) and March 20, 2015 (interest rate swap CHF) or, as appropriate, recognised as liabilities. Instruments are released in the income statement based on the terms of the underlying bonds.

These instruments were designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value is recognized in the Consolidated Statements of Comprehensive Income.

c) Cross Currency Interest Rate Hedges

The following instrument was used to hedge foreign exchange rate risks arising from the intercompany financing of subsidiaries:

| 2015 | Maturity | Strike price | Contract amount buy | Contract amount sell | Fair value 31.12. | Interest rate % | Interest rate % | Calculation method |
|------------------|------------|--------------|---------------------|----------------------|-------------------|-----------------|-----------------|--------------------|
| | | | MCHF | MUSD | MCHF | CHF | USD | |
| CHF buy/USD sell | 18.12.2016 | 1.03345 | 12.4 | -12.0 | 0.4 | 0.00 | 2.22 | DCF ¹ |

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 12.0 was not designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in the financial result, net.

| 2014 | Maturity | Strike price | Contract amount buy | Contract amount sell | Fair value 31.12. | Interest rate % | Interest rate % | Calculation method |
|------------------|------------|--------------|---------------------|----------------------|-------------------|-----------------|-----------------|--------------------|
| | | | MCHF | MUSD | MCHF | CHF | USD | |
| CHF buy/USD sell | 18.12.2015 | 1.03345 | 17.6 | -17.0 | 0.8 | 0.00 | 0.80 | DCF ¹ |

¹ Discounted Cash Flow

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 17.0 was not designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in financial result, net.

d) Forward foreign exchange contracts and foreign exchange options

| | | | | Contract values | | Fair value 31.12. | Calculation method |
|----------------------------|------|-------|------|-----------------|------|----------------------|--------------------|
| 2015 | MCZK | MEUR | MGBP | MPLN | MDKK | MCHF | |
| Foreign exchange contracts | -5.0 | -10.0 | 0.0 | -2.0 | 0.0 | 0.1 | Mark-to-Market |
| 2014 | MCZK | MEUR | MGBP | MPLN | MDKK | MCHF | |
| Foreign exchange contracts | -7.6 | 0.0 | -1.2 | 0.0 | -3.0 | 0.0 | Mark-to-Market |

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

Measurement of financial instruments by categories according to IAS 39

Based on the relevant balance sheet item of financial instruments, the following table shows an allocation of the balance sheet items to the classification by categories according to IAS 39. In addition, a fair value measurement hierarchy was introduced for assets and liabilities that are measured at fair value. Level 1 contains all financial instruments with quoted prices in active markets. Level 2 contains all financial instruments with inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 contains all financial instruments with inputs for determining the assets and liabilities that are not based on observable market data.

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

| | Carrying amount as of 31.12.2015 | Financial liabilities at amortized cost | Financial liabilities at fair value | Fair value measurement hierarchy |
|----------------------------------|-------------------------------------|--|--|--|
| | MCHF | MCHF | MCHF | |
| Financial liabilities | | | | |
| Short-term debt | 3.7 | 3.7 | 0.0 | |
| Trade accounts payable | 105.5 | 105.5 | 0.0 | |
| Bonds | 831.4 | 831.4 | 0.0 | |
| Syndicated bank loan | 295.7 | 295.7 | 0.0 | |
| Other financial liabilities | 8.4 | 8.4 | 0.0 | |
| Derivative financial instruments | 0.0 | 0.0 | 0.0 | |
| Total | 1,244.7 | 1,244.7 | 0.0 | |

| | Carrying amount as of 31.12.2014 | Loans and receivables | Financial assets at fair value | Fair value measurement hierarchy |
|----------------------------------|----------------------------------|-----------------------|--------------------------------|----------------------------------|
| | MCHF | MCHF | MCHF | |
| Financial assets | | | | |
| Cash and cash equivalents | 749.7 | 749.7 | 0.0 | |
| Trade accounts receivable | 125.3 | 125.3 | 0.0 | |
| Other current assets | 55.1 | 55.1 | 0.0 | |
| Other non-current assets | 6.2 | 5.9 | 0.3 | Level 2 |
| Derivative financial instruments | 0.8 | 0.0 | 0.8 | Level 2 |
| Total | 937.1 | 936.0 | 1.1 | |

| | Carrying amount as of 31.12.2014 | Financial liabilities at amortized cost | Financial liabilities at fair value | Fair value measurement hierarchy |
|----------------------------------|----------------------------------|---|-------------------------------------|----------------------------------|
| | MCHF | MCHF | MCHF | |
| Financial liabilities | | | | |
| Short-term debt | 3.9 | 3.9 | 0.0 | |
| Trade accounts payable | 62.3 | 62.3 | 0.0 | |
| Other financial liabilities | 6.6 | 6.6 | 0.0 | |
| Derivative financial instruments | 71.5 | 0.0 | 71.5 | Level 2 |
| Total | 144.3 | 72.8 | 71.5 | |

Fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets

Level 2: observable prices, either directly or indirectly

Level 3: input factors that are not based on observable market data

Maturity analysis of financial instruments

The following table shows the carrying amount of all contractually defined future (not discounted) interest and amortization payments of derivative and non-derivative financial instruments as of the balance sheet date:

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

| | Carrying amount 31.12.2014 MCHF | Maturity | | | | |
|---|---------------------------------------|----------------|--------------|--------------|--------------|------------------------|
| | | 2015 MCHF | 2016 MCHF | 2017 MCHF | 2018 MCHF | 2019 and later MCHF |
| Short-term debt | 3.9 | 4.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade accounts payable | 62.3 | 62.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial liabilities | 6.6 | 0.4 | 2.6 | 2.1 | 1.3 | 1.5 |
| Total non-derivative financial liabilities | 72.8 | 66.8 | 2.6 | 2.1 | 1.3 | 1.5 |
| Derivative financial liabilities | 71.5 | 1,183.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Derivative financial assets | -0.8 | 19.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total derivative financial instruments | 70.7 | 1,203.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 143.5 | 1,270.2 | 2.6 | 2.1 | 1.3 | 1.5 |

16. Retirement benefit plans

The Geberit Group manages defined benefit plans for its employees in various countries. The Swiss pension plans and the UK pension plan are the major funded plans, which hold their assets in legally separate pension funds. Even after integrating the defined benefit plans of the newly acquired Sanitec Group, the biggest plans are still managed in Switzerland and Germany, which together account for 92% (PY: 98%) 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.

| | 2015 MCHF | 2014 MCHF |
|--|---------------|---------------|
| Switzerland | | |
| Benefit obligation (for funded retirement benefit plans) | 554.9 | 504.3 |
| Plan assets at fair value | 496.1 | 471.0 |
| Funded status | -58.8 | -33.3 |
| Germany | | |
| Benefit obligation (for unfunded retirement benefit plans) | 210.6 | 208.6 |
| Plan assets at fair value | 0.0 | 0.0 |
| Funded status | -210.6 | -208.6 |
| Reimbursement rights | 10.8 | 10.3 |
| Other plans | | |
| Benefit obligation (for funded retirement benefit plans) | 39.6 | 0.0 |
| Benefit obligation (for unfunded retirement benefit plans) | 29.1 | 14.6 |
| Plan assets at fair value | 38.7 | 0.0 |
| Funded status | -30.0 | -14.6 |
| Reimbursement rights | 6.4 | 5.9 |
| Total | | |
| Benefit obligation (for all retirement benefit plans) | 834.2 | 727.5 |
| Plan assets at fair value | 534.8 | 471.0 |
| Funded status | -299.4 | -256.5 |
| Reimbursement rights | 17.2 | 16.2 |

Swiss retirement benefit plans

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

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

If the pension fund is underfunded in accordance with the BVG, the Board of Trustees is obliged by law to initiate measures to rectify the situation, such as reducing the interest paid on retirement assets, reducing the benefit entitlement, or collecting remedial contributions. Legally accrued benefits may not be reduced. With remedial contributions, the risk is shared between the employer and employees and the employer is not legally obliged to pay more than 50% of the additional contributions. The current financial status of the Swiss BVG-based pension plans does not require any remedial measures; the technical funding ratio of this Foundation in accordance with the BVG was 115% as of December 31, 2015 (December 31, 2014: 116.6%).

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

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

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

The acquisition of the Sanitec Group added another pension plan in Switzerland. For the purpose of providing occupational benefits, Bekon-Koralle AG is affiliated with Swiss Life, a collective foundation under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), as well as with the Swiss Life collective foundation for supplementary provision. All regulatory benefits are fully reinsured by Swiss Life AG under a corresponding agreement.

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 labor-management contracts. The employer can change the conditions by applying provisos. There can be special commitments based on the labor-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 installments. Annuitization is possible with the consent of the employer. The pension is not dependent on the employee's final salary.

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

If a lump-sum benefit is annuitized, 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 annuitization, the statutory obligation to make (and review) adjustments is not currently seen to harbor 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 labor-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 harbor an inflation risk.

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

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

| | 2015 MCHF | 2014 MCHF |
|--|--------------|--------------|
| Current service cost | 31.1 | 24.7 |
| Contributions of employees | -8.9 | -8.8 |
| Net interest cost for retirement benefit plans | 4.2 | 4.2 |
| Net periodic pension cost | 26.4 | 20.1 |

The service cost for the Swiss retirement benefit plans was MCHF 21.5 in 2015 (PY: MCHF 16.0) and for the German retirement benefit plans MCHF 8.6 (PY: MCHF 8.1). The net interest cost for the Swiss retirement benefit plans was MCHF 0.3 in 2015 (PY: MCHF -1.0) and for the German retirement benefit plans MCHF 3.6 (PY: MCHF 5.1).

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

| | 2015 MCHF | 2014 MCHF |
|--|--------------|--------------|
| Actuarial gains (-) / losses: | 21.8 | 121.5 |
| - of which from changes in demographic assumptions | -0.3 | 0.0 |
| - of which from changes in financial assumptions | 22.2 | 109.1 |
| - of which from experience adjustments | -0.1 | 12.4 |
| Return on plan assets (excluding interest based on discount rate) | -6.9 | -26.0 |
| Return on reimbursement rights (excluding interest based on discount rate) | -0.1 | 0.0 |
| Asset ceiling adjustment | 0.0 | -13.2 |
| Total pre-tax remeasurements recognized in other comprehensive income | 14.8 | 82.3 |

The remeasurements recognized in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2015 for the Swiss retirement benefit plans amounted to MCHF 15.6 (PY: MCHF 54.3) and for the German retirement benefit plans MCHF 2.7 (PY: MCHF 26.5).

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

| | 2015 MCHF | 2014 MCHF |
|--|---------------|---------------|
| Benefit obligation | | |
| At beginning of year | 727.5 | 590.6 |
| Changes in scope of consolidation | 87.6 | 0.0 |
| Current service cost | 31.1 | 24.7 |
| Interest cost | 11.9 | 15.2 |
| Actuarial gains (-) / losses | 21.8 | 121.5 |
| New plans / plan adjustments | 0.1 | 0.5 |
| Benefits paid | -26.8 | -21.7 |
| Translation differences | -19.0 | -3.3 |
| Benefit obligation at end of year | 834.2 | 727.5 |
| | 2015 MCHF | 2014 MCHF |
| Plan assets at fair value | | |
| At beginning of year | 471.0 | 434.4 |
| Changes in scope of consolidation | 47.3 | 0.0 |
| Interest income (based on discount rate) | 7.2 | 10.4 |
| Return on plan assets (excluding interest based on discount rate) | 6.9 | 26.0 |
| Contributions of employees | 8.5 | 8.3 |
| Contributions of employers | 9.3 | 8.3 |
| New plans / plan adjustments | -0.1 | 0.0 |
| Benefits paid | -17.2 | -16.4 |
| Translation differences | 1.9 | 0.0 |
| Plan assets at fair value at end of year | 534.8 | 471.0 |
| Funded status at end of year | -299.4 | -256.5 |
| Asset ceiling adjustment | 0.0 | 0.0 |
| Assets from defined benefit plans (→ Note 10) | -1.4 | 0.0 |
| Net funded status at end of year | -300.8 | -256.5 |
| | 2015 MCHF | 2014 MCHF |
| Fair value of reimbursement rights | | |
| At beginning of year | 16.2 | 13.7 |
| Changes in scope of consolidation | 0.0 | 0.0 |
| Interest income (based on discount rate) | 0.5 | 0.6 |
| Return on reimbursement rights (excluding interest based on discount rate) | 0.1 | 0.0 |
| Contributions of employers | 1.3 | 1.4 |
| Contributions of employees | 0.4 | 0.5 |
| Benefits paid | -0.3 | -0.3 |
| Translation differences | -1.0 | 0.3 |
| Fair value of reimbursement rights at end of year | 17.2 | 16.2 |

As of December 31, 2015, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 10.7 (PY: MCHF 10.3).

| | 2015 MCHF | 2014 MCHF |
|-------------------------------------|--------------|--------------|
| Asset ceiling | | |
| At beginning of year | 0.0 | -13.2 |
| Change | 0.0 | 13.2 |
| Translation differences | 0.0 | 0.0 |
| Asset ceiling at end of year | 0.0 | 0.0 |

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

| | 2015 | | | 2014 | | |
|----------------------------------|--|---------------|---------------|--|---------------|---------------|
| | Listed on an active market MCHF | Other MCHF | Total MCHF | Listed on an active market MCHF | Other MCHF | Total MCHF |
| Equity instruments | 184.4 | 8.8 | 193.2 | 154.8 | 11.3 | 166.1 |
| Bonds and other debt instruments | 109.7 | 36.0 | 145.7 | 97.7 | 37.9 | 135.6 |
| Real estate property | 50.7 | 114.8 | 165.5 | 38.1 | 93.1 | 131.2 |
| Cash and cash equivalents | 15.4 | 0.0 | 15.4 | 34.9 | 0.0 | 34.9 |
| Other | 2.8 | 12.2 | 15.0 | 1.4 | 1.8 | 3.2 |
| Total | 363.0 | 171.8 | 534.8 | 326.9 | 144.1 | 471.0 |

The plan asset of the Swiss retirement benefit plans (excluding the benefit plan of Bekon Koralle AG) was MCHF 486.7 as of December 31, 2015 and the effective income on the plan assets was +2.6% in 2015 and +7.3% in 2014. As of the end of 2015, the plan assets included MCHF 5.2 (PY: MCHF 5.2) in equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate used by the Group.

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

| | 2015 | | | | 2014 | | | |
|-------------------------------------|-------------------|---------------------|--------------|--------------|-------------------|---------------------|--------------|--------------|
| | Active members | Deferred members | Pensioners | Total | Active members | Deferred members | Pensioners | Total |
| Plan members (number) | | | | | | | | |
| Swiss retirement benefit plans | 1,248 | 4 | 487 | 1,739 | 1,154 | | 478 | 1,632 |
| German retirement benefit plans | 4,065 | 500 | 371 | 4,936 | 4,006 | 437 | 328 | 4,771 |
| Total plan members | 5,313 | 504 | 858 | 6,675 | 5,160 | 437 | 806 | 6,403 |
| Benefit obligation (in MCHF) | | | | | | | | |
| Swiss retirement benefit plans | 335.6 | 0.7 | 218.6 | 554.9 | 302.1 | | 202.2 | 504.3 |
| German retirement benefit plans | 147.7 | 22.9 | 40.0 | 210.6 | 156.8 | 20.7 | 31.1 | 208.6 |
| Total benefit obligation | 483.3 | 23.6 | 258.6 | 765.5 | 458.9 | 20.7 | 233.3 | 712.9 |
| Share in % | 63.1 | 3.1 | 33.8 | 100.0 | 64.4 | 2.9 | 32.7 | 100.0 |

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 16 years (PY: approx. 15 years) and for the German retirement benefit plans approx. 12 years (PY: approx. 12 years).

Employer contributions of MCHF 8.5 are expected for the Swiss retirement benefit plans in 2016. 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 %):

| | 2015 | | 2014 | |
|-----------------------|----------------------------|------------------------|----------------------------|------------------------|
| | CH | DE | CH | DE |
| Discount rate | 0.8 | 1.8 | 1.2 | 1.9 |
| Salary increase rate | 1.2 | 0 - 2.5 | 2.0 | 2.5 |
| Pension increase rate | 0.0 | 2.0 | 0.0 | 2.0 |
| Mortality | BVG 2010 generations table | 2005G actuarial tables | BVG 2010 generations table | 2005G actuarial tables |

The trend for sickness costs 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 were changed. Every assumption change was analyzed 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 | -7.5% | -5.5% |
| Reduced by 50 basis points | +8.6% | +6.3% |
| Salaries | | |
| Increased by 25 basis points | +0.45% | +0.03% |
| Reduced by 25 basis points | -0.44% | -0.03% |

In addition, the Group's income statement for 2015 includes expenses for defined contribution plans of MCHF 10.0 (PY: MCHF 2.5).

17. Participation plans

Share plans

In 2015, employees were able to purchase a limited number of shares at a discount of 45% (PY: 45%) compared to the market price ("Employee share purchase plan 2015"). 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 2015"). For each of these shares, management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2015", non-executive members of the Board of Directors received their compensation for 2014 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 2015 are summarized below:

| | End of blocking period | Number of participants | Number of shares issued | Issuing price CHF |
|--|------------------------------|---------------------------|-------------------------------|----------------------|
| Employee share purchase plan 2015 (ESPP) | 2017 | 2,077 | 17,928 | 192.03 |
| Management share purchase plan 2015 (MSPP) | 2018 | 74 | 12,616 | 349.15 |
| Directors program 2015 (DSPP) | 2019 | 5 | 2,610 | 349.15 |
| Total | | | 33,154 | |

The 33,154 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2015, the Board of Directors, the Group Executive Board and the employees owned a combined total of 357,850 (PY: 340,295) shares, i.e. 0.9% (PY: 0.9%) of the share capital of Geberit AG.

Option plans

The management has the opportunity to invest part or all of their variable remuneration in shares of the company 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 program, a free option is provided for each share purchased through the program. 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 managing directors and members of the Group Executive Board are entitled to additional options. The options of the managing directors 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. The options of the members of the Group Executive Board are also subject to a vesting period of four years: a third of the options can be exercised two years after the grant, a further third can be exercised three years after the grant and the remaining third four years after the grant.

The exercise price of the options corresponds to the fair market value of the Geberit shares at the time of grant. The options have a term of seven years after which they expire. They can be exercised between the vesting date and the expiration 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 2015:

| | End of vesting period | Maturity | Number of participants | Number of options allocated | Exercise price CHF |
|---|-----------------------|----------|------------------------|-----------------------------|--------------------|
| Management share purchase plan 2015 (MSPP) | 2016 - 2019 | 2022 | 74 | 12,616 | 349.15 |
| Option plan 2015 (MSOP) / Group Executive Board | 2017 - 2019 | 2022 | 5 | 44,871 | 349.15 |
| Option plan 2015 (MSOP) / Other management | 2016 - 2019 | 2022 | 62 | 40,260 | 349.15 |
| Total | | | | 97,747 | |

The fair value of the options granted in 2015 amounted to CHF 34.06 (PY: CHF 23.65), CHF 33.48 (PY: CHF 23.65) respectively (MSOP / Group Executive Board) 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 CHF | Expected Ø volatility % | Expected Ø dividend yield % | Contractual period Years | Riskfree Ø interest rate % |
|--|------------------------------------|----------------------------|--------------------------------|-----------------------------|-------------------------------|
| Management share purchase plan 2015 (MSPP) | 349.15 | 15.95 | 2.65 | 7 | -0.35 |
| Option plan 2015 (MSOP) | 349.15 | 15.95 | 2.65 | 7 | -0.35 |

¹ The exercise price corresponds to the average price of Geberit shares for the period from 3. - 16.3.2015.

The following table summarizes all option plans in place as of December 31, 2015:

| End of vesting period | Maturity | Number of options outstanding | Ø exercise price CHF | Number of options in the money | Ø exercise price CHF |
|-----------------------|-------------|-------------------------------|----------------------|--------------------------------|----------------------|
| Vested | 2016 - 2021 | 49,223 | 232.22 | 49,223 | 232.22 |
| 2016 | 2017 - 2022 | 109,962 | 254.97 | 96,743 | 242.10 |
| 2017 | 2020 - 2022 | 91,060 | 288.83 | 62,884 | 261.81 |
| 2018 | 2021 - 2022 | 68,663 | 311.27 | 40,486 | 281.95 |
| 2019 | 2022 | 28,176 | 349.15 | 0 | 0 |
| Total | | 347,084 | 279.07 | 249,336 | 251.59 |

The following movements took place in 2015 and 2014:

| | MSOP | | MSPP | | Total 2015 | | Total 2014 | |
|--------------------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
| | Number of options | Ø exercise price CHF | Number of options | Ø exercise price CHF | Number of options | Ø exercise price CHF | Number of options | Ø exercise price CHF |
| Outstanding January 1 | 274,454 | 248.26 | 28,460 | 245.33 | 302,914 | 247.98 | 263,893 | 213.39 |
| Granted options | 85,131 | 349.15 | 12,616 | 349.15 | 97,747 | 349.15 | 140,395 | 281.95 |
| Forfeited options | 1,111 | 247.29 | 15 | 221.23 | 1,126 | 246.95 | 16,784 | 249.89 |
| Expired options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exercised options | 46,263 | 232.60 | 6,188 | 217.77 | 52,451 | 230.85 | 84,590 | 196.08 |
| Outstanding December 31 | 312,211 | 278.09 | 34,873 | 287.80 | 347,084 | 279.07 | 302,914 | 247.98 |
| Exercisable at December 31 | 41,440 | 232.93 | 7,783 | 228.46 | 49,223 | 232.22 | 30,847 | 208.06 |

The 347,084 options outstanding represent 0.9% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2015 had an exercise price of between CHF 192.85 and CHF 349.15 and an average remaining contractual life of 4.6 years.

Costs resulting from participation plans amounted to MCHF 3.0 in 2015 (PY: MCHF 2.9); those for option plans totaled MCHF 3.0 (PY: MCHF 2.5).

18. Deferred tax assets and liabilities

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

¹ Recorded directly in other comprehensive income

| | 2014 | | | | | | 2013 | |
|---------------------------------------|--------------|--------------------------------------|-------------------|-----------------------------|---|----------------------------|--------------|-------|
| | Total | Movements 2014 | | | | | | Total |
| | | (Charged) / credited to income | Through equity | Through OCI ¹ | Changes in scope of consolidation | Translation differences | | |
| MCHF | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF | | |
| Deferred tax assets | | | | | | | | |
| Loss carryforwards | 3.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 3.2 | |
| Accrued pension obligations | 28.4 | 0.7 | 0.0 | 13.8 | 0.0 | -0.3 | 14.2 | |
| Property, plant and equipment | 2.8 | -0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 3.3 | |
| Goodwill and intangible assets | 16.4 | -5.1 | 0.0 | 0.0 | 0.0 | 0.0 | 21.5 | |
| Other | 25.5 | 0.8 | 0.6 | 10.2 | 0.0 | 0.3 | 13.6 | |
| Total deferred tax assets | 76.3 | -4.2 | 0.6 | 24.0 | 0.0 | 0.1 | 55.8 | |
| Deferred tax liabilities | | | | | | | | |
| Inventories | -6.1 | -0.5 | 0.0 | 0.0 | 0.0 | -0.2 | -5.4 | |
| Property, plant and equipment | -28.6 | 2.0 | 0.0 | 0.0 | 0.0 | -0.2 | -30.4 | |
| Intangible assets | -8.3 | -1.1 | 0.0 | 0.0 | 0.0 | -0.1 | -7.1 | |
| Employer contribution reserve | 0.0 | 0.0 | 0.0 | 3.4 | 0.0 | 0.0 | -3.4 | |
| Other | -5.4 | -0.6 | 0.0 | 0.0 | 0.0 | 0.1 | -4.9 | |
| Total deferred tax liabilities | -48.4 | -0.2 | 0.0 | 3.4 | 0.0 | -0.4 | -51.2 | |

¹ Recorded directly in other comprehensive income

In general, deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings in Group companies if earnings are planned to be remitted. As of December 31, 2015 and 2014, 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 tax of MCHF 0.2.

The Group recognizes 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:

| | 2015 | | 2014 | |
|---------------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|
| | Without deferred tax asset | With deferred tax asset | Without deferred tax asset | With deferred tax asset |
| Maturity | MCHF | MCHF | MCHF | MCHF |
| 1 year | 0.7 | 0.7 | 0.0 | 0.0 |
| 2 years | 0.6 | 0.6 | 0.0 | 0.0 |
| 3 years | 0.9 | 0.9 | 0.6 | 0.6 |
| 4 years | 20.3 | 4.2 | 1.0 | 1.0 |
| 5 years | 6.0 | 0.6 | 0.3 | 0.3 |
| 6 years | 6.7 | 0.5 | 0.7 | 0.4 |
| > 6 years | 130.8 | 11.2 | 7.4 | 7.4 |
| Total loss carryforwards | 166.0 | 18.7 | 10.0 | 9.7 |

19. Other non-current liabilities and provisions

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Accrued investment grants | 3.6 | 3.7 |
| Other non-current liabilities | 6.5 | 3.9 |
| Total other non-current liabilities | 10.1 | 7.6 |
| Provisions for operating risks | 28.6 | 22.9 |
| Other non-current provisions | 2.3 | 1.6 |
| Total non-current provisions | 30.9 | 24.5 |
| Total other non-current liabilities and provisions | 41.0 | 32.1 |

Provisions for operating risks mainly include provisions for warranties. Movements for 2015 and 2014 are shown in the following table.

| | 2015 MCHF | 2014 MCHF |
|---------------------------------------|--------------|--------------|
| Provisions for operating risks | | |
| January 1 | 22.9 | 21.6 |
| Changes in scope of consolidation | 6.7 | 0.0 |
| Additions | 7.6 | 7.9 |
| Used | -6.0 | -6.2 |
| Reversed | -0.9 | -0.3 |
| Translation differences | -1.7 | -0.1 |
| December 31 | 28.6 | 22.9 |

The provisions for operating risk are on average due for payment within 3.9 years.

| | 2015 MCHF | 2014 MCHF |
|-------------------------------------|--------------|--------------|
| Other non-current provisions | | |
| January 1 | 1.6 | 1.8 |
| Changes in scope of consolidation | 0.7 | 0.0 |
| Additions | 0.0 | 0.0 |
| Used | 0.0 | -0.1 |
| Reversed | 0.0 | -0.1 |
| Translation differences | 0.0 | 0.0 |
| December 31 | 2.3 | 1.6 |

20. Contingencies

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

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

21. Capital stock and treasury shares

| | 2015 | 2014 |
|----------------------|-------------------|-------------------|
| | pcs. | pcs. |
| Issued shares | | |
| January 1 | 37,798,427 | 37,798,427 |
| Capital reduction | 0 | 0 |
| December 31 | 37,798,427 | 37,798,427 |

The share buyback program, which had been suspended since August 2014 in the wake of the Sanitec acquisition, was resumed in April 2015. As originally announced at its launch, the program was to repurchase shares totaling a maximum of 5% of the share capital recorded in the Commercial Register over a period of two years and then retire them by means of a capital reduction. The lengthy suspension has led the Group Executive Board to conclude that this target can no longer be met (see → [Note 32](#)). The share buyback is being conducted via a separate trading line on the SIX Swiss Exchange. By December 31, 2015, 634,600 shares, corresponding to around 34% of the entire program, had been acquired at a sum of CHF 205.0 million.

As of December 31, 2015, the Group held a total of 877,880 (PY: 302,060) treasury shares with a carrying amount of MCHF 276.5 (December 31, 2014: MCHF 78.3), meaning that the Group increased its net number of treasury shares by 575,820 in 2015. Treasury shares are deducted at cost from equity.

| | 2015 | 2014 |
|---------------------------------|----------------|----------------|
| | pcs. | pcs. |
| Stock of treasury shares | | |
| From share buyback programs | 634,600 | 123,000 |
| Other treasury shares | 243,280 | 179,060 |
| Total treasury shares | 877,880 | 302,060 |

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.

| | 2015 | 2014 |
|--|--------------|--------------|
| Attributable net income according to income statement (MCHF) | 422.4 | 498.6 |
| Weighted average number of ordinary shares (thousands) | 37,279 | 37,544 |
| Total earnings per share (CHF) | 11.33 | 13.28 |

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.

| | 2015 | 2014 |
|--|--------------|--------------|
| Attributable net income according to income statement (MCHF) | 422.4 | 498.6 |
| Weighted average number of ordinary shares (thousands) | 37,279 | 37,544 |
| Adjustments for share options (thousands) | 59 | 53 |
| Weighted average number of ordinary shares (thousands) | 37,338 | 37,597 |
| Total diluted earnings per share (CHF) | 11.31 | 13.26 |

23. Other operating expenses, net

| | 2015 MCHF | 2014 MCHF |
|--|--------------|--------------|
| Outbound freight costs and duties | 89.9 | 68.2 |
| Energy and maintenance expenses | 107.9 | 74.0 |
| Marketing expenses | 97.7 | 83.8 |
| Administration expenses | 64.2 | 44.2 |
| Other operating expenses | 161.3 | 86.2 |
| Other operating income | -15.0 | -12.5 |
| Total other operating expenses, net | 506.0 | 343.9 |

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

In 2015, costs of MCHF 14.6 (PY: MCHF 15.3) were capitalized as property, plant and equipment or intangible assets. This includes in particular tools and assembly lines that are part of the production process, as well as capitalized product development costs. The amount was deducted pro-rata from "personnel expenses", "cost of materials" and "other operating expenses, net".

24. Financial result, net

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Interest expenses | -9.0 | -0.9 |
| Amortization of deferred financing fees | -8.7 | -0.3 |
| Other financial expenses | -2.4 | -2.8 |
| Total financial expenses | -20.1 | -4.0 |
| Interest income | 1.2 | 2.1 |
| Total financial income | 1.2 | 2.1 |
| Foreign exchange loss (-) /gain | -4.6 | 0.2 |
| Total financial result, net | -23.5 | -1.7 |

"Interest expenses" mainly includes the interest for the bonds and for the syndicated bank loan. The main part of the position "Amortization of deferred financing fees" belongs to the amortization of the cost related to the installation of the bridge facility. "Other financial expenses" includes commitment fees and other fees.

25. Income tax expenses

| | 2015 MCHF | 2014 MCHF |
|----------------------------------|--------------|--------------|
| Current taxes | 71.9 | 72.2 |
| Deferred taxes | -19.5 | 4.4 |
| Total income tax expenses | 52.4 | 76.6 |

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 19.3% (PY: 13.7%) and the effective income tax expenses were as follows:

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Income tax expenses, at applicable rate | 91.6 | 78.7 |
| Operating losses with no current tax benefit | 11.9 | 0.1 |
| Offsetting of current profits against loss carryforwards without tax assets | -30.2 | 0.0 |
| Changes in future tax rates | 0.5 | -0.1 |
| Taxable goodwill amortization | -3.2 | -4.6 |
| Non-deductible expenses and non-taxable income, net | -23.0 | 1.4 |
| Other | 4.8 | 1.1 |
| Total income tax expenses | 52.4 | 76.6 |

All material deviations to previous year figures have to be considered as one-off effects and resulted from the Sanitec acquisition (transaction) or from subsequent integration projects (e.g. transfer of IP rights). The tax rate adjusted by one off effects in 2015 amounted to about 14%.

26. Operative Leasing

| | 2015 MCHF | 2014 MCHF |
|-------------------------------------|--------------|--------------|
| Minimum lease payments | | |
| Under 1 year | 16.6 | 6.1 |
| 1-5 years | 31.5 | 12.3 |
| Over 5 years | 19.9 | 3.4 |
| Total minimum lease payments | 68.0 | 21.8 |

The lease expenses for 2015 were MCHF 18.5 (PY: MCHF 7.2). The acquisition of the Sanitec Group added various operating lease agreements in 2015. The leasing agreements are mainly for rent of buildings and equipment.

27. Research and development cost

| | 2015 MCHF | 2014 MCHF |
|--|--------------|--------------|
| Research and development expenses | 63.4 | 55.8 |
| Capitalized development expenses | -7.8 | -5.9 |
| Amortization of capitalized development expenses | 1.1 | 0.2 |
| Research and development cost | 56.7 | 50.1 |

Geberit spends around 2.4% of net sales on research and development (R&D) every year. The expenses have remained relatively constant over the years.

In 2015, research and development expenses totaling MCHF 63.4 (PY: MCHF 55.8) were included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net".

For five major development projects, the capitalization criteria according to IAS 38.57 were met and expenses of MCHF 7.8 (PY: MCHF 5.9) were capitalized.

28. Cashflow figures

Net cashflow is calculated as follows:

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| EBITDA ¹ | 631.7 | 657.1 |
| Financial result, net | -23.5 | -1.7 |
| Income tax expenses | -52.4 | -76.6 |
| Deferred taxes charged/credited (-) to net income (→ Notes 18 and → 25) | -19.5 | 4.4 |
| Changes in non-current provisions | 23.9 | 25.8 |
| Non-cash effective depreciation of the Sanitec inventory revaluation | 28.4 | 0.0 |
| Changes in non-current assets and other | 7.7 | -0.7 |
| Net cashflow | 596.3 | 608.3 |

¹ EBIT + Depreciation + Amortization

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

"Changes in non-current assets and other" mainly includes the changes in prepaid pension assets booked to net income, gains from the disposal of property, plant and equipment and the amortization of deferred financing costs.

Free cashflow is calculated as follows:

| | 2015 MCHF | 2014 MCHF |
|--|--------------|--------------|
| Net cashflow | 596.3 | 608.3 |
| Purchase of property, plant and equipment and intangible assets, net | -141.0 | -102.3 |
| Changes in net working capital | 40.4 | -35.2 |
| Payments charged to non-current provisions | -11.7 | -10.4 |
| Free cashflow | 484.0 | 460.4 |

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

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

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

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

29. Segment reporting

The Geberit Group consists of one single business unit, the purpose of which is to develop, produce and distribute sanitary products and systems for the residential and industrial construction industry. All products are distributed using the same distribution channel – wholesale – in general to plumbers, who resell the products to the end users. Products are produced by plants that specialize in particular production processes. As a general rule, one specific article is produced at only one loca-

tion. Distribution is carried out by country or regional distribution subsidiaries, which sell to wholesalers. A distribution subsidiary is always responsible for the distribution of the whole range of products in its sales area. The main task of the distribution subsidiary is local market development, which comprises as a main focus the support of plumbers, sanitary planners and wholesalers. Research and development of the whole range of products is carried out centrally by Geberit International AG. All corporate tasks are also centralized 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 organized by function (overall management, products, sales, marketing & brands, finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on sales by markets and product lines and on the consolidated income statements, balance sheets, and statements of cashflows.

The acquisition of the Sanitec Group has no effect on segment reporting. The Sanitec activities will be fully integrated into the Geberit business model which means that all Sanitec companies will be fully integrated into the functional organisational structure of the Geberit Group. Sales activities will be pooled in a single local sales company for each country or region. Geberit International AG will assume responsibility for the Sanitec Group's development activities. The Group's financial management remains unchanged.

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

The information is as follows:

| | 2015 MCHF | 2014 MCHF |
|-----------------------------------|----------------|----------------|
| Net sales by product lines | | |
| Installation Systems | 724.1 | 769.0 |
| Cisterns and Mechanisms | 221.2 | 240.1 |
| Faucets and Flushing Systems | 117.9 | 113.0 |
| Waste Fittings and Traps | 82.7 | 86.0 |
| Sanitary Systems | 1,145.9 | 1,208.1 |
| Building Drainage Systems | 286.1 | 300.9 |
| Supply Systems | 512.7 | 580.1 |
| Piping Systems | 798.8 | 881.0 |
| Bathroom Ceramics | 478.1 | 0.0 |
| Ceramics Complementary Products | 170.9 | 0.0 |
| Sanitary Ceramics | 649.0 | 0.0 |
| Total net sales | 2,593.7 | 2,089.1 |

| | 2015 MCHF | 2014 MCHF |
|-----------------------------|----------------|----------------|
| Net sales by markets | | |
| Germany | 798.2 | 717.7 |
| Switzerland | 275.7 | 273.5 |
| Nordic Countries | 253.3 | 95.7 |
| Central/Eastern Europe | 238.2 | 155.4 |
| Benelux | 195.8 | 165.3 |
| Italy | 172.6 | 160.2 |
| France | 153.1 | 92.4 |
| Austria | 129.8 | 136.4 |
| United Kingdom/Ireland | 126.1 | 74.6 |
| Iberian Peninsula | 17.3 | 15.6 |
| Other markets | 233.6 | 202.3 |
| Total net sales | 2,593.7 | 2,089.1 |

| | 2015 MCHF | 2014 MCHF |
|---|----------------|----------------|
| Share of net sales by customers | | |
| Customers with more than 10% of net sales: customer A | 376.2 | 333.3 |
| Total > 10% | 376.2 | 333.3 |
| Remaining customers with less than 10% of net sales | 2,217.5 | 1,755.8 |
| Total net sales | 2,593.7 | 2,089.1 |

| | 2015 MCHF | 2014 MCHF |
|---|--------------|--------------|
| Property, plant and equipment by markets | | |
| Germany | 232.8 | 196.0 |
| Switzerland | 169.3 | 171.0 |
| Nordic Countries | 43.7 | 1.7 |
| Central/Eastern Europe | 102.9 | 44.2 |
| Benelux | 3.4 | 3.6 |
| Italy | 45.3 | 33.9 |
| France | 10.7 | 0.5 |
| Austria | 38.0 | 41.2 |
| United Kingdom/Ireland | 1.7 | 1.8 |
| Iberian Peninsula | 11.2 | 0.4 |
| Other markets | 56.4 | 56.6 |
| Total property, plant and equipment | 715.4 | 550.9 |

30. Related party transactions

In 2015 and 2014, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

| | 2015 MCHF | 2014 MCHF |
|----------------------------------|--------------|--------------|
| Remuneration and salary fixed | 4.9 | 3.7 |
| Remuneration and salary variable | 1.5 | 2.5 |
| Options | 1.6 | 1.5 |
| Expenditure on pensions | 0.9 | 0.9 |
| Other | 0.1 | 0.1 |
| Total | 9.0 | 8.7 |

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

In 2015 and 2014, there were no further material related party transactions.

31. Foreign exchange rates

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

| | Currency | | 2015 | | 2014 | |
|-------------------------|----------|-----|---------------|------------------|---------------|------------------|
| | | | Balance sheet | Income statement | Balance sheet | Income statement |
| European Currency Union | EUR | 1 | 1.0819 | 1.0675 | 1.2024 | 1.2155 |
| United Kingdom | GBP | 1 | 1.4682 | 1.4726 | 1.5408 | 1.5074 |
| USA | USD | 1 | 0.9900 | 0.9618 | 0.9891 | 0.9158 |
| Poland | PLN | 100 | 25.3800 | 25.5470 | 28.1400 | 29.0510 |
| China | CNY | 100 | 15.2400 | 15.3510 | 15.9400 | 14.9410 |
| Denmark | DKK | 100 | 14.4990 | 14.3290 | 16.1510 | 16.2950 |
| Australia | AUD | 1 | 0.7231 | 0.7224 | 0.8110 | 0.8274 |
| Czech Republic | CZK | 100 | 4.0040 | 3.9030 | 4.3360 | 4.4170 |
| Hungary | HUF | 100 | 0.3453 | 0.3450 | 0.3811 | 0.3940 |
| Norway | NOK | 100 | 11.2630 | 11.9640 | 13.3690 | 14.5670 |
| Sweden | SEK | 100 | 11.7660 | 11.4270 | 12.8150 | 13.3660 |
| Singapore | SGD | 1 | 0.7003 | 0.6991 | 0.7483 | 0.7227 |
| South Africa | ZAR | 100 | 6.3700 | 7.6090 | 8.5500 | 8.4310 |
| Turkey | TRY | 100 | 33.9460 | 35.2940 | 42.4880 | 41.8410 |
| Russia | RUB | 100 | 1.3440 | 1.5760 | 1.6850 | 2.4199 |
| Ukraine | UAH | 100 | 4.1300 | 4.4630 | 6.2500 | 7.8760 |
| India | INR | 100 | 1.5000 | 1.5030 | 1.5700 | 1.5040 |

32. Subsequent events

Early termination of the share buyback program

The current share buyback program (see → [Note 21](#)) was terminated as of February 29, 2016. In total 757,000 shares (2% of shares outstanding) have been bought back under the program. The Board of Directors will propose to the General Meeting to cancel the shares.

Approval for publication of the consolidated financial statements

The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on March 8, 2016.

33. Group companies as of December 31, 2015

| Switzerland | Ownership in % |
|---|----------------|
| Geberit AG, Rapperswil-Jona | |
| Geberit Holding AG, Rapperswil-Jona | 100 |
| Geberit International AG, Rapperswil-Jona | 100 |
| Geberit International Sales AG, Rapperswil-Jona | 100 |
| Geberit Verwaltungs AG, Rapperswil-Jona | 100 |
| Geberit Vertriebs AG, Rapperswil-Jona | 100 |
| Geberit Marketing e Distribuzione SA, Rapperswil-Jona | 100 |
| Geberit Produktions AG, Rapperswil-Jona | 100 |
| Geberit Apparate AG, Rapperswil-Jona | 100 |
| Geberit Fabrication SA, Givisiez | 100 |
| Geberit Finanz AG, Rapperswil-Jona | 100 |
| Bekon Koralle AG, Dagmersellen | 100 |
| Australia | |
| Geberit Pty Ltd., North Ryde NSW | 100 |
| Austria | |
| Geberit Vertriebs GmbH & Co. KG, Pottenbrunn | 100 |
| Geberit Produktions GmbH & Co. KG, Pottenbrunn | 100 |
| Geberit Beteiligungsverwaltung GmbH, Pottenbrunn | 100 |
| Geberit Huter GmbH, Matrei | 100 |
| Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft mbH, Margarethen am Moos | 100 |
| Belgium | |
| Geberit N.V., Machelen | 100 |
| Channel Islands | |
| Geberit Finance Ltd., Jersey | 100 |
| Geberit Reinsurance Ltd., Guernsey | 100 |
| China | |
| Geberit Flushing Technology Co. Ltd., Daishan | 100 |
| Geberit Plumbing Technology Co. Ltd., Shanghai | 100 |
| Geberit Shanghai Trading Co. Ltd., Shanghai | 100 |
| Geberit Shanghai Investment Administration Co. Ltd., Shanghai | 100 |
| Sanitec Trading (Zhongshan) Co. Ltd., Zhongshan | 100 |
| Czech Republic | |
| Geberit spol. s.r.o., Brno | 100 |
| Sanitec s.r.o., Tabor | 100 |
| Denmark | |
| Geberit A/S, Lystrup | 100 |

| Finland | Ownership in % |
|--|----------------|
| Geberit Oy, Helsinki | 100 |
| Geberit Investment Oy, Vantaa (Helsinki) | 100 |
| Sanitec Oyj, Helsinki | 100 |
| Sanitec Europe Oy, Helsinki | 100 |
| IDO Kylpyhuone Oy, Tammisaari | 100 |
| Sanitec Russia Oy, Helsinki | 100 |
| France | |
| Geberit S.a.r.l., Rungis Cedex | 100 |
| Geberit Holding France S.A., Samoreau | 100 |
| Varicor S.A.S., Wisches | 100 |
| Allia S.A.S., Samoreau | 100 |
| Alliages Céramiques S.A.S., Limoges | 100 |
| Leda Holdings S.A.S., Samoreau | 100 |
| Produits Céramiques de Touraine S.A.S., Samoreau | 100 |
| Germany | |
| Geberit Verwaltungs GmbH, Pfullendorf | 100 |
| Geberit Service GmbH & Co. KG, Pfullendorf | 100 |
| Geberit Vertriebs GmbH, Pfullendorf | 100 |
| Geberit Produktions GmbH, Pfullendorf | 100 |
| Geberit Logistik GmbH, Pfullendorf | 100 |
| Geberit Mapress GmbH, Langenfeld | 100 |
| Geberit RLS Beteiligungs GmbH, Langenfeld | 100 |
| Geberit Lichtenstein GmbH, Lichtenstein | 100 |
| Geberit Weilheim GmbH, Weilheim | 100 |
| Allia Holding GmbH, Pfullendorf | 100 |
| Sanitec Beteiligungs- und Service GmbH, Vlotho | 100 |
| Keramag Service GmbH & Co. KG, Pfullendorf | 100 |
| Koralle Sanitärprodukte GmbH, Vlotho | 100 |
| Keramag Keramische Werke GmbH, Ratingen | 100 |
| Varicor GmbH, Gaggenau | 100 |
| Ceravid GmbH, Essen | 100 |
| Koralle International GmbH, Vlotho | 100 |
| Servico Gesellschaft für Sanitärtechnik mbH, Weissenburg | 100 |
| Hungary | |
| Geberit Kft, Budapest | 100 |
| India | |
| Geberit Plumbing Technology India Pvt. Ltd., Bangalore | 100 |
| Geberit India Manufacturing Pvt. Ltd., Bangalore | 100 |
| Italy | |
| Geberit Produzione S.p.a., Villadose | 100 |
| Geberit Service S.p.a., Spilimbergo | 100 |
| Pozzi Ginori S.p.a., Spilimbergo | 100 |

| | Ownership in % |
|--|----------------|
| Netherlands | |
| Geberit B.V., Nieuwegein | 100 |
| Geberit International B.V., Nieuwegein | 100 |
| Lincoln Land Fünfte B.V., Amsterdam | 100 |
| Sphinx IP B.V., Maastricht | 100 |
| B.V. de Sphinx Maastricht, Maastricht | 100 |
| Norway | |
| Geberit AS, Lysaker | 100 |
| Sanitec Holdings Norway AS, Porsgrunn | 100 |
| Poland | |
| Geberit Sp. z o.o., Warsaw | 100 |
| Sanitec SSC Sp. z o.o., Lodz | 100 |
| Geberit Ozorków Sp. z o.o., Ozorkow | 100 |
| Sanitec Kolo Sp. z o.o., Kolo | 100 |
| Portugal | |
| Geberit Tecnologia Sanitária S.A., Lisbon | 100 |
| Eurocer Industria de Sanitarios S.A. Alenquer, Carregado | 100 |
| Russia | |
| Geberit RUS LLC., Moscow | 100 |
| Sanitec Trading LLC, Moscow | 100 |
| Sanitec LLC, Moscow | 100 |
| Singapore | |
| Geberit South East Asia Pte. Ltd., Singapore | 100 |
| Slovakia | |
| Geberit Slovensko s.r.o., Bratislava | 100 |
| Slovenia | |
| Geberit Sanitarna tehnika d.o.o., Ruše | 100 |
| Geberit prodaja d.o.o., Ruše | 100 |
| South Africa | |
| Geberit Southern Africa (Pty) Ltd., Sandton | 100 |
| Spain | |
| Geberit S.A.U., Barcelona | 100 |
| Sweden | |
| Geberit AB, Malmö | 100 |
| Sanitec Holdings Sweden AB, Stockholm | 100 |
| Geberit Service AB, Bromölla | 100 |
| Ifö Sanitär AB, Bromölla | 100 |
| Royal Sanitec AB, Bromölla | 100 |
| Turkey | |
| Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul | 100 |
| Ukraine | |
| Slavuta Holdings LLC, Kiev | 100 |
| PJSC Slavuta Plant "Budfarfor", Slavuta | 100 |
| Sanitec Ukraine LLC, Kiev | 100 |
| Sanitec Trading LLC, Kiev | 100 |

| United Kingdom | Ownership in % |
|---|----------------|
| Geberit Sales Ltd., Warwick | 100 |
| Sanitec UK Ltd., Alsager | 100 |
| Twyford Holdings Ltd., Alsager | 100 |
| Geberit Service, Alsager | 100 |
| Twyford Pension Trustees Ltd., Alsager | 100 |
| Twyford Ltd., Alsager | 100 |
| Twyfords Ltd., Alsager | 100 |
| USA | |
| Duffin Manufacturing Co., Elyria | 100 |
| The Chicago Faucet Company, Des Plaines | 100 |

Report of the Statutory Auditor



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Report of the Statutory Auditor
to the General Meeting of
Geberit AG
Rapperswil-Jona

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Geberit AG, which comprise the → **balance sheet**, → **income statement**, → **statement of comprehensive income**, → **statement of changes in equity**, → **statement of cashflows** and → **notes**, for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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, March 8, 2016

Geberit

AG

Balance Sheets

| | 31.12.2015 MCHF | 31.12.2014 MCHF |
|--|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash | 5.7 | 0.2 |
| Other current receivable | | |
| - Third parties | 4.4 | 3.8 |
| - Group companies | 58.6 | 237.8 |
| Prepaid expenses | 3.6 | 1.4 |
| Total current assets | 72.3 | 243.2 |
| Non-current assets | | |
| Loan to group companies | 300.0 | 0.0 |
| Investments | 920.8 | 920.8 |
| Total non-current assets | 1,220.8 | 920.8 |
| Total assets | 1,293.1 | 1,164.0 |
| Liabilities | | |
| Current liabilities | | |
| - Third parties | 10.6 | 2.0 |
| - Group companies | 3.6 | 4.1 |
| Total current liabilities | 14.2 | 6.1 |
| Long term interest-bearing liabilities | | |
| Bonds | 300.0 | 0.0 |
| Total long term interest-bearing liabilities | 300.0 | 0.0 |
| Shareholders' equity | | |
| Capital stock | 3.8 | 3.8 |
| 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 | 71.5 | 78.3 |
| Free reserves from retained earnings | | |
| - Free reserves | 777.1 | 770.3 |
| - Retained earnings | 305.0 | 316.4 |
| Treasury shares | -205.0 | -37.4 |
| Total shareholders' equity | 978.9 | 1,157.9 |
| Total liabilities and shareholders' equity | 1,293.1 | 1,164.0 |

Income Statements

| | 2015 MCHF | 2014 MCHF |
|--------------------------------|--------------|--------------|
| Income | | |
| Dividends from Group companies | 300.0 | 300.0 |
| Other financial income | 7.5 | 3.9 |
| Other operating income | 0.5 | 0.4 |
| Total income | 308.0 | 304.3 |
| Expenses | | |
| Administrative expenses | 3.8 | 2.6 |
| Financial expenses | 3.2 | 0.2 |
| Direct tax expenses | 0.1 | 0.1 |
| Total expenses | 7.1 | 2.9 |
| Net income | 300.9 | 301.4 |

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

| | 31.12.2015 MCHF | 31.12.2014 MCHF |
|---|--------------------|--------------------|
| Guarantee Bridge Facility | 0.0 | 900.0 |
| Guarantee Term Loan Facility | 297.5 | 481.0 |
| Guarantee Revolving Facility | 300.0 | 300.0 |
| Guarantee foreign currency hedging (MEUR 100) | 0.0 | 120.2 |
| Guarantee interest rate hedging | 0.0 | 25.0 |

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

2.2 Significant investments

| | 2015 Ownership in % | 2015 capital stock | 2014 Ownership in % | 2014 capital stock |
|---|------------------------|--------------------|------------------------|--------------------|
| Geberit Holding AG, Rapperswil-Jona | 100 | TCHF 39 350 | 100 | TCHF 39 350 |
| Geberit Finance Ltd., Jersey ¹ | 76 | TEUR 382 | 80 | TEUR 461 |
| Geberit Reinsurance Ltd., Guernsey | 100 | TEUR 2 | 100 | TEUR 2 |

¹ The remaining 24,0% (PY 19,9%) are hold by Geberit Companies.

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 37,798,427 ordinary shares with a par value of CHF 0.10 each.

| | 2015 | 2014 |
|--------------------------------|-------------------|-------------------|
| Number of shares issued | pcs. | pcs. |
| January 1 | 37,798,427 | 37,798,427 |
| December 31 | 37,798,427 | 37,798,427 |

2.4 Capital contribution reserves

From the total of MCHF 25.7 shown as at 31.12.2015 the amount of MCHF 4.2 was confirmed by the Swiss tax authorities and is therefore available for withholding tax free distribution.

2.5 Treasury shares

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

| | Number of registered shares | High in CHF | Average in CHF | Low in CHF |
|--|--------------------------------|----------------|-------------------|---------------|
| Balance at December 31, 2014 | 302,060 | | | |
| Purchases, share buyback program 2014 | 511,600 | 370.92 | 327.67 | 293.64 |
| Other Purchases | 150,000 | 368.51 | 348.68 | 316.24 |
| Sales | -85,780 | 370.00 | 349.80 | 292.30 |
| Balance at December 31, 2015 | 877,880 | | | |
| Number of treasury shares held by Geberit AG | 634,600 | | | |

The Board of Directors of Geberit AG decided in March 2014 to initiate a share buyback program. Over a period of two years, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased and retired by means of a capital reduction. As at December 31, 2015, 634'600 shares were bought back. The program was terminated as of February 29, 2016. In total 757'000 shares (2% of shares outstanding) have been bought back under the program. The Board of Directors will propose to the General Meeting to cancel the shares.

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%
- a bond of MCHF 150 with a term of eight years and a coupon of 0.3%.

2.7 Shareholdings of members of the board of directors and of the group executive board

As of the end of 2015 and 2014, members of the Board of Directors held the following shares in the company:

| | A. Baehny Chairman | R. Spoerry Vice Chairman | F. Ehrat | T. Hübner | H. Reuter | J. Tang-Jensen | Total |
|---|-----------------------|-----------------------------|----------|-----------|-----------|----------------|--------|
| 2015 | | | | | | | |
| Shareholdings Board of Directors | | | | | | | |
| Shares | 46,969 | 8,479 | 1,251 | 10 | 7,004 | 1,715 | 65,428 |
| Options | 63,688 | 0 | 0 | 0 | 0 | 0 | 63,688 |
| Share of voting rights | 0.12% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.17% |

| | A. Baehny Chairman | R. Spoerry Vice Chairman | F. Ehrat | H. Reuter | J. Tang-Jensen | Total |
|---|------------------------------|-----------------------------|----------|-----------|----------------|--------|
| 2014 | | | | | | |
| Shareholdings Board of Directors | | | | | | |
| Shares | see Group Executive Board | 7,606 | 706 | 6,336 | 1,284 | 15,932 |
| Share of voting rights | | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% |

As of December 31, 2015, there were no outstanding loans or credits between the company and members of the Board of Directors

As of the end of 2015 and 2014, the Group Executive Board held the following shares in the company:

| | Maturity | Average exercise price in CHF | C. Buhl CEO | R. Iff CFO | M. Reinhard | E. Renfordt- Sasse | K. Spachmann | R. van Triest | Total |
|--|----------|----------------------------------|----------------|---------------|-------------|-----------------------|--------------|---------------|--------|
| 2015 | | | | | | | | | |
| Shareholdings Group Executive Board | | | | | | | | | |
| Shares | | | 3,480 | 31,300 | 2,000 | 1,665 | 7,462 | 0 | 45,907 |
| Percentage voting rights shares | | | 0.12% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.0% | 0.12% |

Call options¹

End of blocking period:

| | | | | | | | | | |
|---|-----------|--------|---------------|---------------|---------------|---------------|---------------|----------|----------------|
| Lapsed | 2016-2018 | 194.50 | 0 | 0 | 0 | 1,208 | 0 | 0 | 1,208 |
| 2016 | 2017-2019 | 205.50 | 525 | 1,417 | 1,542 | 583 | 1,330 | 0 | 5,397 |
| 2017 | 2018 | 231.20 | 2,008 | 4,676 | 4,844 | 1,244 | 5,620 | 0 | 18,392 |
| 2015-2018 | 2021 | 281.00 | 2,172 | 10,419 | 10,559 | 1,872 | 9,592 | 0 | 34,614 |
| 2016-2019 | 2022 | 349.15 | 13,696 | 10,029 | 10,474 | 5,860 | 9,040 | 0 | 49,099 |
| Total options | | | 18,401 | 26,541 | 27,419 | 10,767 | 25,582 | 0 | 108,710 |
| Percentage potential share of voting rights options | | | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.0% | 0.29% |

¹ Purchase ratio 1 share for 1 option

| | Maturity | Average exercise price in CHF | A. Baehny CEO | R. Iff CFO | M. Reinhard | K. Spachmann | Total |
|--|----------|----------------------------------|------------------|---------------|-------------|--------------|--------|
| 2014 | | | | | | | |
| Shareholdings Group Executive Board | | | | | | | |
| Shares | | | 46,969 | 31,280 | 2,000 | 5,000 | 85,249 |
| Percentage voting rights shares | | | 0.12% | < 0.1% | < 0.1% | < 0.1% | 0.23% |

Call options¹

End of blocking period:

| | | | | | | | |
|---|-----------|--------|---------------|---------------|---------------|---------------|----------------|
| Lapsed | 2015-2017 | 207.40 | 0 | 0 | 0 | 1,038 | 1,038 |
| 2015 | 2016-2018 | 228.00 | 1,792 | 957 | 1,017 | 483 | 4,249 |
| 2016 | 2017 | 205.50 | 6,665 | 1,417 | 1,542 | 1,330 | 10,954 |
| 2014-2017 | 2020 | 231.20 | 24,471 | 7,014 | 7,016 | 5,620 | 44,121 |
| 2015-2018 | 2021 | 281.95 | 30,760 | 10,810 | 10,559 | 9,592 | 61,721 |
| Total options | | | 63,688 | 20,198 | 20,134 | 18,063 | 122,083 |
| Percentage potential share of voting rights options | | | 0.17% | < 0.1% | < 0.1% | < 0.1% | 0.32% |

¹ Purchase ratio 1 share for 1 option

As of December 31, 2015, 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:

| | 31.12.2015 | 31.12.2014 |
|--|------------|------------|
| Black Rock, New York | 5.11% | 9.72% |
| Capital Group Companies, Inc., Los Angeles | 4.94% | 3.23% |
| MFS Investment Management, Boston | < 3.00% | 3.03% |

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

| | 2015 CHF | 2014 CHF |
|--|--------------------|--------------------|
| Available earnings | | |
| Net income | 300,924,316 | 301,351,042 |
| Withdrawal from free reserves | 10,000,000 | 0 |
| Balance brought forward | 4,036,493 | 15,092,694 |
| Total available earnings | 314,960,809 | 316,443,736 |
| Proposed/paid dividend | 312,176,147 | 312,407,243 |
| Balance to be carried forward | 2,784,662 | 4,036,493 |
| Total appropriation of available earnings | 314,960,809 | 316,443,736 |

Dividend payments

The Board of Directors proposes a dividend of CHF 8.40 per share (PY: CHF 8.30). 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 of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Geberit AG, which comprise the → [balance sheet](#), → [income statement](#) and → [notes](#), for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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, March 8, 2016