

GEBERIT GROUP

BUSINESS REPORT

2018

EDITORIAL

Dear shareholders,

As in previous years, the construction industry in 2018 was shaped by developments that varied by region. In the year-on-year comparison, the market environment was characterised by increased volatility and a declining growth momentum in certain markets. With our solid sales growth and high profitability we can look back on a good financial year where we have further consolidated our position as the leading supplier of sanitary products in Europe.

Consolidated sales in 2018 increased by 5.9% to CHF 3,081 million. Total growth comprised growth in local currencies of 3.1% and a foreign currency effect of +2.8%. We were again able to gain market shares, particularly in those European countries in which our technology is still under-represented. As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on our results, although to a significantly lower extent and for the last time in this reporting year. Operating profit (EBIT) adjusted for these effects increased by 5.4% to CHF 744 million and the adjusted EBIT margin came to 24.2%. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year, the introduction of new products as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. Adjusted net income rose by 3.7% to CHF 626 million, with an adjusted return on net sales of 20.3%. Adjusted earnings per share improved by 4.7% to CHF 17.21. The non-adjusted figures were CHF 708 million for the EBIT, CHF 597 million for net income and CHF 16.40 for earnings per share. Free cashflow increased by 22.2% to CHF 582 million, above all due to the gratifying rise in operating cashflow.

In 2018, we once again expanded our proven product range, with the following key new products launched on the market:

- The compact shower toilet Geberit AquaClean Tuma Classic complements the shower toilet range as a perfect entry-level model. This basic model offers the basic functions of a shower toilet, including WhirlSpray shower technology and a fully automatic descaling programme. It is offered as a complete solution with a rimless WC ceramic appliance or as a WC enhancement solution.
- The energy retaining valve is mounted on ventilation pipes which protrude from the roofs of many buildings and ensures pressure compensation in the discharge pipes. It opens only when pressure compensation is required. The rest of the time, it keeps the heat within the building and thereby saves a significant amount of energy.
- The manually adjustable sanitary flush unit Rapid flushes unused water pipes automatically and regularly. This prevents water from stagnating in a pipe over a longer period, which can lead to health risks.
- The VariForm washbasin range adds a more systematic approach and diversity to the range for public and private washbasin areas. The washbasins stand out due to their generous basin depth and high-quality ceramics. They are available in the four basic shapes round, oval, elliptic and rectangular, with a lay-on, countertop and under-countertop model available for each shape.

Based on the principles of flow production set out in the Geberit Production System (GPS) applicable throughout the Group, we once again initiated, promoted or brought to a conclusion numerous larger and smaller process optimisations within the plant network. This enabled substantial efficiency gains to be achieved, particularly in the area of ceramics production. Prime examples of this are the ceramics plants in Gaeta (IT) and Limoges (FR), where productivity was increased significantly. The GPS principles also formed the basis of all investments that we made in the area of plants and logistics. In the reporting year, the completion of factory buildings in Pfullendorf (DE), Langenfeld (DE) and Ozorków (PL), as well as new buildings for logistics and technical product development in Slavuta (UA) are particularly worthy of mention.

The environmental impact in relation to currency-adjusted sales (eco-efficiency) decreased by 7.3%. As regards the long-term target, which is based on an average annual decrease of 5% per year, we therefore remain on course. Since the start of the integration of the ceramics business in 2015, we have also succeeded in improving eco-efficiency and CO₂ emissions by a total of more than 20% each.

We further promoted the topic of digitalisation in various areas in 2018. Personnel and skills within the Digital team were significantly expanded at Group level, with the aim of developing and launching digital tools more quickly and efficiently. We launched and further developed various digital tools designed to respond to the needs of end users as effectively as possible. An "inspiration app" for end users is in use in Switzerland and France. A 3D planning tool was also developed, providing a creative platform for end users to design their future bathroom. A new CRM system piloted in the United Kingdom allows us to tailor our offer to the digital requirements of potential end users who are interested in sanitary products. Our online catalogue for craftsmen was set up on a new high-performance platform. Information relating to products and spare parts will now be available from a single source and can be displayed on various devices. This will also enable easy navigation by craftsmen on mobile devices at the building site. Furthermore, Geberit has been providing users of the interdisciplinary planning method BIM (Building Information Modelling) with product data and calculation modules for a number of years now. With this in mind, we have established and further expanded a specialised in-house team of BIM experts. BIM facilitates an efficient exchange of information between architects, sanitary engineers and building owners and aims to optimise the entire planning and building process. We have further advanced the integration and standardisation of the IT systems and processes at the former Sanitec plants. As planned, a corresponding project was prepared in the reporting year and implemented successfully on 1 January 2019 at the Scandinavian production sites in Ekenäs (FI), Bromölla and Mörrum (both SE).

We take our social responsibilities seriously, including the undertaking of social projects involving our own apprentices since 2008. The projects exhibit a strong relationship to the topic of water and to our core competencies. In 2018, the apprentices travelled to Morocco, where they renovated sanitary facilities in desolate conditions at several schools. We also continued our partnership with the Swiss development organisation Helvetas with a series of initiatives. Firstly, sanitary expertise adapted to the local conditions was passed on in a knowledge transfer project that took two Geberit employees to Mozambique and another two to Nepal in autumn 2018. Secondly, the "Change of Perspective" project was also implemented again, as two Swiss plumbers travelled to Nepal in November 2018, working there for a week with two Nepalese colleagues. Our activities in the area of social responsibility are rounded off by a multitude of other initiatives and fundraising campaigns at a local level.

In 2018, the Geberit share price fell by 10.9% to CHF 382.30. In the same period, the Swiss Market Index (SMI) posted losses of 10.2%. As in the past, we wish to let the shareholders benefit from the good development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose to the General Meeting a dividend of CHF 10.80, which is 3.8% higher than in the previous year. The payout ratio of 62.7% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. The share buyback programme, launched on 6 June 2017, was also continued. By 31 December 2018, around 651,000 shares, or 1.8% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 276 million as planned. 97.3% of the free cashflow was therefore distributed to our shareholders during the reporting year as part of the dividend payment and the share buyback programme.

An important step in the new brand strategy will be implemented in 2019: in key markets such as Germany, Switzerland and Austria, we will only offer ceramic products and bathroom series under the Geberit brand in future, while established brands such as Keramag will be discontinued. A number of other markets or brands respectively, will implement these changes in 2020. During the reporting year, this streamlining of the brand portfolio was prepared in detail. After all, this is a step that affects almost all areas of the company – including production, logistics, product data, marketing, and the sales organisations. Our customers – particularly wholesalers and numerous showroom operators – were also informed of these measures in advance.

We owe the good results in the reporting year to the great commitment, high degree of motivation and expertise of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and

trade sectors again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude to you, esteemed shareholders, for your continued great trust in our company.

The objective in 2019 is to perform strongly across the entire product range and in all markets and, as in previous years, to gain market shares. There will be focused marketing of the new products that have been introduced in recent years. Markets in which Geberit products or technologies are still under-represented will be intensely cultivated, and the shower toilet business will be expanded further. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes and high margins shall be continued to be achieved in 2019. A focus will be placed on implementing the digitalisation strategy. The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will continue to be firmly seized. We are convinced that the company is very well equipped for the upcoming opportunities and challenges.

Yours sincerely,



Albert M. Baehny
Chairman of the Board of Directors



Christian Buhl
CEO

GEBERIT SHARE INFORMATION

SHARE PRICE PERFORMANCE IN THE REPORTING YEAR

The Geberit share price started the new trading year at CHF 429.10 and reached its year high of CHF 466 at the end of January. After hitting a low of CHF 370 in December, the share price closed the 2018 trading year at CHF 382.30. Overall, this corresponds to a decrease of 10.9%. In the same period, the Swiss Market Index (SMI) posted losses of 10.2%. Viewed over the past five years, the Geberit share posted an annual average increase of 7.2% (SMI +0.5%). The Geberit Group's market capitalisation reached CHF 14.2 billion at the end of 2018.

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

At the end of 2018, the free float as defined by SIX was 100%.

DISTRIBUTION

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

In 2018, CHF 381 million was distributed to shareholders as part of the dividend payment. The share buyback programme, launched on 6 June 2017, was also continued. By 31 December 2018, around 651,000 shares, or 1.8% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 276 million, CHF 185 million thereof in 2018. CHF 566 million, or 97.3% of the free cashflow, was therefore distributed to shareholders during the reporting year as part of the dividend payment and the share buyback programme.

Over the last five years, around CHF 2.2 billion has been paid out to shareholders in the form of distributions or share buybacks.

The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 3 April 2019 an increase in the dividend of 3.8% to CHF 10.80 in line with the increase seen in the previous year. The payout ratio of 62.7% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

COMMUNICATION

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

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

Share price development 1.1. – 31.12.2018

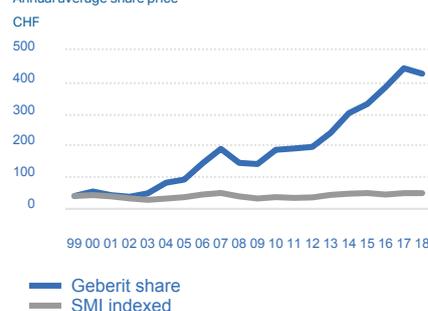
Monthly average share price



Source: Thomson Reuters

Share price development 22.6.1999 (IPO) – 31.12.2018

Annual average share price



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

Total distribution to shareholders and share buybacks

(in CHF million)

	2014	2015	2016	2017	2018	Total
Distribution	282	311	309	368	381	1,651
Share buyback	37	160	51	92	185	525
Total	319	471	360	460	566	2,176

Distribution paid

(in CHF per share)

	2014	2015	2016	2017	2018
Dividend	7.50	8.30	8.40	10.00	10.40
Capital redemption	-	-	-	-	-
Total	7.50	8.30	8.40	10.00	10.40

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

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

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

Major data relating to the Geberit share

31.12.2018

Registered shareholders	37,427
Capital stock (CHF)	3,704,142.70
Number of registered shares of CHF 0.10 each	37,041,427
Registered shares	21,226,515
Treasury shares	999,182
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH0030170408
Telekurs	GEBN
Thomson Reuters	GEBN.S
Bloomberg	GEBN.VX

Key figures

(in CHF per share)

	2017	2018
Net income ¹	16.43	17.21
Net cashflow	17.41	20.53
Equity	49.95	47.94
Distribution ²	10.40	10.80

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

² Subject to approval of the General Meeting 2019

Time schedule

2019

General Meeting	3 Apr
Dividend payment	9 Apr
Interim report first quarter	2 May
Half-year report	15 Aug
Interim report third quarter	31 Oct

2020

First information 2019	16 Jan
Results full year 2019	10 Mar
General Meeting	1 Apr
Dividend payment	7 Apr
Interim report first quarter	30 Apr
Half-year report	18 Aug
Interim report third quarter	29 Oct

(Subject to minor changes)

MANAGEMENT STRUCTURE

1 January 2019

Board of Directors

Chairman Albert M. Baehny	Vice Chairman Hartmut Reuter
-------------------------------------	--

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

* P & M: Plastics and Metal
** C & M: Composite and Metal
*** CER: Ceramics

BUSINESS REPORT

**BUSINESS AND
FINANCIAL REVIEW**
2018

STRATEGY

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



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

STRATEGIC SUCCESS FACTORS

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

- a clear, long-term strategy
- the focus on sanitary products
- solid, sustainable → **growth and earnings drivers**
- a strong competitive position
- an innovative product range, developed in accordance with customer needs
- a proven, customer-focused business model
- a → **sustainability-oriented** business management philosophy
- a stable management team
- a lean, functional organisation with clear responsibilities
- a result- and customer-oriented, partnership-based and down-to-earth corporate culture

MEDIUM-TERM GOALS

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

The growth in sales in local currencies, after adjustments for acquisitions, is expected to be between 4 and 6 percent in the medium term as an average over one economic cycle, and an operating cashflow (EBITDA) margin of between 28 and 30 percent is expected to be achieved. A third quantitative target has also been set – return on invested capital (ROIC) – which is expected to reach 25 percent in the medium term.

To achieve the Geberit Group's expected growth and be prepared for upcoming major projects, greater investments are currently being made in property, plant and equipment – around CHF 180 million in 2019; in the medium term it will be around 5% of sales.

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

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

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

VALUE-ORIENTED MANAGEMENT

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

The remuneration model for Group management as a whole (220 employees) involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the value-oriented key figure "return on invested capital" (ROIC). In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on invested capital. Details can be found in the → **Remuneration Report**.

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

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

RISK MANAGEMENT

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

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

PERFORMANCE OF THE EUROPEAN BUILDING CONSTRUCTION INDUSTRY

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

AVAILABILITY OF RAW MATERIALS

Professional, institutionalised purchase processes and systematic dual sourcing help to ensure that raw materials are available.

CHANGES IN THE COMPETITIVE ENVIRONMENT

Innovative products as well as the comprehensive range of products in place since the integration of the ceramics business ensure that the Geberit Group is able to maintain its leading market position. The company's partnership with the craft sector and its constructive collaboration with wholesalers also play a key role as part of the three-stage sales model.

INFORMATION TECHNOLOGY

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

In the reporting year, the company's IT systems underwent a comprehensive and detailed security check involving the input of an external specialist. This check confirmed that the company's IT systems have an adequate level of security.

COMPLIANCE WITH LAWS

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

MANAGEMENT OF CURRENCY RISKS

In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. As a consequence of the natural hedging strategy, currency fluctuations have no significant impact on operating margins. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects). In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or stronger than all other currencies:

- Sales: +/-9%
- EBITDA: +/-9%
- EBITDA margin: +/-0 percentage points

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

MARKET ENVIRONMENT

STABLE BUSINESS CLIMATE

As in previous years, the construction industry in 2018 was shaped by developments that varied by region. In the year-on-year comparison, the market environment was characterised by slightly lower growth.

In November 2018, Euroconstruct forecasted an increase in building construction for **Europe** in 2018 of +2.3% – identical to the estimate from mid-2018. A comparison with older forecasts confirms the stable outlook: at the end of 2017, Euroconstruct also expected building construction to increase by +2.3% in 2018. At +3.8%, new construction reported much stronger growth in 2018 than renovations (+1.0%). However, the volume for new buildings still lagged a long way behind the record highs of 2007/2008 in 2018. In contrast, renovation volumes were almost on a par again with the level seen at that time – or even slightly above in the case of residential construction. At +2.8%, residential construction was the growth driver for building construction in 2018. According to Euroconstruct, the following countries that are important to Geberit in terms of sales did well in 2018: the Netherlands (+6.1%), France (+2.6%), Austria (+2.4%), Italy (+1.6%), Germany (+1.4%) and Switzerland (+1.0%). However, growth weakened overall compared to 2017.

Of the total European construction volume of EUR 1,563 billion in 2018, 80% was generated by building construction. The ratio of residential to non-residential building construction remained the same at around 60 to 40 percent. In spite of stronger growth, new construction as a share of total building construction continued to lag behind the renovation business in 2018.

In the **US**, gross domestic product (GDP) rose by +2.9%, and the economy grew faster than in 2017 (+2.3%). Investments in building construction increased by +3.9% according to figures as of end of November, 2018 for the U.S. construction industry as published by the U.S. Department of Commerce, United States Census Bureau. Within building construction, investments in non-residential construction increased by +3.8%, which was more than in the previous year (+1.2%). This development was supported by the hotel and office buildings sectors. The healthcare/hospitals and schools/universities segments, which are important for Geberit, developed with +2.6% slightly stronger compared to the previous year (+2.0%). Residential construction in the reporting year performed better than in the previous year; however, the number of building permits for new private residential units only increased by +2.8% after the previous year's performance of +6.2%.

In the **Far East/Pacific** region, economic growth amounted to +4.6% – slightly down on the previous year (+4.8%) but significantly higher than global economic growth (+3.0%). At 53%, more than half of the global growth once again originated from the Far East/Pacific region, where all relevant economies enjoyed positive growth. As in previous years, China contributed around 60% to the growth of this region. The Chinese residential construction sector continued to grow moderately in both tier one and tier two cities (aforementioned figures covering the world economy and the performance of the Far East/Pacific were published in the October 2018 edition of the IMF World Economic Outlook).

Construction output and Geberit sales in Europe 2014–2018

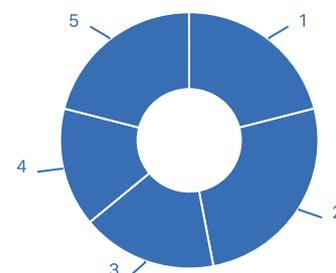
(Index: 2013 = 100)



Source: 86th Euroconstruct conference in Paris (FR), November 2018, and 85th Euroconstruct conference in Helsinki (FI), June 2018

Total construction output Europe 2018

(EUR 1,563 billion)



- 1 Residential – new (21%)
- 2 Residential – renovation (26%)
- 3 Non-residential – new (17%)
- 4 Non-residential – renovation (15%)
- 5 Civil engineering (21%)

Source: 86th Euroconstruct conference in Paris (FR), November 2018

SALES

SOLID SALES DEVELOPMENT

Consolidated sales in 2018 increased by 5.9% to CHF 3,081 million. Total growth comprised growth in local currencies of +3.1% and a foreign currency effect of +2.8%. Geberit was able to gain further market shares, particularly in those European countries in which Geberit technology is still under-represented.

The currency gains contained in sales amounted to CHF 83 million. In 2018, 63% of sales were generated in euros, 9% in Swiss francs, 5% in US dollars, 4% in British pounds and 19% in other currencies.

The following changes in sales in the markets and product areas are currency-adjusted.

DIFFERENT PERFORMANCES IN THE MARKETS

In 2018 as a whole, sales in **Europe** rose by 2.8%. The Iberian Peninsula (+9.5%) and Central/Eastern Europe (+9.0%) made strong gains, with the Benelux Countries (+4.6%), Germany (+3.1%), Italy (+2.7%), Austria (+1.8%), France (+1.6%) and Switzerland (+1.5%) also recording increases. However, sales were down in the United Kingdom/Ireland (-1.7%) and in the Nordic Countries (-1.9%). Double-digit sales growth was posted in the **Far East/Pacific** region (+13.9%). **America** (+3.5%) and **Middle East/Africa** (+1.4%) also recorded sales growth.

STRONGEST GROWTH IN INSTALLATION AND FLUSHING SYSTEMS

Sales for the **Installation and Flushing Systems** product area amounted to CHF 1,133 million, corresponding to growth of 4.9%. Two factors drove this above-average increase. Firstly, Installation and Flushing Systems saw accelerated growth in the European expansion markets as a result of synergies from the integration of the ceramics business. Secondly, Geberit was also able to gain market shares in Central European markets through the sale of higher-added-value products.

Sales for the **Piping Systems** product area increased by 4.3% to CHF 928 million. The launch of various innovative products within the Building Drainage Systems product line in recent years made a major contribution to this growth, as did the solid performance of the Supply Systems product line.

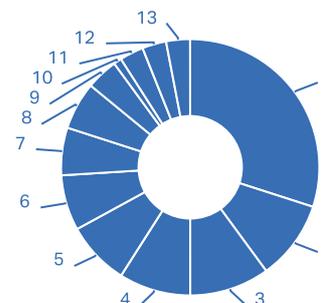
The **Bathroom Systems** product area posted sales of CHF 1,020 million, remaining around the previous year's performance (+0.1%). The shower toilet business continued to perform strongly. A poor market environment in the Nordic Countries – a very important market for this area – and the closure of two ceramics plants in France had a negative impact in this product area.

Sales development 2009–2018

(in CHF million)

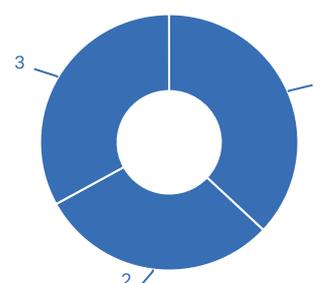


Sales by markets/regions 2018



- 1 Germany (30%)
- 2 Nordic Countries (10%)
- 3 Central/Eastern Europe (10%)
- 4 Switzerland (9%)
- 5 Benelux (8%)
- 6 Italy (7%)
- 7 France (6%)
- 8 Austria (6%)
- 9 United Kingdom/Ireland (4%)
- 10 Iberian Peninsula (1%)
- 11 America (3%)
- 12 Far East/Pacific (3%)
- 13 Middle East/Africa (3%)

Sales by product areas 2018



- 1 Installation and Flushing Systems (37%)
- 2 Piping Systems (30%)
- 3 Bathroom Systems (33%)

RESULTS

PROFITABILITY STILL AT A HIGH LEVEL

In comparison with previous years, the operating cashflow (EBITDA) was no longer impacted in 2018 by one-off costs related to the Sanitec acquisition. Adjusted figures are only shown for operating profit and net income, as well as for earnings per share. These adjusted figures are shown for the last time in the reporting year.

The operating cashflow (EBITDA) rose by 5.7% to CHF 868 million, its highest ever level in Geberit's history. As in the previous year, the EBITDA margin came to 28.2%. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. In terms of the operating margins, currency fluctuations only had a marginally negative impact due to the natural hedging.

The adjusted operating profit (adj. EBIT) rose by 5.4% to CHF 744 million, and the adjusted EBIT margin reached 24.2% (previous year 24.3%). Adjusted net income rose by 3.7% to CHF 626 million, which led to an adjusted return on sales of 20.3% (previous year 20.8%). The below-average growth when compared with the operating results was due to a negative development of the financial result as a consequence of negative foreign currency effects, which could only be compensated in part through a lower tax rate. The adjusted earnings per share were up by 4.7% to CHF 17.21 (previous year CHF 16.43).

OPERATING EXPENSES UNDER CONTROL

The cost of materials increased by 7.6% to CHF 893 million, representing a higher share of sales at 29.0%, compared to 28.5% in the previous year. The higher cost of materials was driven by rises in the first three quarters in the price of industrial metals on the one hand and plastics on the other. Personnel expenses fell by 0.4% to CHF 744 million, which equates to 24.2% of sales (previous year 25.7%). This slight decrease in absolute terms was due to positive effects from the costs incurred in the previous year connected to the closure of two ceramics plants in France, and also to synergies and efficiency-improving measures. These factors were partly offset by tariff-related salary increases as well as the higher personnel expenses needed for handling greater volumes, see also → **Business and financial review, employees**. Depreciation came to CHF 105 million, which was around the previous year's figure. The adjusted amortisation of intangible assets rose to CHF 19 million (previous year CHF 10 million) due to amortisation related to the ceramics brands that are being discontinued in 2019 and 2020. Other operating expenses increased by 2.8% to CHF 576 million.

The net financial result came to CHF -20 million, which was below the previous year's performance (CHF -9 million). Tax expenses grew from CHF 85 million to CHF 90 million. This resulted in a tax rate of 13.1% (previous year 13.9%).

ACQUISITION AND INTEGRATION COSTS NOW ONLY HAVING A MARGINALLY NEGATIVE IMPACT ON THE INCOME STATEMENT

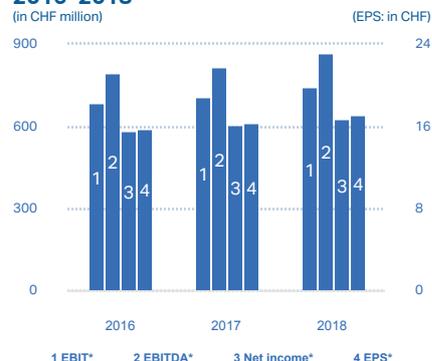
One-off costs arising from the Sanitec acquisition/integration amounted to CHF 36 million as regards EBIT and CHF 29 million as regards net income. These costs are reported here for the last time and are well below the level of previous years. The non-adjusted figures were CHF 708 million for EBIT, CHF 597 million for net income, and CHF 16.40 for earnings per share.

SIGNIFICANT INCREASE IN FREE CASHFLOW

The higher operating cashflow, lower investments in net working capital compared to the previous year, and lower cash tax payments had a positive impact on cashflow. However, the payments during the reporting year in relation to the closure of two ceramics plants in France in the previous year had a negative effect. With investments in property, plant and equipment remaining at the previous year's level, free cashflow increased by 22.2% to CHF 582 million (see also → **Financial Statements of the Geberit Group**,

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

2016–2018

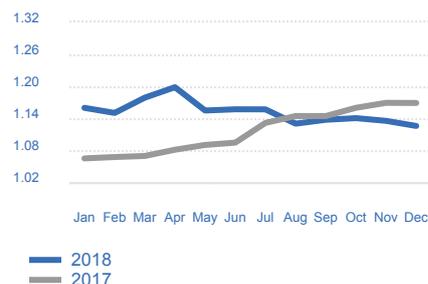


* Adjusted for costs in connection with the Sanitec acquisition and integration (EBITDA 2018 not adjusted)

EUR/CHF exchange rates

2017/2018

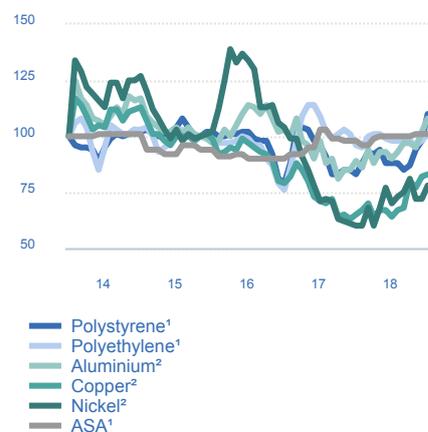
(Period-end exchange rates)



Raw material price development

2014–2018

(Market price; index: December 2013 = 100)



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Notes to the Consolidated Financial Statements, 28. Cashflow figures).

CHF 566 million, or 97.3% of the free cashflow, was distributed to shareholders during the reporting year as part of the dividend payment and the share buyback programme.

Acquisition and integration related costs

(in CHF million)

	2017	2018
Integration costs	49	0
Total cost on EBITDA level	49	0
Depreciation and amortisation	35	36
Total cost on EBIT level	84	36
Tax effect	-7	-7
Total cost on net income level	77	29

FINANCIAL STRUCTURE

SOUND FINANCIAL FOUNDATION

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

Total assets fell from CHF 3,743 million to CHF 3,502 million. Liquid funds decreased from CHF 413 million to CHF 282 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 384 million. Debts were reduced to CHF 837 million (previous year CHF 895 million). Overall, this resulted in an increase in net debt of CHF 73 million to CHF 555 million at the end of 2018.

Net working capital increased by CHF 33 million year-on-year to CHF 206 million. Property, plant and equipment increased from CHF 813 million to CHF 829 million, while goodwill and intangible assets fell from CHF 1,749 million to CHF 1,652 million as a result of amortisation as well as currency effects.

The ratio of net debt to equity (gearing) increased from 26.3% in the previous year to 31.8%. The equity ratio reached a very solid 49.8% (previous year 49.1%). Based on average equity, the adjusted return on equity (ROE) was 34.5% (previous year 35.2%); the non-adjusted value of this ratio was 32.9% (previous year 30.7%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,823 million at the end of 2018 (previous year CHF 2,696 million). The adjusted return on invested capital (ROIC) rose to 22.6% (previous year 22.4%); the non-adjusted value of this ratio was 21.6% (previous year 19.5%). For details on the non-adjusted gearing, ROE and ROIC calculations, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital.**

The Geberit Group held 999,182 treasury shares on 31 December 2018, which equals 2.7% of the shares entered in the Commercial Register. Of these, 650,801 (1.8% of the shares entered in the Commercial Register) originate from the ongoing share buyback programme, while the remaining 348,381 are mostly earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares.

The aforementioned share buyback programme began on 6 June 2017. As part of this programme, shares to the value of up to CHF 450 million are to be repurchased, less withholding tax, over a maximum period of three years. The shares will be repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2018, 650,801 shares had been acquired at a sum of CHF 276 million. The average purchase price per share was CHF 424.80. During the reporting year, 445,551 shares were acquired as part of the programme at a sum of CHF 185 million.

Debt

(in CHF million; as of 31 December)

	2016	2017	2018
Long-term debt	967	891	683
Total debt	971	895	837
Liquid funds	510	413	282
Net debt	461	482	555

INVESTMENTS

HIGHER INVESTMENTS

In 2018, investments in property, plant and equipment and intangible assets amounted to CHF 162 million – CHF 3 million or 1.9% more than in the previous year. As a percentage of sales, the investment ratio was 5.3% (previous year 5.5%). All larger investment projects were carried out as planned.

The bulk of investments went toward building conversions and new building projects, machinery, and the procurement of tools and moulds for new products. The biggest individual undertakings were conversion and new-build projects – including capacity expansions – at the sites in → **Langenfeld (DE)**, → **Pfullendorf (DE)**, Ozorków (PL) and Slavuta (UA). Additionally, investments were made in important development projects and the optimisation of production processes.

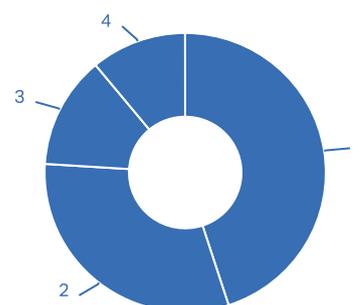
In 2018, 45% of total investments, or CHF 73 million, went towards expanding capacity, 31% or CHF 50 million was invested in the modernisation of property, plant and equipment, 13% or CHF 21 million was used for rationalisation measures relating to property, plant and equipment, while 11% or CHF 18 million was used to acquire tools and equipment for new product developments.

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

	2014	2015	2016	2017	2018
	105	147	139	159	162
In % of sales	5.0	5.7	5.0	5.5	5.3

Investments by purpose 2018



- 1 Capacity expansion (45%)
- 2 Modernisation (31%)
- 3 Rationalisation (13%)
- 4 New products (11%)

EMPLOYEES

NUMBER OF EMPLOYEES DOWN SLIGHTLY

At the end of 2018, the Geberit Group employed 11,630 staff worldwide, which is 79 employees or 0.7% less than in the previous year. The drop is due to a reduction in production. In addition to synergies and efficiency-improving measures, the main reason for this was the termination of individual employment relationships – which mostly took place in the final quarter of 2018 – as part of the closure of two ceramics plants in France in the previous year. However, this drop was mitigated by specific initiatives at various sales companies.

Based on the average headcount of 11,803, sales per employee amounted to TCHF 261, or 5.2% more than in the previous year.

Broken down by business process, staff numbers were as follows: marketing and sales employed 25% of the staff members. 61% worked in production. Additionally 8% of the employees worked in administration, and 4% in research and development. The share of apprentices was 2%.

CONTINUED DIGITALISATION OF THE EMPLOYER BRAND

Committed, well-skilled employees are a key prerequisite to the company's future success. With this in mind, efforts continued in 2018 to position Geberit on the job market as a progressive employer with an open corporate culture and international development opportunities at the interface between craft, engineering and sales. The new appearance of the company's employer brand was implemented in job advertisements in print and, above all, digital media. In general, focus is switching more to digital media, with the use of videos and other footage playing an increasingly prominent role. For example, the company launched a new video during the reporting year to promote apprenticeships. Other videos for target groups in the sales and engineering sectors are to follow. In addition, Geberit intensified its campus recruitment activities in 2018 by appearing at fairs and increased its digital presence, working here in close collaboration with a number of renowned universities.

In 2018, personnel expenses amounted to CHF 744 million. Once again, the employees were also able to participate in share participation plans at attractive conditions, see → **Financial Statements of the Geberit Group, 17. Participation Plans** and → **Remuneration Report**. Equal opportunities and the same salaries for women and men are embedded in the corporate philosophy. The proportion of female employees at the end of 2018 was 24% (previous year 23%), and for senior management this figure was 9% (previous year 8%). The six-member Board of Directors has one female member.

INCREASED FOCUS ON EDUCATION AND FURTHER TRAINING

Geberit employed 247 apprentices at the end of 2018 (previous year 235). The transfer rate to a permanent employment relationship was 89% (previous year 83%). All apprentices should essentially have the opportunity to work at several sites during their training. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Apprentices have the option of working abroad for a period of six months on completion of their apprenticeship.

A two-stage Potentials Management Programme aims to identify talents throughout the company and support them along their path to middle or senior management. The issues investigated in project work as part of the programme are geared towards strategic tasks of relevance to Geberit and provide the decision-makers involved with concrete bases for action. During the reporting year, part of the programme was further developed and carried out for the first time in collaboration with the University of St. Gallen (CH). The Potentials programme is intended to help fill at least half of all vacant managerial positions with internal candidates. In 2018, this was achieved for 57% of all Group management vacancies (previous year 76%).

Employees by countries

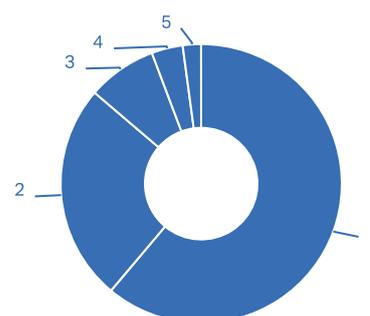
(as of 31 December)

	2017	Share in %	2018	Share in %
Germany	3,329	28	3,282	28
Poland	1,603	14	1,655	14
Switzerland	1,362	12	1,395	12
Ukraine	638	5	660	6
Austria	551	5	557	5
China	565	5	530	5
Italy	509	4	520	4
France	539	5	431	4
Others	2,613	22	2,600	22
Total	11,709	100	11,630	100

Employees by business processes

2018

(as of 31 December)



- 1 Production (61%)
- 2 Marketing and Sales (25%)
- 3 Administration (8%)
- 4 Research and Development (4%)
- 5 Apprentices (2%)

In 2018, the ceramics plants in Germany, Poland and Ukraine saw the implementation of an initiative aimed at improving leadership skills at various hierarchical levels. This initiative was planned at Group level, adapted to local requirements and put into practice in multi-day workshops involving local coaches.

During the reporting year, a programme targeting the development of managerial staff was implemented within the sales organisations in the European countries. The aim of these courses was to strengthen the leadership skills of regional sales managers on one hand and, on the other, to standardise the role of these managers in order to drive the sales entity as a whole.

TRANSPARENT APPRAISAL

A standard Performance assessment, Development and Compensation (PDC) process has been in place since 2012. PDC is about reinforcing the performance culture, increasing transparency, and recognising and promoting talent more effectively in order to make the organisation future-proof. Except for the employees who work directly in production at the plants, all employees have been incorporated into the PDC process. In 2018, the competence model on which the appraisal process is based was revised and re-structured in the interests of user friendliness.

PROMOTING THE CORPORATE CULTURE

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → **Compass**, which formulates the identity of Geberit ("What we do, what motivates us, what is responsible for our success, how we work together"), and the → **Code of Conduct** for employees serve as the applicable guidelines. During the reporting year, work began on digitalising both these important employee tools so that new and existing employees can access them in the form of an e-learning course in future.

In connection with the integration of various ceramics brands under the Geberit brand umbrella – which is scheduled to begin in 2019 – a total of 42 moderated workshops took place in spring 2018, involving around 6,100 employees. Apart from presenting information about the new brand world, these events provided participants with an entertaining insight into the company's values as well as an opportunity to discuss these values together.

PRIORITISING OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety continues to have highest priority within the Geberit Group. Using 2015 as the reference year, the aim is to halve the number of accidents by 2025. By then, the AFR (Accident Frequency Rate) is also to be reduced to a value of 5.5 (accidents per million working hours) and the ASR (Accident Severity Rate) to 90 (number of days lost per million working hours). In 2018, the accident frequency went down to 9.7 (previous year 10.3), a decline of 5.8%. The accident severity decreased by 10.9% to 181.5 in the same period (previous year 203.8).

29 of the 30 production plants are certified in accordance with OHSAS 18001. The Geberit Safety System (GSS) defines occupational health and safety principles as well as processes that are applicable throughout the Group. All production plants and the logistics centre have a safety manager. Since the beginning of 2017, a "Geberit Safety Team" has also been playing an active role in addressing the issue of occupational health and safety. In terms of occupational safety, special attention is paid to changes in behaviour, as the majority of occupational accidents and time lost are still attributable to carelessness.

To promote the health of every individual, employees at a total of 13 production and sales sites can participate in a vitality programme consisting of sports and preventive healthcare. At the sites in Rapperswil-Jona (CH), Pfullendorf (DE), Pottenbrunn (AT), Ruše (SI), Kolo and Wloclawek (both PL) – which account for around 40% of Geberit employees – a comprehensive occupational healthcare management is established.

CUSTOMERS

STRONG PARTNERSHIP WITH WHOLESALERS

Through its own sales team, Geberit assists its wholesale partners in their activities by offering them comprehensive printed and electronic marketing materials as well as efficient order and delivery processes, which are becoming increasingly common in electronic form. This is to ensure that Geberit products are as widely available on the market as possible and that new products are well marketed. The aim is to work with wholesalers to ensure that the craft sector as well as end users receive professional support.

A RELIABLE PARTNER WITHIN THE SANITARY INDUSTRY

A significant share of the company's varied marketing activities is targeted at plumbers and sanitary engineers. This especially applies to the ongoing, personalised and frequently project-related support given to installation companies and engineering offices by Geberit sales representatives in the form of → **digital tools**, technical documentation, catalogues, brochures, magazines, and a range of training courses unrivalled within the industry.

DESIGN MEETS FUNCTION – MORE THAN JUST WORDS

As part of the integration of the ceramics business, dialogue with showroom operators – who belong to the wholesale sector in many countries – took on greater importance. The individual countries each have a dedicated sales team for this target group. There was also increased contact with architects and interior designers. With the "Design Meets Function" credo, Geberit wants to emphasise that it offers products in front of the wall that have both a timeless design and clever functions.

As the sponsor of an exhibition dedicated to the design pioneer Victor Papanek at the prestigious Vitra Design Museum, Geberit invited some 700 architects, interior designers and other market partners to Weil am Rhein (DE) at the end of 2018 and beginning of 2019. These partners not only gained a new insight into Papanek's ideas, but were also able to view a range of innovative Geberit bathroom solutions.

WIDE RANGE OF TRAINING AVAILABLE AND ATTENDED

During the reporting year, around 35,000 professionals were provided with training on Geberit products, tools and software tools at 29 Geberit information centres in Europe and overseas. New showrooms were set up for this purpose at numerous locations, such as Barcelona (ES), Gaeta (IT), Zagreb (HR) and Shanghai (CN). Furthermore, plumbers, architects and sanitary engineers were supported via webinars on fire protection and sound insulation, drinking water hygiene and other issues. Around 90,000 additional customers also became more familiar with Geberit know-how and products at external training events, many of which were organised in cooperation with local wholesale partners.

SIMPLIFYING THE BRAND PORTFOLIO

2019 will be an important milestone of the new brand strategy to be implemented. In key markets such as Germany, Switzerland and Austria, ceramic products and bathroom series will only be offered under the Geberit brand in future, while established brands such as Keramag will be discontinued. A number of other markets or brands respectively, will implement these changes in 2020. During the reporting year, Geberit prepared carefully for this streamlining of the brand portfolio. After all, this is a step that affects almost all areas of the company – including production, logistics, product data, marketing, and the sales organisations. Customers – particularly wholesalers and numerous showroom operators – were also informed of these measures in advance.

ONE BILLION METAL PIPE FITTINGS

In spring 2018, the billionth metal pipe fitting left the production plant in Langenfeld (DE). A high-profile international campaign helped to mark this milestone, also attracting a wide response on social media. The successful "Geberit On Tour" campaign was repeated for the eighth time in the reporting year. Specially fitted-out mobile showrooms visited local and regional wholesalers, offering plumbers the opportunity to assess Geberit innovations and solutions directly on site.

STRONG TRADE FAIR PRESENCE CONTINUES

In 2018, numerous trade fairs were once again used as platforms to foster and enlarge the network of contacts in the market and to demonstrate Geberit's innovative strength. The trade fair concept, which had already proven its worth in the preceding years, ensured a high-end presentation of ceramic appliances and bathroom furniture in addition to the regular, more technical product range. Consequently, Geberit not only optimised the exhibition space that was needed, but also improved the scope for cross-selling. During the reporting year, Geberit showcased its current product range at events such as Swissbau in Basel (CH), SHK in Essen (DE), IHK in Nuremberg (DE), Finbuild in Helsinki (FI), Nordbygg in Stockholm (SE), Kitchen & Bath China in Shanghai (CN), and MosBuild in Moscow (RU). Architects and designers were specifically targeted at the Salone del Mobile and Mostra Convegno during Design Week in Milan (IT).

NEW ADVERTISING CAMPAIGN FOR SHOWER TOILETS

To support further growth of Geberit AquaClean shower toilets, Geberit launched a new advertising campaign in 15 European markets, putting emphasis on the advantages that this product offers. In the advertisements, people of different ages and backgrounds sit on an artist's impression of a shower toilet and sum up in one concise sentence why they no longer want to do without "that freshly showered feeling".

As in previous years, the AquaClean truck went on a major tour again in 2018, this time to Germany, Poland, Belgium, the Netherlands, France, Denmark, Sweden and Norway. Under the motto "My first time", the mobile showroom and test unit offered interested parties the opportunity to try out an AquaClean shower toilet at their leisure and assess the various models.

Geberit also gave end users in other markets numerous opportunities to try out a shower toilet for themselves. Mobile AquaClean WC lounges were made available to the public at selected major events such as concerts and sporting events. In Switzerland and Germany, Geberit went one step further by offering potential customers the chance to try out a shower toilet at home for free. In most cases, the interested parties wanted to keep their installed Geberit AquaClean beyond the agreed trial period.

The international sales initiative for mid-range and high-end hotels also made encouraging progress. More hotel projects were acquired in the reporting year, including → **Hotel TwentySeven in Amsterdam (NL)** and → **Hotel Lutetia in Paris (FR)**. The number of four- and five-star hotels equipped with AquaClean shower toilets in Europe has now risen to over 400.

CONSISTENT FURTHER DEVELOPMENT OF DIGITAL SOLUTIONS

Geberit substantially expanded personnel and skills within the Digital team at Group level, with the aim of developing and launching digital tools faster and according to the needs of the respective target groups.

The reporting year saw the launch and further development of various digital tools designed to respond to the needs of end users as effectively as possible. An "inspiration app" for end users, which was already piloted in the previous year, is now in use in Switzerland and France. A 3D planning tool was also developed, providing a creative platform for end users to design their future bathroom. A new CRM system piloted in the United Kingdom allows Geberit to digitally tailor its offer to the requirements of potential end users who are interested in sanitary products.

Geberit set up its online catalogue for craftsmen on a new high-performance platform. Information relating to products and spare parts will now be available from a single source and can be displayed on various devices. Information searches are intuitive, also enabling easy navigation on mobile devices at the construction site.

Building Information Modelling (BIM) is an interdisciplinary planning method for optimising the entire planning and building process. Architects, sanitary engineers and building owners use BIM to share information efficiently. This helps them to avoid planning errors and improve productivity. For a number of years now, Geberit has been providing BIM users with support in the form of product data and calculation modules. During the reporting year, a specialised in-house team of BIM experts that was established in the previous year laid the groundwork for future BIM data processing.

INNOVATION

HIGH LEVEL OF INVESTMENT AS THE BASIS FOR FUTURE GROWTH

Geberit's innovative strength, which is above average for the sector, is founded on its own, wide-ranging research and development (R&D) activities. In the reporting year, a total of CHF 78 million (previous year CHF 78 million) – or 2.5% of sales – was invested in the development and improvement of processes, products and technologies. Additionally, as part of the → **investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for the production of newly developed products. Over the last financial year, Geberit applied for 46 patents – which is well above the long-term average. This is mainly attributable to the development of → **Geberit ONE** – a pioneering complete solution for the bathroom. In the last five years, Geberit has applied for a total of 154 patents.

The scientists and engineers at Geberit have the very latest equipment at their disposal for their development projects. For example, they use several highly productive, state-of-the-art 3D printers for making prototypes. In addition, a CT scanner installed during the reporting year allows them to measure all workpieces in a non-destructive, extremely precise manner, and to check these workpieces for any material defects. Compared to conventional measuring techniques, this saves a lot of time.

All product developments go through an established innovation and development process, which ensures that the Group's creative potential and know-how are used to the optimum extent and that development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here.

NEW PRODUCTS FOR SOPHISTICATED MARKETS

The following key products were newly launched on the market in 2018:

- The compact shower toilet → **Geberit AquaClean Tuma Classic** complements the shower toilet range as a perfect entry-level model. This basic model offers the basic functions of a shower toilet, including WhirlSpray shower technology and a fully automatic descaling programme. It is offered as a complete solution with a rimless WC ceramic appliance or as a WC enhancement solution.
- The **energy retaining valve** is mounted on ventilation pipes which protrude from the roofs of many buildings and ensures pressure compensation in the discharge pipes. It opens only when pressure compensation is required. The rest of the time, it keeps the heat within the building and thereby saves a significant amount of energy.
- The manually adjustable → **sanitary flush unit Rapid** flushes unused water pipes automatically and regularly. This prevents water from stagnating in a pipe over a longer period, which can lead to health risks.
- The → **VariForm washbasin range** adds a more systematic approach and diversity to the range for public and private washbasin areas. The washbasins stand out due to their generous basin depth and high-quality ceramics. They are available in the four basic shapes round, oval, elliptic and rectangular, with a lay-on, countertop and under-countertop model available for each shape.

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

Several new product launches are planned for 2019. These will include the following:

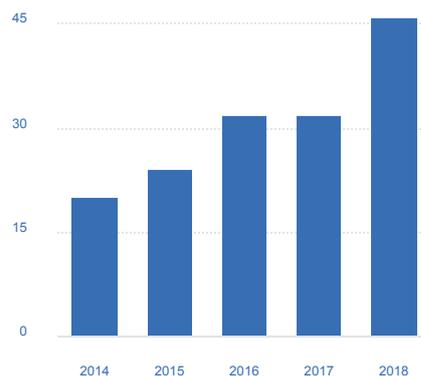
- The shower, washbasin area and toilet – the main areas in the bathroom – have a new common denominator: → **Geberit ONE**. Geberit ONE combines Geberit's know-how in sanitary technology and design expertise, and offers pioneering, fully integrated solutions for the entire bathroom. For end users, this results in more space and flexibility as well as less cleaning work. Geberit ONE also offers plumbers numerous benefits.

R&D expenditures

(in CHF million)

	2014	2015	2016	2017	2018
	56	63	72	78	78
In % of sales	2.7	2.4	2.6	2.7	2.5

Number of new patents



- With the launch of → **SuperTube technology**, Geberit is offering a sophisticated alternative to the conventional discharge stack layout in high-rise buildings. Newly developed fittings prevent discharge pipes from filling up completely and generating unwanted suction effects as a result, even when subject to heavy use. This helps to save space as special ventilation pipes are then no longer required.
- A completely new → **AquaClean Sela shower toilet** is to be brought to market six years after its original launch, offering features such as WhirlSpray shower technology, a discreet orientation light, and a newly developed continuous flow heater with an automatic descaling function. Thanks to rimless TurboFlush technology, the flushing of the ceramic appliance is not just very quiet, but also extremely thorough.
- The → **Smyle bathroom series**, situated in the middle price segment, has been redesigned and now has an even more filigree and modern look. The design of the washbasins and furniture is coordinated in such a way that individual combinations are possible. Thanks to its square design language, the new wall-hung WC combines perfectly with the washbasins. It is very easy to clean on account of its rimless inner geometry and fully shrouded outer shape.

For more details on new products in 2019, see → **the magazine Facts & Figures 2019**.

PRODUCTION

ONE ENTITY WITH MANY PARTS

The Geberit Group operated 30 plants in the reporting year, 24 of which are located in Europe, three in the US, two in China and one in India. The plants now fall into the following three categories depending on the materials used:

- Ceramics
- Plastics & Metal
- Composites & Metal

The plant in Weilheim (DE) was closed at the end of 2018. An amicable solution was found with the plant's 40 employees and the works council.

THE "FLOWING" FACTORY

All Geberit plants display an outstanding capability for renewal. Despite the variety of production technologies used, the approach is determined uniformly – both investments in property, plant and equipment and everyday improvement measures are consistently geared towards the principle of flow production. Maximum efficiency and flexibility targeted in this way, which is reflected in the reliable, timely supply of products to customers and savings in important resources such as working time and materials. The benchmarks of flow production are set out in the Geberit Production System (GPS 2.0). GPS 2.0 is viewed as a guideline for production in which the principles for process optimisation are presented.

Numerous measures pertaining to GPS 2.0 were initiated, promoted or brought to a conclusion in the reporting year. This enabled substantial efficiency gains to be achieved, particularly in the area of ceramics production. Prime examples of this are the ceramics plants in Gaeta (IT) and Limoges (FR), where productivity was increased significantly. The principles of GPS 2.0 also formed the basis of all investments made in the entire production network. In the reporting year, these comprised in particular the completion of factory buildings in → **Pfullendorf (DE)**, → **Langenfeld (DE)** and **Ozórkow (PL)**, as well as new buildings for logistics and technical product development in Slavuta (UA).

A capability for renewal requires all involved employees to display a willingness to embrace change. The alignment of processes in ceramics production to GPS 2.0 and broad acceptance of this transition was a significant success factor when integrating the ceramics business.

STANDARDISATION OF IT SYSTEMS

The integration of the former Sanitec plants into the Geberit ERP environment continued in 2018. IT systems and processes are being adjusted to the Group standard in the "OneERP" project. As planned, the project was prepared in the reporting year and implemented successfully on 1 January 2019 at the Scandinavian production sites in Ekenäs (FI), Bromölla and Mörrum (both SE). At the same time, preparations were carried out for converting the German sites in Haldensleben, Wesel and the logistics in Ratingen-Lintorf in a further step.

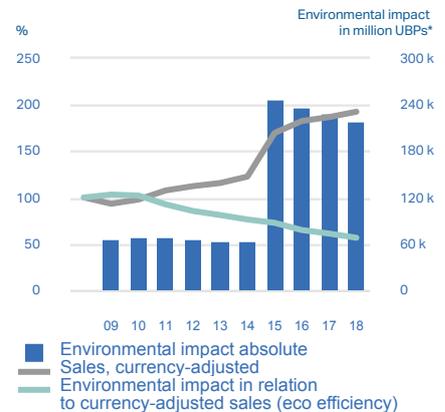
ENVIRONMENTAL MANAGEMENT IN PRODUCTION

The integration of the ceramics plants into the production network in 2015 had a considerable impact on Geberit's ecological footprint. Because of the processes involved, the manufacture of ceramic sanitary appliances is very energy-intensive. One example of an important measure in 2018 within the framework of consistent energy management was the retrofitting of three further kilns to the energy-efficient firing technology Enervit. As a result, the ten ceramics plants now have eleven such kilns at their disposal.

The absolute environmental impact of the entire Geberit Group decreased by 4.4%, even though currency-adjusted sales increased by 3.1% in the same period. The environmental impact in relation to currency-adjusted sales (eco-

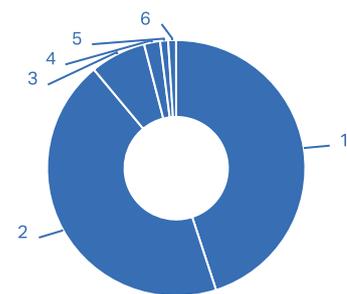
Environmental impact 2009–2018

(Index: 2008 = 100)



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

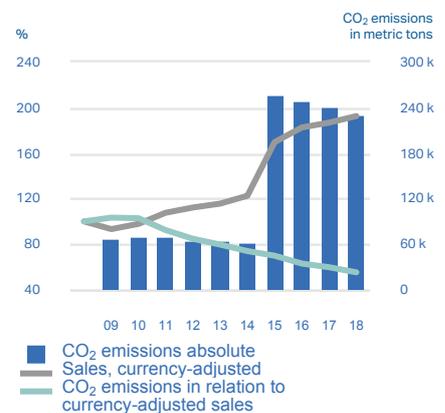
Distribution environmental impact 2018



- 1 Combustibles (45%)
- 2 Electricity (44%)
- 3 Fuels (7%)
- 4 Disposal (2%)
- 5 Water/waste water (1%)
- 6 Solvents (1%)

CO₂ emissions 2009–2018

(Index: 2008 = 100)



- CO₂ emissions absolute
- Sales, currency-adjusted
- CO₂ emissions in relation to currency-adjusted sales

efficiency) decreased by 7.3%. As regards the long-term target, which is based on an average annual decrease of 5% per year, Geberit therefore remains on course.

CO₂ emissions were reduced in 2018 by 4.7% to 231,484 tonnes. In relation to currency-adjusted sales, emissions decreased by 7.5%. This enabled the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions** to be met. In addition to relative targets, this strategy also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption. The second pillar relates to increasing efficiency and the third pillar comprises the selective purchasing of high-quality, renewable energy. The detailed → **CO₂ balance sheet** and all measures taken to reduce CO₂ emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

Geberit aims to further reinforce its position as industry leader in the area of sustainability. Eco-efficiency and relative CO₂ emissions are to be improved by 5% per year (see also → **Sustainability Strategy 2019-2021**). One of the main instruments that helps achieve this goal is the integrated Geberit management system, which unites the themes of quality, environment, health and occupational safety as well as energy. By the end of 2019, all ceramics plants are to be integrated into this system. At the end of the reporting year, all 30 production plants were already certified to ISO 14001 and 29 to OHSAS 18001. Certification according to ISO 50001 (energy management) is taking place for selected sites.

LOGISTICS AND PROCUREMENT

HARMONISATION OF IT SYSTEMS IN CERAMICS LOGISTICS

At the end of 2018, Group logistics comprised the central logistics centre for sanitary and piping systems in Pfullendorf (DE) as well as a decentralised network of 13 European distribution sites for the ceramics business.

The integration of the ceramics business into Group logistics was largely completed in 2018. For this purpose, the Geberit Logistics Operation System (GLOS) was established at all ceramics plants. GLOS is the standard system for logistics and is used to continuously improve business processes. It aims to bring about a sustained increase in competitiveness.

In connection with the → **OneERP project**, the storage management system SAP EWM has already been successfully launched at the Pfullendorf site and in Poland. The preparatory work then followed in the reporting year for implementation at the production plants in Bromölla and Mörrum (both SE) and Ekenäs (FI). Commissioning took place as planned on 1 January 2019.

CENTRAL ORDER PROCESSING FROM PFULLENDORF

The logistics centre in Pfullendorf (DE) is the global hub for products from Geberit's Sanitary Systems and Piping Systems areas. The expanded logistics centre was commissioned in the first quarter of 2017. The associated relocation of distribution of the Mapress piping range from the production plant in Langenfeld (DE) to Pfullendorf was successfully completed in 2018. Since the expanded logistics centre was commissioned, the logistics processes have stabilised at a high level. Fine-tuning of the technical facilities and processes has brought about a further increase in both productivity and quality. The targets set out in the project planning for operation of the expanded logistics centre have been met in all areas.

USING TRANSPORT MANAGEMENT SYNERGIES

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

CODE OF CONDUCT FOR SUPPLIERS

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

All business partners and suppliers are obligated to comply with → **comprehensive standards**. This applies to quality, socially responsible and healthy working conditions, environmental protection and the commitment to fair business practices. The basis for cooperation is the → **Code of Conduct for Suppliers**. This Code is aligned with the principles of the United Nations Global Compact and is available in 15 languages. By the end of the reporting year, 1,470 suppliers had signed the Code. This represents over 90% of the Geberit Group's purchasing volume.

Corporate Purchasing and Sustainability jointly ensure that these standards are upheld by conducting regular audits. The number of audits made and their content are selected with the help of a risk matrix. The goal of these audits is to check compliance with the respective national legislation and regulations in the areas of environmental protection and occupational health and safety. The audits are carried out by an independent third-party company. Appropriate measures are initiated where required. During the reporting year, five supplier audits on EHS (Environment, Health and Safety) were carried out in the area of procurement.

SUPPLIER INTEGRITY LINE

Launched in 2017, the “Supplier Integrity Line” has now become established. The service allows suppliers to anonymously report any violations of the guidelines set out in the Code of Conduct for Suppliers by Geberit employees and by competitors. The free hotline is operated by an independent service company and is available in a total of eleven languages. Violations can also be reported online at any time via an external URL. No violations of the guidelines set out in the Code of Conduct for Suppliers were reported in 2018.

SUSTAINABILITY

PURSUING GLOBAL TARGETS

Approved by the United Nations in 2015, the Sustainable Development Goals comprise 17 specific targets and indicators which countries are required to implement by 2030. The business world plays a pivotal role in implementing these targets and indicators. The goal calling for equitable access to clean drinking water and basic sanitation for all people worldwide is of the utmost importance to Geberit. The company also focuses on the goal of "Sustainable Cities and Communities". With its sanitary technology, Geberit makes an important contribution towards developing robust infrastructures and promoting sustainable industrialisation.

Sparing, careful use of water as a valuable resource is one of Geberit's core areas of focus. A Geberit value chain analysis in the form of a water footprint shows that nearly 100% of water consumption is attributable to the product usage phase.

WATER FOOTPRINT THROUGHOUT THE VALUE CHAIN IN 2018

PROVISION OF RAW MATERIALS

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



0.15%
(6.6 million m³)

MANUFACTURING

A mere 0.02% of the water is used in the manufacture of products in 2018.



0.02%
(1.0 million m³)

USE

The greatest water consumption by far occurs during the use of products manufactured in 2018 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.83%
(4,450 million m³)

DISPOSAL

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



< 0.01%
(0.2 million m³)

DIGITALISATION WITH GREEN BUILDING IN MIND

Green building is becoming ever more important. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie or BREEAM. Consequently, there is demand among investors, project developers, owners and tenants for system providers with comprehensive know-how and high transparency regarding their products. Geberit meets this demand with water-saving, energy-saving, low-noise and durable products on the one hand, and the promotion of digitalisation with regard to environmental product information on the other.

CONTRIBUTION TO THE CIRCULAR ECONOMY

The purpose of the circular economy is to minimise the use of resources and materials and close material cycles. Geberit sets great store by developing and marketing products with a long service life, offering guaranteed spare parts availability of 25 years whenever possible and ensuring the backwards compatibility of new products in order to increase product longevity. The aim of production is to establish closed cycles to the greatest possible extent. The ceramics plants seek to close internal material cycles and recycle waste externally. High-quality plastics are used at the plastics processing plants and the share of regranulate is constantly increased.

LONG-TERM VALUE ADDED

For decades, sustainability has been part of Geberit's corporate culture. The binding → **Sustainability strategy** – which is closely linked to the company's values and core areas of focus as well as the → **Sustainable Development Goals** of the United Nations – ensures that the objectives are measurable and that a significant contribution

to the success of the company is thus guaranteed. A total of twelve sustainability modules form the basis of this strategy. Among these are occupational health and safety, social responsibility, energy and CO₂ reduction, eco-design, green procurement and green logistics.

Since 2007, a sustainability performance review of the Geberit Group has been prepared annually in accordance with the guidelines of the Global Reporting Initiative (GRI). In 2018, this was carried out for the first time according to the new GRI Standards. The information disclosed within the scope of this report has been compiled in accordance with the "Comprehensive" option contained in the GRI Standards. The sustainability reporting has been subjected to and has successfully completed the GRI Materiality Disclosures Service, see → **GRI label and formal GRI Content Index**. All aspects of the GRI Standards can be found in the → **Sustainability Performance Report** for 2018. The → **materiality analysis** reviewed by an → **external stakeholder panel** in the reporting year as well as the sustainability strategy have been further developed.

Since 2008, Geberit has been a member of the United Nations (UN) Global Compact – a global agreement between businesses and the UN designed to make globalisation more socially responsible and environmentally friendly. A → **Communication on Progress** regarding measures in the areas of human rights, labour practices, environmental protection and anti-corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The → **Code of Conduct for Employees** and the → **Code of Conduct for Suppliers** further incorporate the topic of sustainability. Continuously improved → **compliance processes** ensure compliance with guidelines and directives. In addition, a system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Risk management**.

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

HOLISTIC VIEW OF DEVELOPMENT PROCESSES

Sustainability is an integral part of the technology and innovation processes at Geberit. This is why the eco-design approach has been consistently applied since 2007 as part of the Group's innovation and development process. All environmental aspects are examined, from the selection of raw materials right through to disposal. Every new product must be better than its predecessor from an ecological perspective. An example of this is the → **energy retaining valve**, which closes the openings of sanitary ventilation pipes – which are usually built into the roof – without causing any loss of function. Measurements by the Lucerne University of Applied Sciences and Arts have revealed that the heat loss via the ventilation pipe can be reduced by 98% using this valve. This is equivalent to an annual quantity of around 50 litres of heating oil.

The environmental product declarations (EPD) in accordance with the European standard EN 15804 are an important decision-making aid in the building process and can also be used directly for green building standards such as LEED. EPDs present relevant, comparable and verified information about a product's environmental performance in a transparent manner. A total of four EPDs for discharge pipes were newly compiled in the reporting year.

COMPLIANCE

FOCUS ON DATA PROTECTION

So far, the key focus of compliance was on the topics of antitrust legislation, corruption, product liability, environment/occupational safety and fundamental employee rights. The introduction of the GDPR in the EU on 25 May 2018 heralded a significant tightening of the legal requirements placed on the data protection concepts of companies. Comprehensive measures for implementation of the GDPR were carried out in the reporting year under the leadership of the Group's legal department. An external data protection officer was appointed for the entire Group, who has already conducted initial audits at the companies in Switzerland, Austria, Poland, the Benelux Countries, the UK and Sweden. In-house data protection coordinators have been appointed and trained at all Geberit companies. In addition, all processes have been documented in which personal data is processed. Furthermore, a Data Protection Guideline has been passed that in turn serves as the basis for privacy policies for various applications such as websites or mobile apps. Finally, technical and organisational measures concerning compliance with data protection regulations and a concept for reporting data breaches have been drawn up.

PRODUCT LIABILITY: NOZZLE CLEANER DAMAGE CASE

The older shower toilet models Geberit AquaClean 8000plus and Geberit Balena 8000 were liable to develop a leakage if a certain nozzle cleaner was used over a prolonged period. In the worst case, this could have led to a smouldering fire. Three such cases of smouldering fires occurred in 2017 that caused only material damage. Comprehensive measures were implemented in 2018 to rule out this risk for all other owners of the corresponding shower toilet models. Sales of the nozzle cleaner that caused the problem were discontinued immediately. In addition, appropriate market information was promptly drawn up and sent to all wholesalers, plumbers and, to the extent known, potentially affected end users. Owing to the large number of devices concerned, not only the local Geberit companies and their service providers but also external service providers had to be called on for the required service assignments. The assignments were largely concluded by the end of 2018. Apart from the aforementioned incidents, there were no further damage cases.

LEGAL ADVICE AND REPORTING

Regular antitrust legislation audits were carried out in the Adriatic sales region as well as in Finland, Norway and Switzerland as part of the ordinary internal audit, but did not reveal any significant breaches. Furthermore, the Group's legal department dealt with the usual enquiries from Geberit markets concerning the permissibility of marketing and sales campaigns.

SOCIAL RESPONSIBILITY

SOCIAL PROJECTS RELATED TO THE CORE BUSINESS

Innovative sanitary technology continuously improves the quality of people's lives. This mission is at the heart of Geberit's social responsibility. The guideline for Geberit employees, the → **Compass**, sets out and explains this.

Besides improving quality of life through innovative sanitary products, Geberit takes its social responsibilities seriously – which is why it has undertaken social projects involving its own apprentices since 2008. The projects exhibit a relationship to the topic of water and to the company's core competencies. Apart from being involved in the projects on site, the young people who take part acquire new intercultural, linguistic and professional competencies. These social projects make a tangible contribution to the Sustainable Development Goals of the United Nations, which include giving all humans access to clean drinking water and basic sanitation by 2030.

In 2018, the → **apprentices travelled to Morocco**. During the first step, the local Geberit office in close cooperation with a local non-governmental organisation (NGO) identified several schools in the Marrakesh region where the toilets were in a desolate condition. The sanitary facilities of these schools were then replaced over a two-week period in October 2018.

GLOBALLY ENGAGED

Geberit continued its partnership with the Swiss development organisation Helvetas with a series of initiatives and supported the new Helvetas campaign with a substantial sum of money. Sanitary expertise adapted to the local conditions was passed on in a knowledge transfer project that took two Geberit employees to Mozambique and another two to Nepal in autumn 2018. The "Change of Perspective" project was also implemented again, as two Swiss plumbers travelled to Nepal in November 2018, working there for a week with two Nepalese colleagues. These projects are set to continue in 2019. A major donation was also made to support Helvetas-run water projects around the world.

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

CHANGES IN GROUP STRUCTURE

There were no significant changes to the legal structure of the Geberit Group (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure** and → **33. Group companies as of 31 December 2018**).

OUTLOOK

SLOWER GROWTH IN THE CONSTRUCTION INDUSTRY

2019 will be challenging due to a general increase in volatility and the slowdown of construction activity in individual markets. However, the individual regions and sectors will perform differently. The assessment of construction activity in **Europe** remains positive as a whole. Despite healthy demand, growth potential in Germany is likely to remain limited due to capacity constraints of installers. A favourable market environment is emerging in Austria and the Benelux Countries, although with weaker growth momentum. A stagnating market environment is expected in France. The construction industry in Switzerland is set to decline slightly. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with the market predicted to stagnate in the best case. The Eastern European markets are also predicted to perform differently, with a positive environment expected in Poland, for example. Italy is assessed more cautiously due to political circumstances, while a downward trend is foreseeable in the United Kingdom as a result of the uncertainty in relation to Brexit. In **North America**, a moderate recovery is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with a decrease in residential construction. In the **Far East/Pacific** region, the Chinese residential construction sector should continue to perform positively; the construction industry in Australia is expected to decline, while the situation in India is viewed positively. In the **Middle East/Africa** region, the outlook for the Gulf States is considered uncertain and the construction market in South Africa is stagnating.

Fluctuations in the Swiss franc compared to other important currencies used by the Geberit Group will continue to affect sales and earnings. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects). Currency fluctuations generally have no significant impact on operating margins due to natural currency hedging. Natural currency hedging entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. With regard to the impact of foreign currency effects, please refer to the information and the sensitivity analysis in the → **Management of currency risks** section. Uncertainties related to raw material markets have increased and make an outlook difficult. After a declining environment in the first quarter of 2019, raw material prices are expected to increase again in the second quarter.

GEBERIT

The objective is to perform strongly across the entire product range and in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years. Markets in which Geberit products or technologies are still under-represented will be intensely cultivated, and the shower toilet business will be expanded further. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes and high margins shall be continued to be achieved in 2019. A focus will be placed on implementing the digitalisation strategy.

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

BUSINESS REPORT

**CORPORATE
GOVERNANCE**
2018

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

The operational Group structure is shown in the diagram → **Annual Report 2018, Business Report, Management structure, p. 7.**

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalisation, Swiss securities identification number and ISIN code, please refer to → **Annual Report 2018, Business Report, Geberit share information, p. 5.**

The Group's consolidated subsidiaries are listed in the → **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 33**, stating the company name and head office, share capital and equity interest held by the Group companies. Except for Geberit AG, the scope of consolidation does not include any listed companies.

1.2 SIGNIFICANT SHAREHOLDERS

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations (Schweizerisches Obligationenrecht, OR) and Art. 120 Para. 1 of the Financial Market Infrastructure Act (Finanzmarktinfrastrukturgesetz, FinfraG) were entered in the company's share register on 31 December 2018 as holding more than 3% of the voting rights or share capital recorded in the Commercial Register, or held more than 3% of the voting rights or share capital recorded in the Commercial Register on 31 December 2018.

Disclosure notifications reported to Geberit during 2018 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at → www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 CROSS-SHAREHOLDINGS

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

1.4 IMPORTANT CHANGES TO THE ARTICLES OF INCORPORATION

No amendments to the Articles of Incorporation were made in the 2017 and 2018 financial years. In the 2016 financial year, the Articles of Incorporation were amended due to the capital reduction agreed on 6 April 2016 (see → **Annual Report 2018, Business Report, Corporate Governance, 2. Capital structure, 2.4 Shares and participation certificates, p. 38**).

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

Significant shareholders*

(as of 31 December 2018)

	in %
BlackRock Inc., New York, USA	4.98
Marathon Asset Management, London, UK	3.02

* In accordance with the corresponding reports to the SIX Swiss Exchange

2. CAPITAL STRUCTURE

2.1 CAPITAL

Amount of ordinary, authorised and conditional capital of the company as of 31 December 2018:

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

2.2 AUTHORISED AND CONDITIONAL CAPITAL DETAILS

As of 31 December 2018, the Geberit Group had no conditional or authorised capital.

2.3 CHANGES IN CAPITAL

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

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in the Financial Report of this Annual Report 2018 (→ **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Consolidated Statements of Changes in Equity**) including the Notes to the Consolidated Financial Statements (→ **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21**), to the information in the → **Annual Report 2018, Financials, Financial Statements Geberit AG**, as well as to the 2016 figures in the 2017 Annual Report (Consolidated Financial Statements Geberit Group: → **Annual Report 2017, Financials, Consolidated Financial Statements Geberit Group, Consolidated Statements of Changes in Equity** and → **Annual Report 2017, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21** → **Annual Report 2017, Financials, Financial Statements Geberit AG**).

The changes in capital in 2016 are attributable to the cancellation of 757,000 shares as part of the share buyback programme announced in March 2014. This capital reduction was entered in the Commercial Register on 20 June 2016. In June 2017, the company announced a new share buyback programme that is due to last until 5 June 2020. The repurchased shares are to be cancelled via capital reduction.

2.4 SHARES AND PARTICIPATION CERTIFICATES

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

With the exception of the treasury shares held by the company, each share registered with voting rights in the share register of the company carries one vote at the General Meeting and each share (whether or not it is entered in the share register) carries a dividend entitlement. All dividends that have not been collected within five years of their due date are forfeited to the company in accordance with Art. 25 of the company's → **Articles of Incorporation** and allocated to the general reserve. As of 31 December 2018, the company held 999,182 treasury shares.

No participation certificates of the Geberit Group are outstanding.

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

2.5 PROFIT-SHARING CERTIFICATES

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

	31.12.2016	31.12.2017	31.12.2018
	MCHF	MCHF	MCHF
Share capital	4	4	4
Reserves	617	637	757
Retained	394	505	483

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

Upon request and presentation of evidence of the transfer, acquirers of shares are registered as shareholders with voting rights in the share register if they explicitly declare to hold the shares in their own name and for their own account. Art. 5 of the → **Articles of Incorporation** stipulates that the Board of Directors may register nominees as shareholders with voting rights in the share register up to a maximum of 3% of the share capital. The Board of Directors may register nominees as shareholders with voting rights in excess of such registration limitation, provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

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

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

In the reporting year 2018, there were two registrations in the share register of shares with voting rights held by nominees. In both instances, the nominee requested the registration of shares in excess of the 3% registration limitation. The Board of Directors approved this because the nominees in question met the requirements in the Articles of Incorporation that would enable such an exemption.

As of 31 December 2018, two nominees were registered in the share register of Geberit AG with voting rights of more than 3% of the total outstanding share capital:

- Chase Nominee Ltd.: 6.47%
- Nortrust Nominees Ltd.: 3.12%

The Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the 2018 reporting year.

According to Art. 11 of the → **Articles of Incorporation**, amendments to the provisions regarding the restriction of the transferability of registered shares require a resolution of the general meeting passed by at least two-thirds of the votes represented. For the procedure and the conditions for cancelling the restriction of the transferability, see → **Annual Report 2018, Business Report, Corporate Governance, 6. Participatory Rights of Shareholders, p. 52**.

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

2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees of the Geberit Group, reference is made to the → **Annual Report 2018, Business Report, Remuneration Report, 8. Summary of share and option plans 2018, p. 74** and → **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 17** in the Consolidated Financial Statements of the Geberit Group.

3. BOARD OF DIRECTORS

3.1/3.2 MEMBERS OF THE BOARD OF DIRECTORS

At the end of 2018, the Board of Directors was composed of six non-executive, independent members. The composition of the Board of Directors should reflect strategic requirements, the company's targets, geographical presence and corporate culture. The Board of Directors should be diverse in every respect, i.e. in terms of gender, nationality, geographical/regional experience and business experience.

Albert M. Baehny (1952)

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

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

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



Felix R. Ehrat (1957)

- **Non-executive, independent member of the Board of Directors since 2013**
- **Swiss citizen**
- **Chairman of the Board of Directors Globalance Bank AG, Zurich (CH); Member of the Board of Directors Hyos Invest Holding AG, Zurich (CH); Member of the Board of Trustees Avenir Suisse, Zurich (CH); Member of the Advisory Committee RepRisk AG, Zurich (CH); Group General Counsel and Member of the Executive Committee Novartis, Basel (CH), from 2011 to 2018**

Felix R. Ehrat received his doctorate of law from the University of Zurich (CH) in 1990, where he previously also received his law degree in 1982. He was admitted to practice as a lawyer in Switzerland in 1985. In 1986, he completed an LL.M. at the McGeorge School of Law in Sacramento (US). He has also completed a number of management training courses, including at Harvard University in Boston (US). From October 2011 to June 2018, he was Group General Counsel of Novartis and, since 1 January 2012, has been a member of the Executive Committee of the Novartis Group, a company in which he has held a number of other executive positions (e.g. Compliance, Country Management). Felix R. Ehrat is a leading practitioner of corporate, banking and mergers and acquisitions law, as well as an expert in corporate governance and arbitration. He started his career as an Associate with Bär & Karrer in Zurich (CH) in 1987, became Partner in 1992 and advanced to Senior Partner (2003–2011) and Executive Chairman of the Board of Directors (2007–2011) of the firm. During his career to date, Felix R. Ehrat was a chairman and member of various Boards of Directors at listed and non-listed companies, including a chairman and member of various respective audit committees. Furthermore, he has held posts in major business organisations, e.g. member of the board at economiesuisse (2013–2015) and Chairman of SwissHoldings (2015–2017). He is a lecturer at the University of St. Gallen (CH).



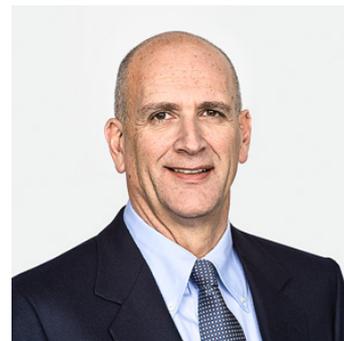
Felix R. Ehrat was not a member of any Management Board of a Geberit Group company in the three years preceding the reporting period. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Thomas M. Hübner (1958)

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

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

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

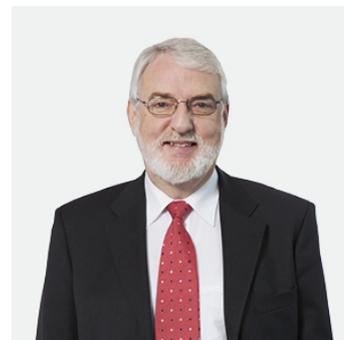


Hartmut Reuter (1957)

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

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

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



Jørgen Tang-Jensen (1956)

- **Non-executive, independent member of the Board of Directors since 2012**
- **Danish citizen**
- **Member of the Board of Directors Coloplast A/S (DK); Chairman of the Board of Directors Danish Green Investment Fund (DK); Member of the Board of Directors Rockwool International A/S (DK); Member of the Board of Directors VKR Holding A/S (DK); Member of the Board of Directors Maj Invest Holding A/S (DK)**



Jørgen Tang-Jensen holds an MSc in Economics & Business Administration from the Business School in Aarhus (DK). He has also completed a number of management training courses at the IMD in Lausanne (CH) and at Stanford University (US). Jørgen Tang-Jensen was CEO of the Danish building materials manufacturer VELUX A/S from 2001 to 2018. After completing his studies, Jørgen Tang-Jensen joined the VELUX Group in 1981 and worked in various executive positions in the main VELUX sales and production companies until being appointed CEO in 2001. As a managing director, he was responsible for the respective national companies in Denmark from 1989 to 1991, France from 1991 to 1992, the United States in 1996 and Germany from 1999 to 2000.

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

Eunice Zehnder-Lai (1967)

- **Non-executive, independent member of the Board of Directors since 2017**
- **Citizen of Switzerland and Hong Kong**
- **Member of the Board of Directors DKSH Holding AG, Zurich (CH); Member of the Board of Trustees Asia Society Switzerland Foundation, Zurich (CH)**



Eunice Zehnder-Lai holds a Master of Business Administration from Harvard Business School (US) and a Bachelor of Arts from Harvard University (US). From 2014 until the end of November 2018, she was CEO of IPM Institut für Persönlichkeitsorientiertes Management, a firm headquartered in Pfäffikon (CH) that offers solutions aimed at enhancing the efficiency of organisations with customers, teams and employees in companies. Before joining IPM, she spent almost 20 years working in the finance industry for LGT Capital Partners, Goldman Sachs and Merrill Lynch in New York, London, Hong Kong and Switzerland. She worked in asset management, private wealth management and corporate finance, as well as for Procter & Gamble in marketing and brand management.

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

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

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

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

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

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

Mandates in the sense of Art. 24 of the → **Articles of Incorporation** are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

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

3.4 ELECTIONS AND TERMS OF OFFICE

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

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

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

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

Hartmut Reuter (Chairman), Jørgen Tang-Jensen and Eunice Zehnder-Lai were re-elected to the Nomination and Compensation Committee at the ordinary General Meeting on 5 April 2018. The constitution subsequent to the ordinary General Meeting 2018 resulted in the following composition of the Audit Committee: Felix R. Ehrat (Chairman), Thomas M. Hübner, Hartmut Reuter. Hartmut Reuter continues to hold the office of Vice Chairman of the Board of Directors.

Jørgen Tang-Jensen will not be standing for re-election at the ordinary General Meeting in 2019. Within the context of succession planning, the Geberit AG Board of Directors will nominate Bernadette Koch as a new member of the Board of Directors. The Chairman of the Board of Directors and all remaining members of the Board of Directors will be standing for re-election for a further year. Bernadette Koch will also replace Thomas M. Hübner on the Audit Committee. Thomas M. Hübner will be nominated to become a new member of the Nomination and Compensation Committee at the General Meeting 2019. The composition of the committees and holder of the office of Vice Chairman are also to remain unchanged.

3.5 INTERNAL ORGANISATIONAL STRUCTURE

The organisation of the Board of Directors is governed by law, the company's → **Articles of Incorporation** (www.geberit.com/investors/downloads/publications) and the → **Organisational Regulations of the Board of Directors of Geberit AG** (www.geberit.com/investors/downloads/publications) (see also → **Annual Report 2018, Business Report, Corporate Governance, 3. Board of Directors, 3.6 Definition of areas of responsibility, p. 46**).

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

The Board of Directors meets whenever business so requires, but at least four times a year generally for a day each (2018: nine meetings or telephone conferences). Each meeting or telephone conference that took place in 2018 lasted four hours on average. Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not

be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors. During the reporting year, one or more members of the Group Executive Board took part in the nine meetings, with one particular meeting involving the participation of external consultants.

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

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

The participation rate for meetings of the Board of Directors in 2018 was 98%.

	7 Mar	12 Mar	4 Apr	4/5 Jul	13 Aug	30 Aug	31 Aug	26 Oct	6 Dec
Albert M. Baehny	X	X	X	X	X	X	X	X	X
Felix R. Ehrat	X	X	X	X	X	X	X	X	X
Thomas M. Hübner	X	-	X	X	X	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X	X	X	X	X	X
Eunice Zehnder-Lai	X	X	X	X	X	X	X	X	X

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

NOMINATION AND COMPENSATION COMMITTEE (NCC)

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

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

The members of the Nomination and Compensation Committee as of 31 December 2018 were Hartmut Reuter (Chairman), Jørgen Tang-Jensen and Eunice Zehnder-Lai. The committee meets at least three times a year generally for a half day each (2018: four meetings). Each meeting or telephone conference that took place in 2018 lasted three hours on average.

The participation rate for meetings in 2018 was 100%.

	23 Feb	30 Aug	26 Oct	6 Dec
Hartmut Reuter	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X
Eunice Zehnder-Lai	X	X	X	X

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

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

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

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

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

AUDIT COMMITTEE (AC)

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

As of 31 December 2018, the Audit Committee was composed of Felix R. Ehrat (Chairman), Thomas M. Hübner and Hartmut Reuter. It meets at least twice a year, generally for a half day each (2018: five meetings). Each meeting or telephone conference that took place in 2018 lasted four hours on average.

The participation rate for meetings in 2018 was 93%.

	23 Feb	2 May	7 Aug	30 Aug	5 Dec
Felix R. Ehrat	X	X	X	X	X
Thomas M. Hübner	X	–	X	X	X
Hartmut Reuter	X	X	X	X	X

The Audit Committee supports the Board of Directors in fulfilling its duties specified by law, in particular in the areas of financial control (supervision of the internal and external auditors and monitoring of financial reporting) and ultimate supervision of the persons entrusted with the management (internal control system). The Audit Committee determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal and external auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. An independent auditor also checked the working methods of the internal audit during the reporting year. It gave the internal audit the highest possible rating ("generally conforms") based on international internal audit standards. In addition, the Audit Committee assesses the functionality of the internal control system, including risk management (see also → **Annual Report 2018, Business Report, Corporate Governance, 3. Board of Directors, 3.7 Information and control instruments vis-à-vis the Group Executive Board, p. 47**). The Audit Committee supports

the Board of Directors with corporate governance and compliance issues, monitors the relevant corporate governance and compliance aspects and develops them further. The overall responsibility for the duties and competencies assigned to the Audit Committee remains with the Board of Directors.

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

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

3.6 DEFINITION OF AREAS OF RESPONSIBILITY

Pursuant to Swiss Corporate Law and Art. 17 of the → **Articles of Incorporation (www.geberit.com/investors/downloads/publications)** at Geberit AG, the Board of Directors has the following non-transferable and irrevocable responsibilities:

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

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Further areas of responsibility of the Board of Directors are set out in the → **Organisational Regulations of the Board of Directors of Geberit AG (www.geberit.com/investors/downloads/publications/)** and the → **Supplement to the Organisational Regulations (https://annualreport2018.geberit.com/geberit/annual/2018/gb/English/pdf/supplement_BoD.pdf)**.

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

As of the end of 2018, the Group Executive Board is composed of the Chief Executive Officer and six other members. The members of the Group Executive Board are appointed by the Board of Directors based on the proposal of the Nomination and Compensation Committee.

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

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

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

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

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

Based on the → **Organisational Regulations of the Board of Directors of Geberit AG (www.geberit.com/investors/downloads/publications)** and the → **Organisational Regulations for the Audit Committee (www.geberit.com/investors/downloads/publications)** of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks associated with the business activities. This process includes risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for controlling risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis (see → **Annual Report 2018, Business Report, Business and financial review, Strategy and goals, Risk management, p. 13**). For information on the management of financial risks, refer to → **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 4**. In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimisation proposals of previous audits.

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

4. GROUP EXECUTIVE BOARD

4.1/4.2 MEMBERS OF THE GROUP EXECUTIVE BOARD

At the end of 2018, the Group Executive Board was composed of seven members.

Christian Buhl (1973)

- **Chairman of the Group Executive Board (CEO) since 2015**
- **Member of the Group Executive Board since 2015**
- **With Geberit since 2009**
- **Swiss citizen**

Christian Buhl studied physics (Dipl. Phys. ETH) at the Swiss Federal Institute of Technology (ETH) in Zurich (CH) before undertaking his doctorate (Dr. oec. HSG) in the area of financial market research at the University of St. Gallen (CH). From 2000 to 2003, he worked as a teaching and research assistant at the Swiss Institute of Banking and Finance in St. Gallen (CH) and in research and teaching at the Centre for Economic Research at the University of Basel (CH). From 2004 to 2008, Christian Buhl worked at McKinsey & Company, Zurich (CH), where he undertook projects for various Swiss and international industrial companies, supporting them in the areas of strategy, M&A, marketing and organisation. He joined Geberit in 2009, initially as Head Strategic Planning, before taking over responsibility for the Geberit AquaClean shower toilet business. From 2012 to the end of 2014, Christian Buhl was Managing Director of the German sales company – the most important sales unit within the Geberit Group. He has been the Chief Executive Officer (CEO) of the Geberit Group since 2015; see also → **Annual Report 2018, Business Report, Management structure, p. 7.**



Roland Iff (1961)

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

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic. oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich (CH) and at the company's headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels (BE) before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan (IT) in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. Beginning in October 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Division Finance (CFO) of the Geberit Group since 2005; see also → **Annual Report 2018, Business Report, Management structure, p. 7.**



Martin Baumüller (1977)

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

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



business of the Geberit Group. He has been Head of Group Division Marketing & Brands since 2016; see also → **Annual Report 2018, Business Report, Management structure, p. 7.**

Egon Renfordt-Sasse (1957)

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

Egon Renfordt-Sasse completed his mechanical engineering studies at RWTH Aachen University (DE) in 1986. He began his career at Battenfeld-Fischer in Troisdorf (DE), where he held several positions until 1997, the last of which as manager of the Technical Parts profit centre. In 1997, he joined the Geberit Group as product manager responsible for the Installation Systems product line. From 2001 to 2003, he was responsible for Sales Engineering – among other things – at Geberit's German sales company. He then became Head of Products Sanitary Systems at the Group, a position he held until 2012. Since then, he has been Head of Group Marketing. From 2015 to 2016 he was Head of Group Division Marketing & Brands. He has been Head of Group Division Product Management & Innovation since 2016; see also → **Annual Report 2018, Business Report, Management structure, p. 7.**



Karl Spachmann (1958)

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

Karl Spachmann graduated in business and organisational studies at the University of the German Armed Forces in Munich (DE). He began his career with the German Armed Forces in 1983 where he served as radar commanding officer and press officer until 1990. In 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. Karl Spachmann has been Head of Group Division Sales Europe since 2011; see also → **Annual Report 2018, Business Report, Management structure, p. 7.**



Ronald van Triest (1969)

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

Ronald van Triest completed his Master's degree in Management and Organisation at the University of Groningen (NL) in 1996. He started his career at Royal Philips, where he held various roles until 2006. These were initially in the areas of marketing and sales, before a second phase where he took on wide-ranging responsibilities in the areas of product management, M&A and executive management. He operated predominantly from Singapore and Hong Kong. From 2007 to 2009, he was General Manager Sales at China Electronics Corporation in Shenzhen (CN), where he was responsible for sales, marketing, service and logistics and managed staff in China, Singapore, Russia and Turkey. From 2010 to 2015, he worked for Ellipz Lighting in Singapore. As CEO and Managing Director, he was responsible for setting up and developing the Asian business. Among other things, he established a joint venture in Beijing, set up the local production, R&D and sales and created sales channels in Southeast Asia and the Middle East, as well as a joint venture in India. Since 2015, Ronald van Triest has been Head of Group Division Sales International of the Geberit Group; see also → **Annual Report 2018, Business Report, Management structure, p. 7.**



Martin Ziegler (1969)

- **Member of the Group Executive Board since 2018**
- **With Geberit since 1995**
- **Head of Group Division Operations**
- **Swiss citizen**
- **Member of the Board of Directors Piacabo SA, Agarone (CH)**

Martin Ziegler completed his master's degree in Industrial Engineering at ETH Zurich (CH) in 1994. Following his time as an assistant at ETH, he joined the Geberit Group in 1995. He initially worked for Geberit as a project manager in a German production plant before later becoming Head of Quality for the Group and working as Managing Director of the piping production plant in Givisiez (CH). From 2003, he headed up the Piping Systems product area at Group level for ten years – with the exception of one year where he worked in Shanghai (CN) as Head of Operations and Product Manager for the Asia/Pacific region. Since 2012, he has been responsible for the Group's 13 EFA (Extrusion, Forming, Assembly) production plants. Since 1 January 2018, he has been Head of Group Division Operations; see also → **Annual Report 2018, Business Report, Management structure, p. 7.**



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

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

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

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

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

Mandates in the sense of Art. 24 of the → **Articles of Incorporation** of Geberit AG are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

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

4.4 MANAGEMENT CONTRACTS

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

5. COMPENSATIONS, SHARE-HOLDINGS AND LOANS

See → **Annual Report 2018, Business Report, Remuneration Report, p. 57**. The Remuneration Report is also available at → www.geberit.com/investors/corporate-governance/remuneration-report.

Art. 21 of the → **Articles of Incorporation (www.geberit.com/investors/downloads/publications/)** contains the relevant regulations relating to the principles of performance-based remunerations as well as remunerations in the form of shares, option rights and similar instruments. Art. 22 f. of the → **Articles of Incorporation** includes provisions regarding approval at the General Meeting of the maximum aggregate remunerations for the members of the Board of Directors and the Group Executive Board, as well as regarding the additional amount for the Group Executive Board. According to Art. 26 of the → **Articles of Incorporation**, no loans or credits shall be granted to members of the Board of Directors or the Group Executive Board.

6. PARTICIPATORY RIGHTS OF SHAREHOLDERS

6.1 VOTING RIGHTS RESTRICTIONS AND REPRESENTATION

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

According to Art. 11 of the → **Articles of Incorporation**, resolutions may also be passed and elections carried out at General Meetings by electronic means at the instruction of the Chairman.

Shareholders can be represented at the General Meeting only by their legal representative, another voting shareholder or the independent proxy in accordance with Art. 10 of the company's → **Articles of Incorporation**. The company recognises only one representative per share.

Company shareholders have the option of using the Sherpany platform → (www.sherpany.com) to appoint their independent proxy for every General Meeting. A description of the method for registering and voting via the Sherpany platform is sent to all shareholders recorded in the share register.

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

For limitations on transferability and nominee registrations, see → **Annual Report 2018, Business Report, Corporate Governance, 2. Capital structure, 2.6 Limitations on transferability and nominee registrations, p. 39.**

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

6.2 QUORUMS REQUIRED BY THE ARTICLES OF INCORPORATION

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

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

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

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

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

6.5 INSCRIPTIONS INTO THE SHARE REGISTER

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

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 OBLIGATION TO MAKE AN OFFER

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

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

7.2 CHANGE OF CONTROL CLAUSES

For agreements and plans in the event of a change of control, see → **Annual Report 2018, Business Report, Remuneration Report, 5. Remuneration architecture, p. 64.**

8. AUDITORS

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

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

8.2 AUDITING FEES

In 2018, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,766 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

8.3 ADDITIONAL FEES

For additional services, PricewaterhouseCoopers invoiced TCHF 530 relating to tax consultancy and support as well as TCHF 32 for other services. Therefore, the non-audit fees amount to 32% of the audit fees.

8.4 INFORMATION TOOLS OF THE EXTERNAL AUDITORS

Before every meeting, the external auditor informs the Audit Committee in writing about relevant auditing activities and other important facts and figures related to the company. Representatives of the external and internal auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. The external auditors attended three meetings of the Audit Committee in the reporting year 2018.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and supports the Board of Directors in the nomination of the auditor for the attention of the ordinary General Meeting. The Audit Committee uses the following criteria to assess the performance and fees of the auditors: technical and operational expertise; independence and objectivity; adequate use of resources; focus on areas that involve significant risk for Geberit; willingness to challenge and re-evaluate; ability to provide effective, practical recommendations; open and effective communication and coordination with the Audit Committee, the internal auditors and the Group Executive Board. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses the audit results with the external and internal auditors. For more details on the Audit Committee, see → **Annual Report 2018, Business Report, Corporate Governance, 3. Board of Directors, 3.5 Internal organisational structure, Audit Committee (AC), p. 45.**

9. INFORMATION POLICY

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

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

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

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

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

For further details on the Geberit Group's information policy, including a time schedule (containing General Meeting dates, publication dates for quarterly and half-year reports, and dividend payment dates), please refer to → **Annual Report 2018, Business Report, Geberit share information, Communication, p. 5.**

Headquarters:
Geberit AG
Schachenstrasse 77
8645 Jona
→ www.geberit.com

BUSINESS REPORT

REMUNERATION REPORT

2018

1. INTRODUCTION

The Remuneration Report provides an overview of Geberit's remuneration principles and programmes, as well as information about the determination method for the remuneration. It also includes the remuneration of the members of the Board of Directors and of the Group Executive Board for the business year 2018. The report provides the relevant information to be considered by the shareholders when making their decision regarding the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2019 General Meeting for approval.

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

The report is structured as follows:

1. Introduction
2. Foreword by the Chairman of the Nomination and Compensation Committee
3. Remuneration at a glance
4. Determination of remuneration
5. Remuneration architecture
6. Board of Directors: remuneration and share ownership in 2018
7. Group Executive Board: remuneration and share/option ownership in 2018
8. Summary of share and option plans 2018
9. Summary of shares and options held by employees and management as of 31 December 2018
10. Report of the statutory auditor

For additional information on business development in 2018 see also → **Business and financial review**.

2. FOREWORD BY THE CHAIRMAN OF THE NOMINATION & COMPENSATION COMMITTEE

Dear shareholders,

On behalf of the Nomination and Compensation Committee (NCC), I am pleased to present the 2018 Remuneration Report.

In 2018, the market environment was characterised by increased volatility and a declining growth momentum in certain markets. The solid sales growth and high profitability mean we can look back on a good financial year. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. The Remuneration Report summarises how these results impacted the variable remuneration made to the members of the Group Executive Board under the different remuneration components.

During the reporting year, the NCC performed a thorough review of the compensation programmes applicable to the Group Executive Board in order to ensure their alignment with the business strategy and with the long-term interests of our shareholders. As a result of this analysis, the NCC concluded that the main characteristics of the compensation system are fit for purpose. Nevertheless, the long-term incentive plan needs simplification and harmonisation. Therefore, the following changes will be implemented in the business year 2019:

- All options granted under the long-term incentive plan and under the management share purchase plan will be subject to a three-year cliff vesting and a maturity of nine years.
- Clawback and malus provisions will be introduced in the long-term incentive.

Otherwise, the NCC performed its regular activities throughout the year such as the performance goal setting at the beginning of the year and the performance assessment at year end, the determination of the compensation of the members of the Board of Directors and of the Group Executive Board, as well as the preparation of the Remuneration Report and of the say-on-pay vote for the General Meeting. You will find further information on our activities and on Geberit's compensation system and governance on the following pages.

At the 2019 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, and the maximum aggregate remuneration awarded to the Executive Board for the 2020 business year. Additionally, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote. You will see in the report that the remuneration awarded to the Board of Directors for the compensation period ending with the 2019 General Meeting and the remuneration awarded to the Group Executive Board in 2018 are within the limits approved at the 2018 General Meeting and 2017 General Meeting respectively.

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

Yours sincerely,



Hartmut Reuter
Chairman of the Nomination & Compensation Committee

3. REMUNERATION AT A GLANCE

BOARD OF DIRECTORS

SUMMARY OF CURRENT COMPENSATION SYSTEM

In order to ensure the independence in their supervisory function, members of the Board of Directors receive a fixed remuneration only, in the form of cash and shares, with a blocking period of four years.

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

See → 5. Remuneration architecture, 5.1 Board of Directors

COMPENSATION IN 2018

The compensation awarded to the Board of Directors for the term of office until the Annual General Meeting 2018 is within the limits approved by the shareholders at the annual general meetings:

Comparison period	Approved amount (CHF)	Effective amount (CHF)
AGM 2017 – AGM 2018	2,350,000	2,279,943
AGM 2018 – AGM 2019	2,350,000	2,277,435*

* The compensation period is not yet completed, a definitive assessment will be provided in the compensation report for FY 2019

GROUP EXECUTIVE BOARD

SUMMARY OF CURRENT COMPENSATION SYSTEM

The remuneration of the Group Executive Board consists of fixed and variable elements. Base salary and benefits form the fixed remuneration and are based on prevalent market practice. Variable remuneration drives and rewards best-in-class performance based on ambitious targets. It consists of short-term and long-term elements:

Base salary	Pay for the function	Fixed compensation
Benefits	Cover retirement, death and disability risks, attract and retain	
Short-Term Incentive	Drive and reward performance, attract and retain	Variable compensation
Share Participation Programme (MSPP)	Align with shareholders' interests	
Long-Term Incentive (Share Option Plan/ MSOP)	Drive and reward long-term performance, align with shareholders' interests, attract and retain	

See → 5. Remuneration architecture, 5.2 Group Executive Board

COMPENSATION IN 2018

The compensation awarded to the Group Executive Board in the financial year 2018 is within the limits approved by the shareholders at the annual general meeting:

Comparison period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2018	11,300,000	8,727,347

Performance in the financial year 2018

The weighted average of all elements used to calculate the variable cash remuneration slightly exceeded the targets.

See → **7. Group Executive Board, 7.1 Performance in 2018**

Changes from 2019 onwards

Performance options granted under the long-term incentive and under the management share purchase plan will have a three-year cliff vesting and a maturity of nine years. Claw-back and malus provisions will be introduced in the long-term incentive plan (currently in place in the short-term incentive plan).

See → **Outlook**

REMUNERATION PRINCIPLES

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

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

COMPENSATION GOVERNANCE

- Authority for decisions related to remuneration is governed by the Articles of Incorporation and the Organisational Regulations of Geberit AG.
- The prospective maximum aggregate amounts of remuneration of the members of the Board of Directors and of the Group Executive Board are subject to a binding shareholders' vote at the General Meeting.
- The Remuneration Report for the preceding period is subject to a consultative vote.

See → **4. Determination of remuneration**

4. DETERMINATION OF REMUNERATION

4.1 NOMINATION AND COMPENSATION COMMITTEE (NCC)

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

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

APPROVAL AND AUTHORITY LEVELS ON REMUNERATION MATTERS:

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

¹ Short-Term Incentive

² Long-Term Incentive

The NCC consists of independent and non-executive members of the Board of Directors only, who are elected annually by the shareholders at the General Meeting. Since the 2018 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman as well as Eunice Zehnder-Lai and Jørgen Tang-Jensen as members.

The NCC meets at least three times per year. In 2018, it held a total of four meetings, including three regular meetings covering, among others, the predefined recurring agenda items illustrated below, as well as an extraordinary meeting for the review of the long-term incentive plan. The participation rate for NCC meetings in 2018 was 100%.

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

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

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

4.2 PROCESS OF DETERMINATION OF REMUNERATION

BENCHMARKS AND EXTERNAL CONSULTANTS

Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2017, a detailed analysis of the remuneration of the CEO and the other members of the Group Executive Board was carried out by an independent external compensation consulting firm, Willis Towers Watson (CH) as disclosed in last year's Remuneration Report. This consulting firm has no other mandates from Geberit. The study, together with other published data, was used to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the business year 2018. While many different factors (such as the individual role, experience in the role and contribution, company performance and affordability) are considered to determine remuneration levels, the policy of Geberit is to provide a target remuneration that is in principle positioned around the market median.

In 2018, Agnes Blust Consulting (CH) supported the review of the long-term incentive programme. This consulting firm has no other mandates from Geberit.

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

PERFORMANCE MANAGEMENT

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



4.3 SHAREHOLDER INVOLVEMENT

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

ARTICLES OF INCORPORATION

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

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

The provisions of the Articles of Incorporation have been kept broad so that the Board of Directors has sufficient flexibility to make any necessary amendments to the remuneration programmes. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned with good practice in corporate governance; for example, the independent members of the Board of Directors are not eligible for any variable remuneration or retirement benefits (see also the → **5. Remuneration architecture, 5.1 Board of Directors**).

5. REMUNERATION ARCHITECTURE

5.1 BOARD OF DIRECTORS

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

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

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

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

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

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

Further information regarding the remuneration amounts for the period from the 2019 General Meeting to the 2020 General Meeting is provided in the invitation to the 2019 General Meeting.

5.2 GROUP EXECUTIVE BOARD

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

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

	Programme	Instrument	Purpose	Plan/ Performance period	Performance metrics in 2018
Base salary	Annual base salary	Monthly cash payments	Pay for the function		
Short-Term Incentive	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract and retain	1-year performance period	Sales, EBIT, EPS, ROIC, individual objectives
	Share Participation Programme MSPP	Matching share options in case of an investment of variable cash in restricted shares	Align with shareholders' interests	Shares: 3-year restriction period Share options: 4-year vesting period (staged), 7-year plan period	Share options: ROIC
Long-Term Incentive	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance, align with shareholders' interests, retain	5-year performance period (staged), 10-year plan period	ROIC
Benefits	Pension	Swiss pension funds (Gemeinschafts-stiftung, Wohlfahrtsfonds)	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract and retain		

BASE SALARY

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

VARIABLE CASH REMUNERATION / SHORT-TERM INCENTIVE (STI)

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

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

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

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

To find out how the remuneration model works, visit the interactive graphic in the online Annual Report at
→ www.geberit.com/annualreport >
Business report > Remuneration Report.

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

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

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

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

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

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

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

LONG-TERM INCENTIVE (LTI)

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

Every year, the Board of Directors determines the grant of share options. In 2018, the market value of options granted amounts to 60% of the target income for the CEO and to between 40 and 50% for the other members of the Group Executive Board. For some 100 additional participants of the Group management, the market value amounts to 10% of the target income.

The options granted in 2018 are subject to a vesting period staged over five years as follows: one third of the options can be exercised three years after the grant, an additional third can be exercised four years after the grant and the remaining third can be exercised five years after the grant. The options have a term of 10 years (counted from the grant date) after which they expire.

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

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

ear interpolation. There is no over-achievement in the MSOP. The options can be exercised between the respective vesting date and the expiration date. The exercise price of the options corresponds to the fair market value of the underlying share at the time of grant.

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

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

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

DISCLOSURE OF TARGETS

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

BENEFITS

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

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

EMPLOYMENT TERMS AND CONDITIONS

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

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

OUTLOOK: CHANGES TO THE REMUNERATION SYSTEM IN 2019

The NCC conducted a thorough review of the LTI and concluded the following:

- Performance options are still appropriate for Geberit. They have been in place for several years and are well accepted externally and internally, especially because of the strong linkage to shareholders' interests;

- ROIC has been re-confirmed as the relevant performance indicator for the long-term success of the company: ROIC reflects the ability of the company to generate long-term value through returns on investment that are higher than the cost of capital. ROIC ensures a high degree of shareholder alignment since it is the major key driver for the valuation of the company;
- However, the current LTI programme is too complex. The vesting schedule of the MSOP options is staged over a period of five years and that of the MSPP options over four years. This means that in any given year, there are seven different tranches that are vesting, which is complex to administer and communicate. Consequently, the decision was made to harmonise the vesting schedules for MSOP and MSPP. In line with prevalent market practice of other Swiss listed companies, Geberit will introduce a three-year cliff vesting period;
- In order to keep the economic value of the performance options similar to the previous plans, the maturity of the options has been reduced from 10 years to 9 years;
- Finally, clawback and malus provisions will be introduced to the long-term incentive plan (they are already in place in the short-term incentive including MSPP). Those provisions foresee that in case of financial restatement due to non-compliance to accounting standards and/or fraud, and/or in case of violation of the law or internal rules by a participant, the Board of Directors may deem all or part of any unpaid short-term incentive or unvested long-term incentive to be forfeited (malus provision) and/or may seek reimbursement of all or part of any paid short-term incentive or vested long-term incentive. The clawback and malus provisions may be enacted for a period of three years following the year subject to a financial restatement and/or the year of the fraudulent behaviour.

Those changes result in a simplified remuneration system that is well-aligned to shareholders' interests and with market practice of other Swiss listed companies. The vesting of MSOP and MSPP options will depend on the same performance period and thus will be harmonised.

For further information for both programmes, please also refer to → **Remuneration architecture, Group Executive Board.**

6. BOARD OF DIRECTORS: REMUNERATION AND SHARE OWNERSHIP IN 2018

This section is audited by the external auditor.

The remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of cash and non-discounted restricted shares. In 2018, members of the Board of Directors received a total remuneration of TCHF 2,280 (previous year TCHF 2,283). Remuneration for regular board activities and committee assignments amounted to TCHF 2,100 (previous year TCHF 2,100). The structure of remuneration of the members of the Board of Directors has not changed compared to the previous year.

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

	A. Baehny Chairman CHF	H. Reuter Vice Chairman CHF	E. Zehnder-Lai CHF	F. Ehrat CHF	T. Hübner CHF	J. Tang- Jensen CHF	Total CHF
2018							
Remuneration of the Board of Directors							
Accrued remuneration ¹	270,000	320,000	220,000	235,000	220,000	220,000	1,485,000
Cash remuneration	615,000						615,000
Expenses	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Contributions to social insurance	41,612	15,140	10,706	11,350	10,706	0	89,514
Total	941,612	350,140	245,706	261,350	245,706	235,000	2,279,514

¹ Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2019 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date. The blocking period is four years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

	CHF						
Remuneration of former members of the Board of Directors (none)							
Accrued remuneration							0
Expenses							0
Contributions to social insurance							0
Total							0

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

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

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

³ No more social insurance contributions in Switzerland in 2017.

CHF

Remuneration of former members of the Board of Directors (R. Aalstad*)

Accrued remuneration	55,000
Expenses	3,750
Contributions to social insurance	2,713
Total	61,463

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

For the period from the 2018 General Meeting to the 2019 General Meeting, the remuneration paid to the Board of Directors is expected to amount to CHF 2,277,435. This is within the limit of CHF 2,350,000 approved by the 2018 General Meeting.

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

(in CHF)	1*	2**	3***	4****	5*****	6*****
GM18 – GM19	2018	1 Jan 2018 to 2018 GM	1 Jan 2019 to 2019 GM	2018 GM to 2019 GM	2018 GM	2018 GM
BoD (total)	2,279,514	-571,957	+569,878	2,277,435	2,350,000	97%
GM17 – GM18	2017	1 Jan 2017 to 2017 GM	1 Jan 2018 to 2018 GM	2017 GM to 2018 GM	2017 GM	2017 GM
BoD (total)	2,282,906	-574,920	+571,957	2,279,943	2,350,000	97%

* Compensation earned during financial year as reported (A)

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

*** Plus compensation accrued from January to General Meeting of year following financial year (C) / budget value for 2019

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

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

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

As of the end of 2018 and 2017, the members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	E. Zehnder- Lai	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
2018							
Shareholdings Board of Directors							
Shares	70,778	9,023	363	2,798	1,343	2,920	87,225
Options	41,864*	0	0	0	0	0	41,864
Percentage voting rights shares	0.19%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	0.24%

* A. Baehny options until 2014 as CEO

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

* A. Baehny options until 2014 as CEO

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

7. GROUP EXECUTIVE BOARD: REMUNERATION AND SHARE/OPTION OWNERSHIP IN 2018

This section is audited by the external auditor.

7.1 PERFORMANCE IN 2018

Consolidated sales in 2018 increased by 5.9% to CHF 3,081 million. Total growth comprised organic growth in local currencies of 3.1% and a foreign currency effect of +2.8%. As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on results, although to a significantly lower extent and for the last time in this reporting year. Operating profit (EBIT) adjusted for these effects increased by 5.4% to CHF 744 million and the adjusted EBIT margin came to 24.2%. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. Adjusted earnings per share improved by 4.7% to CHF 17.21. The adjusted return on invested capital (ROIC) rose to 22.6% (previous year 22.4%).

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

7.2 REMUNERATION AWARDED IN 2018

The remuneration of the Group Executive Board amounted to TCHF 8,727 in 2018 (previous year TCHF 9,608). The remuneration of the CEO amounted to TCHF 2,503 in 2018 (previous year TCHF 2,401). The lower total remuneration in 2018 for the Group Executive Board compared to the previous year is the result of two main factors:

- no one-off employer contributions to the company pension funds in 2018
- the lower remuneration of the new Group Executive Board member compared to his predecessor which affects the STI and LTI figures

At the 2017 General Meeting, the shareholders approved a maximum aggregate amount of TCHF 11,300 for the remuneration of the Group Executive Board for the year 2018. The compensation paid for that period amounts to TCHF 8,727 and is therefore within the approved amount.

Further information on the remuneration awarded to the Group Executive Board for the business year 2018, compared with the maximum potential amount of remuneration, is provided with the invitation to the ordinary General Meeting 2019.

The following table shows details of remuneration for 2018 and 2017:

	2018		2017	
	C. Buhl CEO	Total	C. Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	931,801	3,342,650	861,809	3,449,744
- Variable salary ¹	541,350	1,947,550	516,250	2,013,879
<i>thereof in shares in 2018²</i>			515,182	1,296,600
Shares/options				
- Call options MSOP 2018/2017 ³	809,885	2,357,518	749,955	2,475,927
- Call options MSPP 2018/2017 ⁴	43,639	109,830	56,385	167,211
Non-cash benefits				
- Private share of company vehicle ⁵	7,056	46,380	7,056	48,978
Expenditure on pensions				
- Pension plans and social insurance	166,482	905,247	206,854 ⁶	1,433,489 ⁶
- Contribution health/accident insurance	2,476	18,172	2,497	18,319
Total⁷	2,502,689	8,727,347	2,400,806	9,607,547

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

² Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 432.20 (PY CHF 435.95).

³ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Option Programme (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 432.20 (previous year CHF 435.95); definitive acquisition of the option ("vesting") dependent on various conditions, 3-5-year blocking period (3 tranches at 33%). Market value of CHF 39.29 (previous year CHF 39.87) determined using the binomial method.

⁴ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Programme (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 432.20 (previous year CHF 435.95); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 36.61 (previous year CHF 34.72) determined using the binomial method.

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

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

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

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

7.3 SHAREHOLDINGS OF GROUP EXECUTIVE BOARD

As of the end of 2018 and 2017, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Baumüller	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Ziegler	Total
2018										
Shareholdings Group Executive Board										
Shares			7,404	31,564	3,078	1,546	12,500	300	2,416	58,808
Percentage voting rights shares			<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	0.16%
Call options*										
End of vesting period:										
Vested	2020–2024	332.00	13,219	8,836	3,706	6,166	807	60	2,857	35,651
2019	2022–2026	394.76	11,600	7,665	754	4,074	6,766	2,621	980	34,460
2020	2023–2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024–2028	409.97	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025–2028	434.08	13,439	6,623	3,088	3,098	6,056	4,067	2,071	38,442
2023	2028	432.20	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			78,425	44,744	14,520	23,757	33,075	20,064	11,073	225,658
Percentage potential share of voting rights options			0.21%	0.12%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	0.61%

* Purchase ratio 1 share for 1 option

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

* Purchase ratio 1 share for 1 option

As of 31 December 2018, there were no outstanding loans or credits between the company and the members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

8. SUMMARY OF SHARE AND OPTION PLANS 2018

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

In 2018, employees, management and the members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 17** of the consolidated financial statements (participation plans). Under the three different **share plans**, a total of the following numbers of shares were allocated.

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan 2018 (ESPP)	2020	2,518	18,327	280.95
Management share purchase plan 2018 (MSPP)	2021	101	9,448	432.20
Directors programme 2018	2022	7	3,199	432.20
Total			30,974	

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

In 2018, Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under the two different option plans, a total of the following numbers of options were allocated.

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2018 (MSPP)	2019–2022	2025	101	9,448	432.20
Option plan 2018 (MSOP)	2021–2023	2028	90	107,331	432.20
Total				116,779	

The fair value of the options granted in 2018 amounted to CHF 36.61 (MSPP) and CHF 39.29 (MSOP) at the respective grant date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price*	Expected σ volatility	Expected σ dividend yield	Contractual period	Risk free σ interest rate
	CHF	%	%	Years	%
Management share purchase plan 2018 (MSPP)	432.20	16.88	2.39	7	-0.09
Option plan 2018 (MSOP)	432.20	16.14	2.39	10	0.16

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

Costs resulting from share participation plans amounted to CHF 3.0 million in 2018 (previous year CHF 4.3 million); those for option plans totalled CHF 3.8 million (previous year CHF 3.2 million).

9. SUMMARY OF SHARES AND OPTIONS HELD BY EMPLOYEES AND MANAGEMENT AS OF 31 DECEMBER 2018

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

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2018, the Board of Directors, the Group Executive Board and the employees owned a combined total of 386,381 (previous year 362,011) shares, i.e. 1.0% (previous year 1.0%), of the share capital of Geberit AG.

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

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

The following movements took place in 2018 and 2017:

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

The options outstanding at 31 December 2018 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 5.5 years.

10. REPORT OF THE STATUTORY AUDITOR



PricewaterhouseCoopers AG
Birchstrasse 160
CH-8050 Zürich
Telephone +41 58 792 44 00
Fax +41 58 792 44 10
→ www.pwc.ch

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

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING ON THE REMUNERATION REPORT 2018

We have audited the accompanying → **remuneration report** of Geberit AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 6 to 9 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Geberit AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'B. Inauen'.

Beat Inauen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Knöpfel'.

Martin Knöpfel
Audit expert

Zurich, 11 March 2019