

Annual Report 2006

Financial Highlights

		2006	2005
Sales	MCHF	2,183.5	1,922.9
Change on previous year	%	+13.6	+0.8
Operating profit (EBIT)	MCHF	482.2	366.9
Margin	%	22.1	19.1
Net income	MCHF	355.0	262.5
Margin	%	16.3	13.7
Operating cashflow (EBITDA)	MCHF	569.1	455.9
Margin	%	26.1	23.7
Net cashflow	MCHF	454.2	366.6
Margin	%	20.8	19.1
Finance costs, net	MCHF	16.3	17.2
Research and development expenses	MCHF	44.3	43.5
In % of sales	%	2.0	2.3
Earnings per share	CHF	88.55	64.09
Earnings per share, adjusted*	CHF	88.55	64.72
Capital expenditure	MCHF	81.3	79.5
Number of employees	31.12.	5,269	5,162
Annual average		5,199	5,237
Sales per employee	TCHF	420.0	367.2
		31.12.2006	31.12.2005
Total assets	MCHF	2,010.7	1,946.6
Cash and cash equivalents	MCHF	182.4	180.0
Net working capital	MCHF	138.1	120.8
Property, plant and equipment	MCHF	533.9	528.3
Goodwill and intangible assets	MCHF	825.1	812.4
Corporate debt	MCHF	323.1	393.4
Equity	MCHF	1,065.9	958.0
Equity ratio	%	53.0	49.2
Gearing	%	13.2	22.3

* Adjusted for amortization of goodwill

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Surprising Findings

You've never looked at Geberit products in this way! In this annual report, we present views of aesthetic details of our products to you. What does it look like? What is behind it? What surprising analogies to nature or architecture can be drawn from the lines and shapes of our products? You can find an overview of the images compositions and their resolution on pages 108/109.

To our Shareholders

Ladies and gentlemen

The Geberit Group has met all objectives in the past financial year, in fact, the ambitious sales and earnings goals have even been exceeded. The consolidated sales of the Geberit Group reached a new high of CHF 2,183.5 million in 2006. This corresponds to a growth factor of 13.6%. The organic growth is even 16.0%. The operating profit increased by 31.4% to CHF 482.2 million. Net income increased by 35.2% to CHF 355.0 million.

Based on the once again very pleasing result, the Geberit Group also shows a very solid and healthy basis in regard to the balance sheet. The equity ratio increased to a respectable 53.0%.

The 2006 economic success of the company is due to the interaction of various individual positive factors. For example, the very friendly global climate in the building industry facilitated our business activities and that not only in individual markets but also in a broad geographical area. The generally two-digit growth rates highlight this fact. Thanks to the healthy demand, the production plants reached a very high capacity utilization. The attractiveness of our product range was further increased by the introduction of a number of new products. In addition, the Balena shower toilet business enjoyed an increased international exposure.



In consideration of this very pleasing development of our company, we once again wish to increase the distribution to our shareholders. At the annual general meeting, the Board of Directors will propose a dividend of CHF 40 per share.

Upon the retirement of Randolph Hanslin from the Group Executive Board, Dr Michael Reinhard assumed the Group Division Products. The new member of the Group Executive Board, Bernd Kuhlin, as his successor, assumed the Group Division Sales as of December 1, 2006. This successfully concludes the generation change in the operational management.

At the annual general meeting 2006 two new members, Randolph Hanslin and Hans Hess, were elected to the Board of Directors. From now on, after the retirement of Rudolf Maag, the Board of Directors has six members.

We owe the excellent result of the 2006 financial year to the outstanding commitment, competence and motivation of the employees in our Group companies in approximately 40 countries. This occasion calls for a big thank you to them for their valuable performance.

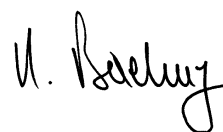
We would again like to extend special thanks to our customers in the commercial and trade sectors for their confidence in our products and services.

Our thank you also is addressed to you, our esteemed shareholders, for the continuing confidence in the capacities of our company.

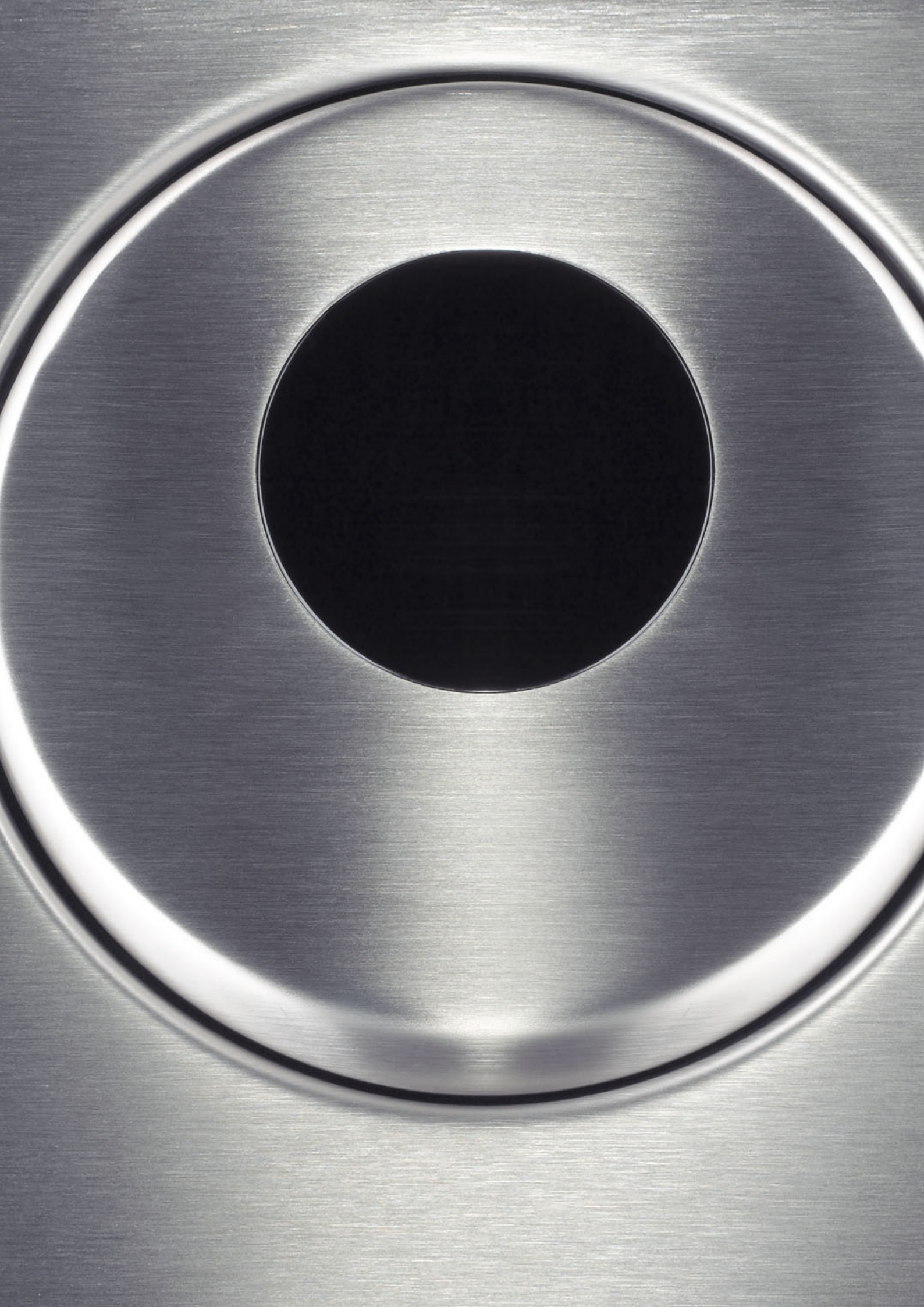
We are optimistically facing the 2007 financial year. We are expecting additional growth in most markets. Notwithstanding the overall favorable economic indicators, continued efforts are required in 2007 to allow us to expand on last year's success. This includes additional high expenditures for research and development, as well as the advancement of our employees. Thus, we are creating the basis for continuing to control the corporate development in a sustainable and positive manner.

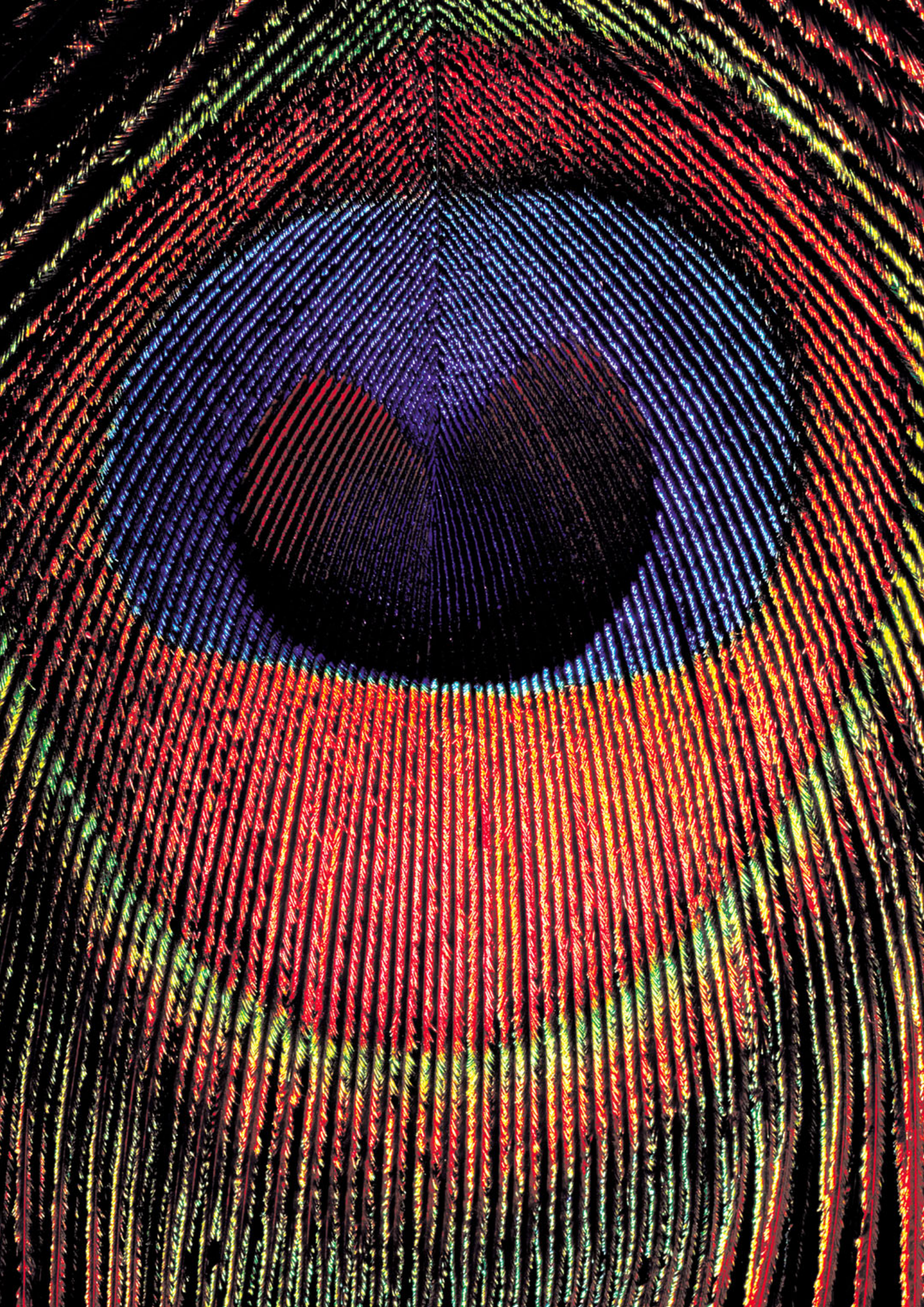


Günter F. Kelm
Chairman of the Board

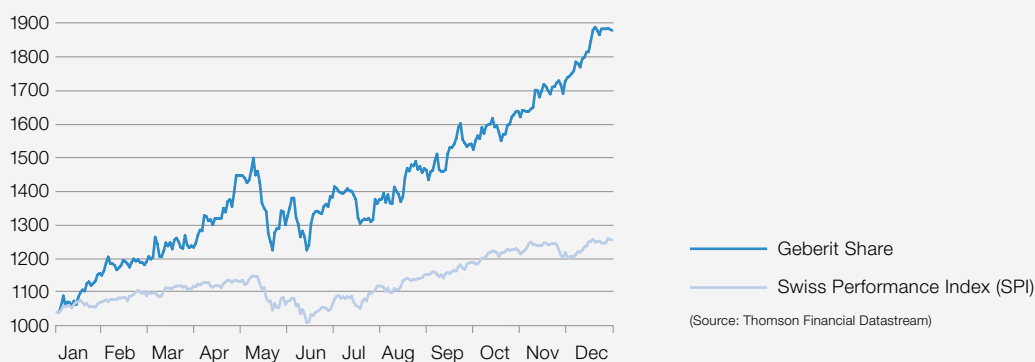


Albert M. Baehny
Chief Executive Officer (CEO)





Share price development (January 1 until December 31, 2006)



Investor Information

Share price performance in the year under review

In the trading year 2006, the price of the Geberit share recorded a very satisfactory development. Following a level of CHF 1,040 as of the year-end 2005, the share price continuously rose to about CHF 1,500 in the wake of the positive business development. In the months of May and June, a short-lived deterioration of market conditions as well as profit takings resulted in temporarily lower prices. However, due to the Company's convincing results, the share price recovered and, after a strong upward trend in the second half-year, experienced an 80.6% increase and closed at CHF 1,878. The Swiss Performance Index (SPI) rose by 20.7% during that same period. Over the last five years, the rise in value averaged 38.3% per year. The Geberit Group's market capitalization reached CHF 7,813 million as of the end of 2006.

Under the share buyback program resolved in early 2006, 139,100 shares were repurchased for a total amount of CHF 179.0 million by the end of the year. This corresponds to an average price per share of CHF 1,287. No decision has been made as yet concerning the utilization of the repurchased shares.

The Geberit shares are listed on the Swiss Exchange (SWX) but may also be traded in the over-the-counter markets on the Frankfurt, Stuttgart, Munich and Berlin-Bremen stock exchanges.

At the end of 2006, the free float, as defined by SWX, was 100%.

Distribution

The Board of Directors of Geberit AG will propose a dividend of CHF 40.00 at the general meeting on April 26, 2007, which corresponds to a rise in the per share distribution of CHF 15.00 or 60.0%. As such the shareholder-friendly dividend policy shall be continued. This marked increase also reflects the very good development of results in the year under review. The net income distribution rate of 45.2% after adjustments for goodwill amortization is again within the 30 to 50% range as defined by Geberit's stock exchange listing.

Distribution

(CHF per share)

	2006	2005	2004	2003	2002
Dividend	40.00	25.00	22.00	17.00	5.00
Repayment of par value					9.00
Total	40.00	25.00	22.00	17.00	14.00

Subject to the shareholders' approval, the dividend shall be paid on May 2, 2007.

Time schedule

2007	
Interim report first quarter	April 25
General meeting	April 26
Dividend payment	May 2
Half-year results	August 9
Interim report third quarter	November 6

2008	
First information on the year 2007	January 17
Media and analysts' conference	March 13
Interim report first quarter	April 29
General meeting	April 30
Dividend payment	May 6
(Subject to minor changes)	

Communication

Via the internet (www.geberit.com), Geberit simultaneously publishes current and comprehensive information for all market participants and interested parties, including ad-hoc publications. Among other things, the current version of the investor presentation is available on the internet at any time. In addition, interested parties may add their names to a mailing list in order to receive the most recent information relating to the Company.

CEO Albert M. Baehny, CFO Roland Iff and Head of Corporate Communications Roman Sidler are in charge of the ongoing communication with shareholders, the capital market and the general public. Contact details may also be found on the internet 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 under corporate.communications@geberit.com.

Major data relating to the Geberit share (as of December 31, 2006)

Registered shareholders	9,873
Capital stock (CHF)	4,160,180
Number of registered shares of CHF 1.00 each	4,160,180
Registered shares	2,763,221
Treasury stock:	
- Treasury shares	64,141
- Share buyback program	139,100
Total treasury stock	203,241
Stock exchange	SWX, Zurich
Swiss securities identification number	803822
ISIN code	CH-0008038223
Telekurs	GEBN
Reuters	GEBN.S

Key figures (CHF per share)	2006	2005
Net income	88.55	64.09
Net income, adjusted*	88.55	64.72
Net cashflow	113.30	89.50
Equity	265.88	233.89
Distribution	40.00	25.00

* Adjusted by amortization of goodwill

Board of Directors

Günter F. Kelm (1940), Chairman
Kurt E. Feller (1937), Vice Chairman
Randolf Hanslin (1942)
Dr Robert Heberlein (1941)
Hans Hess (1955)
Klaus Weisshaar (1938)

Klaus Weisshaar's term of office ends with the general meeting on April 26, 2007. Klaus Weisshaar will be available to serve on the Board for two more years, until he reaches the statutory retirement age.

The Board of Directors of Geberit AG consists of a maximum of seven members whose term of office is three years, the statutory retirement age is 70.

Personnel Committee

Kurt E. Feller (Chairman), Günter F. Kelm,
Dr Robert Heberlein

Audit Committee

Kurt E. Feller (Chairman), Günter F. Kelm,
Randolf Hanslin, Dr Robert Heberlein, Hans Hess,
Klaus Weisshaar

Randolf Hanslin

Klaus Weisshaar

Hans Hess

Günter F. Kelm

Dr Robert Heberlein

Kurt E. Feller



Group Executive Board

Albert M. Baehny (1952), Chief Executive (CEO)
Roland Iff (1961), Finance (CFO)
Dr Michael Reinhard (1956), Products
Bernd Kuhlin (1959), Sales

The Group Executive Board is responsible for the operational management of the company. The CEO and the members of the Group Executive Board are appointed by the Board of Directors and are responsible to it for the operational results of the Geberit Group.

The operational management structure of Geberit is divided into four divisions:

- the CEO division
- the Sales division
- the Product division
- the Financial division

The assignment of distinct responsibilities minimizes the number of interfaces. A strong, second management level supports the Group Executive Board. The structure takes into account the increasing globalization and is designed to continue augmenting the effectiveness of the Geberit Group in a changed environment.

Bernd Kuhlin joined the Group Executive Board on December 1, 2006 as of head of Group Division Sales, succeeding Dr Michael Reinhard, who became the new Head of Group Division Products.

You will find a graphic illustration of the management structure on pages 12/13 of this report.

Bernd Kuhlin

Roland Iff

Albert M. Baehny

Dr Michael Reinhard



Management Structure

January 1, 2007

Board of Directors

Chairman: Günter F. Kelm, Vice Chairman: Kurt E. Feller

Chief Executive Officer

Albert M. Baehny

Corporate Communications

R. Sidler

Marketing

M. Schumacher

Human Resources

R. Held

Environment/ Sustainability

R. Högger

North America

W. Christensen

Far East/Pacific

F. Aepli

China

F. Aepli*

Singapore

E. Foo

Australia

C. Stauber

Sales

Bernd Kuhlin

Germany

Dr K. Spachmann

Italy

R. Fumasoli

Switzerland

R. Vincenz

Shower Toilet Balena (CH)

T. Nüesch

Austria

A. Nowak

United Kingdom

M. Hürlimann

Netherlands

M. Portengen

Luxembourg

J. P. Schintgen

France

V. Deflandre

Belgium

P. Forier

Nordic countries

L. Risager

Eastern Europe

A. Dobrut

Poland

A. Dobrut*

Czech Republic

J. Hornicek

Hungary

A. Lukács

Slovenia

M. Medved

Slovakia

V. Sedlacko

Spain

A. Campos

Portugal

J. Seabra

International Sales

F. Reimann

OEM

D. Grob

Industry

Dr M. Seidler

Products

Dr Michael Reinhard

Quality

R. Scheidegger

Corporate Purchasing

A. 't Gilde

Logistics

H. Kirsch

Technology

Dr R. Materna

Products

Sanitary Systems

E. Renfordt-Sasse

Installation Systems

M. von Ballmoos

Flushing Systems

M. Segieth

Public

C. Bartholet

Waste Fittings and Traps

T. Kiffmeyer

Project Manager Pool

E. Renfordt-Sasse*

Design and Application Engineering

E. Schibig

Production Sanitary Systems

H. Kirsch

Production Pfullendorf (DE)

D. Eismar/H. Kirsch

Production Lichtenstein (DE)

T. Schweikart/H. Müller

Production Weilheim (DE)

H. Kirsch*

Production Ruše (SI)

M. Urbancic

Production Matrei (AT)

J. Rapp

Büchler Toolings (CH)

M. Minikus

Products

Piping Systems

M. Ziegler

Building Drainage Systems

S. à Porta

Supply Systems

M. Schüpbach

Project Manager Pool

M. Ziegler*

Design and Application Engineering

P. von Flüe

Production Piping Systems

Dr F. Klaiber

Production Jona (CH)

B. Bünzli

Production Pottenbrunn (AT)

H. Schwarzl

Production Givisiez (CH)

M. Pittet

Production Aylesford (GB)

M. Hürlimann

Production Villadose (IT)

R. Prügl

Production Langenfeld (DE)

U. Wagner

Production Plants China (CN)

Dr F. Klaiber

Production Plants USA (US)

Dr F. Klaiber

Finance

Roland Iff

Controlling

W. Müller

Treasury

U. Theus

Internal Audit

D. Ochsenbein

Information Technology

P. Hartmann

Legal Services

Dr A. Riebel

Service, Finance and Holding Companies

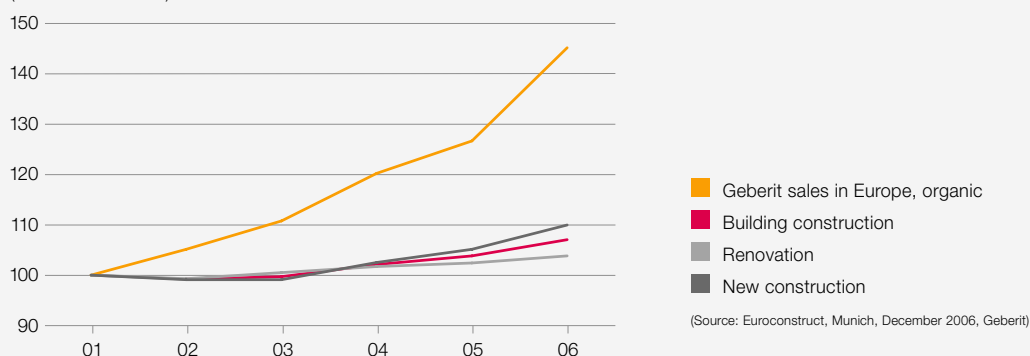
W. Frei/J. Haas

* Multiple functions





Building construction activities and Geberit sales in Europe 2001–2006
(Index: 2001 = 100)



Business and Financial Review

In 2006, the Geberit Group generated the best result in the Company's history and thus simultaneously continued a sequence of successful years. This success was supported by a broad geographic base, all Geberit markets made contributions to this positive development. The growth was substantially supported by the favorable economic framework conditions. Geberit was able to further strengthen its position as a leading manufacturer in the sanitary technology sector.

Positive economic framework conditions

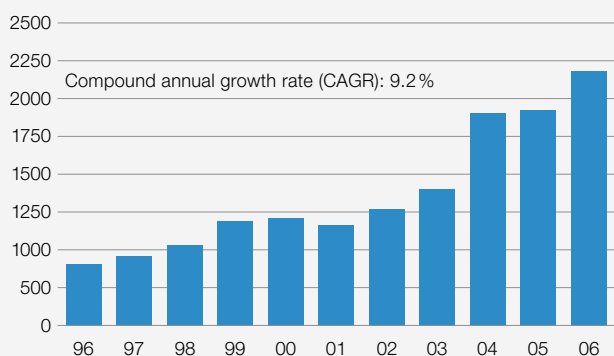
Although not equally pronounced, the economic situation in the construction industry was a gratifying one throughout the world.

According to estimates by Euroconstruct dated December 2006, the construction industry in **Europe** recorded the fifth year of growth in a row in the period under review. This growth was driven by a strong demand in the area of new residential construction and, although less pronounced, in the new commercial construction segment. The renovation market, where Geberit generates about 70% of its sales, also grew. In particular the renovation business in the residential construction market reported a marked recovery against the prior year. A comparison of these index developments with the performance of Geberit sales in Europe shows that, as in previous years, the Company significantly outperformed the industry environment.

In 2006, the gross domestic product (GDP) in the **USA** continued to experience a positive development with a 3.3% growth rate. Construction investments, on the other hand, stagnated at USD 1,180 billion (+0.1% against the prior year). The construction industry presented a mixed picture. While the private construction sector posted a negative development (-11.0%), an increase of 14.7% was reported for commercial construction activities, an area of relevance to Geberit.

Asia experienced a strong growth in gross domestic product of 8.1% which was, as in prior years, mainly driven by China with its 10.7% GDP growth. Construction investments in China in the year 2006 were in a similar growth corridor and thus continued to be at a very high level.

Group sales development 1996–2006
(in CHF million)



Two-digit sales growth

In the year 2006, the Geberit Group's sales rose to CHF 2,183.5 million (prior year CHF 1,922.9 million). This corresponds to a growth of 13.6% in Swiss Francs and 12.0% after currency adjustments. The organic growth amounted to 16.0% or 14.4% in local currencies.

12.2% of the 16.0% organic growth was due to higher sales volumes, 2.2% to price changes and 1.6% to positive exchange rate developments.

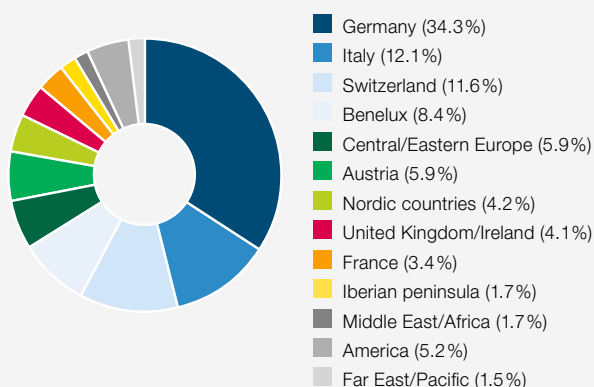
The convincing organic growth during recent years strengthened the medium-term sales trend. Over the last ten years, the average total growth was 9.2%, over the last five years even 13.4%.

Gratifying market development

The following sales developments by geographic markets relate to organic changes in local currencies.

The European markets significantly exceeded their prior year sales figures and posted a total growth of 14.5% in 2006. Two-digit increases in sales were generated in Central/Eastern Europe (+26.4%), the Iberian peninsula (+26.2%), the Nordic countries (+17.6%), Germany (+16.0%), Austria (+14.9%), the Benelux countries (+13.5%), France (+13.4%) as well as in Switzerland (+11.4%) and Italy (+11.2%). The United Kingdom/Ireland region further recovered in the fourth quarter and, on an accumulated basis, outperformed the prior year (+1.9%). The Middle East/Africa (+39.5%) and Far East/Pacific regions (+25.6%) reported impressive growth rates. America recovered from last year's decline (+4.1%). Thus the base of the Group's future sales growth further broadened. In addition to the high growth rates in the major European markets, the positive growth trends in many smaller markets continued.

2006 sales by markets



Growth in the product areas

In the year 2006, sales of CHF 1,210.7 million were generated in the product area **Sanitary Systems**, corresponding to a 14.6% growth. At 55.4%, the contribution of Sanitary Systems to total sales remained practically unchanged against the prior year (55.0%).

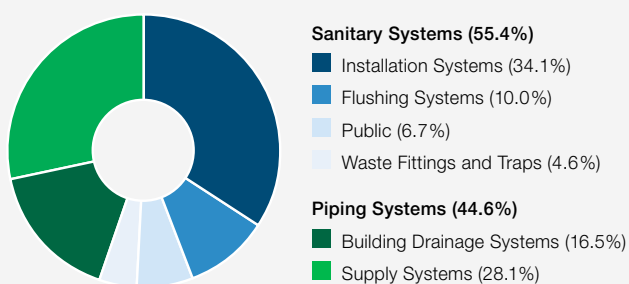
Installation Systems, the largest product line within Sanitary Systems, posted a marked increase of 19.0%. The contribution to Group sales rose to 34.1%. This substantial rise was primarily due to the increasing acceptance of the pre-wall concept in other markets. On the product side, mainly the drywall elements, the actuator plates and the concealed cisterns contributed to the most satisfactory development. Compared to this, the **Flushing Systems** product line, which contributed 10.0% to Group sales, recorded below-average growth of 8.6%. The continuing shift from exposed to concealed solutions (part of the product line Installation Systems) resulted in a decline in sales. On the other hand, the excellent business development in the area of shower toilets as well as filling and flushing valves made an over proportionate growth contribution. The share in Group sales of the **Public** product line reached 6.7%. Sales in absolute terms increased by 8.2% against the prior year, reflecting the recovery of the North American products which returned to the growth path in 2006.

Sales of urinal flushing systems experienced above-average growth. With a share in Group sales of 4.6%, the product line **Waste Fittings and Traps** posted a 6.8% increase. Compared to the previous year, the US business recovered and also contributed to the Group's growth. Good growth rates were again generated by the design-oriented washbasin trap launched in the previous year as well as by an OEM trap.

Sales of the **Piping Systems** product area in the period under review amounted to CHF 972.8 million, corresponding to a 12.3% increase. A comparison to the prior year is affected by the disinvestment of the Underground Piping Systems business in the year 2005. Therefore, the reported organic growth amounted to a satisfactory 17.7%. The contribution to Group sales was 44.6% (prior year 45.0%).

With a share in total sales of 16.5%, **Building Drainage Systems** recorded a rise of 11.0% which was supported by the entire product range. With a 21.9% increase, the **Supply Systems** product line generated the highest growth rate among all product lines. The contribution to Group sales amounted to 28.1%. In this context, the growth rates of the Mapress product range were outstanding. The multilayer piping system Mepla also posted a very positive development.

2006 sales by product areas and product lines



Significant currency effects

Accumulated currency gains contributed 1.6% to total sales growth. This was mainly due to the fact that the Euro grew continuously stronger against the Swiss Franc in the course of the year. Positive currency effects also resulted from the US-Dollar, Pound Sterling and Polish Zloty.

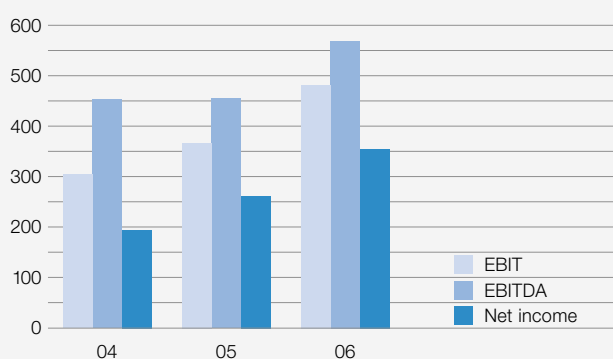
In 2006, Geberit generated 69% of its sales in the Euro zone. 6% of sales were generated in US-Dollars and 4% in Pounds Sterling. The currency risk is limited since sales are matched by corresponding expenses and loan repayments in the same currencies. The remaining currency risk of about CHF 140 million, thereof approximately CHF 45 million in Euro, is partially hedged by futures.

No acquisitions/disinvestments in 2006

In the year under review, the Geberit Group did not acquire and sell any enterprises.

In connection with the disinvestment of the product line Underground Piping Systems during the year 2005, sales were reduced by CHF 17.2 million. As of the end of 2005, these activities were completed as planned. An amount of CHF 39.9 million from the disinvested business was still included in the 2005 sales figures. Therefore, the 2005 sales were adjusted by that amount in order to present the organic sales development.

EBIT, EBITDA, Net income 2004–2006
(in CHF million)



Profitability hits new historical high

The Geberit Group was again able to outperform its convincing prior year figures and to achieve new record results. Sales growth, efficient cost management at all levels, disinvestments of low-margin operations as well as lower tax expenses made significant contributions to this increase.

The operating cashflow (EBITDA) rose by 24.8% against the prior year to CHF 569.1 million. This corresponds to an EBITDA margin of 26.1% (prior year 23.7%), the highest level in the Company's history. Thus the average EBITDA growth of 11.8% markedly exceeded the corresponding rise in sales of 9.2% over the last decade. The operating profit (EBIT) grew by a significant 31.4% to CHF 482.2 million. The EBIT margin amounted to 22.1% (prior year 19.1%).

Net income rose by 35.2% to CHF 355.0 million. The return on sales thus amounted to 16.3% (prior year 13.7%). Earnings per share of CHF 88.55 were generated (+38.2% against the previous year). The effects of the share buyback program on earnings per share were negligible.

Operating expenses under control

As a result of higher sales and customer discounts, sales deductions rose by 18.4% to CHF 334.8 million. At 15.3% (prior year 14.7%), the share of sales deductions in Group sales increased once again.

Total operating expenses in 2006 amounted to CHF 1,366.5 million (prior year CHF 1,273.3 million), corresponding to a 7.3% increase. As a percentage of sales, operating expenses further declined from 66.2% in the previous year to 62.6%. This decrease was mainly due to volume effects resulting from the gratifying sales performance. Further optimized processes and cost awareness also contributed to this positive development.

Cost of materials amounted to CHF 634.5 million, a 9.3% increase against the prior year. At 29.1% of sales, this figure was below the prior year level of 30.2%. The effects of rising raw material prices were largely controlled through selective measures. In addition, the disinvestment of the product line Underground Piping Systems at the end of the previous year had a positive impact on the relative cost of materials. Personnel expenses rose by 5.7% to CHF 442.3 million or 20.3% of sales (prior year 21.8%).

At CHF 76.9 million (prior year 75.8 million), depreciation remained practically unchanged. Amortization of goodwill and other intangible assets decreased from CHF 13.2 million in the previous year to CHF 10.0 million. The higher prior year figure was due to a extraordinary amortization of goodwill in 2005 in connection with the restructuring of the US operations. Other operating expenses rose by 9.3% to CHF 202.8 million in the wake of volume-related increases in energy, maintenance and repair costs as well as intensified marketing activities. However, in relative terms, a decline from 9.6% in the previous year to 9.3% was posted.

Net income at record level

In the year under review, Geberit generated net income of CHF 355.0 million (prior year CHF 262.5 million). This corresponds to a marked increase of 35.2%.

At CHF 16.3 million, net financial expenses were slightly below the prior year figure (CHF 17.2 million). The reduced net interest expense resulting from the lower amount of debt was practically offset by currency losses incurred.

Due to the higher pretax result, tax expenses rose from CHF 89.7 million to CHF 110.9 million. The tax rate, however, decreased from 25.7% in the prior year to 23.8% in the year under review. This was mainly due to a reduced corporate tax rate, effective as of 2007, at the Group's head office in Switzerland that already had an impact in 2006.

Another rise in cashflow

Mainly as a result of the higher operating cashflow (EBITDA), the net cashflow of CHF 454.2 million exceeded the relevant prior year figure by 23.9%. This corresponds to a cashflow margin of 20.8% (prior year 19.1%). As a consequence of the rise in net cashflow and despite the slightly negative impact of net working capital and higher investments in property, plant and equipment, the free cashflow again rose over the already impressive prior year figure by 22.6% to CHF 355.9 million. From such free cashflow, distributions to shareholders of CHF 101.5 million were made, shares in the amount of CHF 179.0 million were repurchased in connection with a share buyback program and debt was repaid.

Sound financial base

Thanks to another rise in free cashflow, the Geberit Group further strengthened its balance sheet structure as of the end of 2006. Debt was reduced by CHF 70.3 million to CHF 323.1 million. Consequently, net debt also posted a decrease of CHF 72.7 million to CHF 140.7 million.

As of the year-end 2006, the equity ratio amounted to a very sound 53.0% (prior year 49.2%). In terms of average equity, the Group was able to increase its return on equity to 35.8% in the year under review (prior year 29.1%). The gearing (net debt/equity) improved from 22.3% in the previous year to 13.2% as of December 31, 2006.

The Group's liquidity situation was comfortable. In addition to liquid funds in the amount of CHF 182.4 million, the Group had access to undrawn operating credit facilities of CHF 429.1 million as of December 31, 2006.

Debt (in CHF million)

	12/06	12/05	12/04
Long-term debt	308.4	344.0	531.7
Total debt	323.1	393.4	535.3
Cash and cash equivalents	182.4	180.0	81.6
Net debt	140.7	213.4	453.7

As of December 31, 2006, the Geberit Group held 203,241 own shares in treasury of which 139,100 related to the share buyback program expired in January 2007. No decision has yet been made as to the use of the shares so repurchased. The remaining number of treasury shares of approximately 64,000 is mainly earmarked for share participation plans.

Total assets increased from CHF 1,946.6 as of the end of the prior year to CHF 2,010.7 million at the end of 2006. Net working capital rose slightly by CHF 17.3 million to CHF 138.1 million. Goodwill and intangible assets increased to CHF 825.1 million (prior year CHF 812.4 million), property, plant and equipment to CHF 533.9 million (prior year CHF 528.3 million).

Invested operating capital, comprising net working capital, property, plant and equipment as well as goodwill and intangible assets, amounted to CHF 1,497.1 million (prior year CHF 1,461.5 million) as of the end of 2006. The return on operating assets, expressed as the ratio of operating profit before amortization (EBITA) to average invested operating capital, amounted to 31.7% (prior year 24.6%) in the year under review.

Level of investments continues to be high

In 2006, investments in property, plant and equipment and intangible assets amounted to CHF 81.3 million, a rise by CHF 1.8 million or 2.3% against the prior year. As a percentage of sales, the investment ratio in the year under review was 3.7 %.

Expenditures for property, plant and equipment (in CHF million)

	2006	2005	2004	2003	2002
	81.3	79.5	87.8	69.8	59.6
In % of sales	3.7	4.1	4.6	5.0	4.7

The bulk of investments – approximately 65 % – in 2006 was required for the ongoing replacement of property, plant and equipment and about 10% for the procurement of tools and equipment for new products. About one quarter of the expenditures were used for the expansion of existing production capacities.

Substantial amounts were used for the replacement of production facilities, mainly at the Pfullendorf (DE) and Langenfeld (DE) locations, as well as for the procurement of tools and molds. Funds were also invested in a software upgrade for the Group's logistics center in Pfullendorf (DE).

Sustainable foundations for growth

Strategic focus on sustainability

At Geberit, above-average economic success, environmentally friendly actions and social balance are not considered to be conflicting concepts. Sustainability is rather seen as an opportunity to break new ground, to always remain innovative and to distinguish oneself in the market. Sustainable entrepreneurship is an important strategic goal that is actively implemented, from research and product development activities through customer relationship management, staff management and production to social commitment. In the following paragraphs, the initiatives for sustainable management can only be referred to briefly. More detailed information will be set forth in the Geberit Group's second Sustainability Report which will be published in 2007 and is based on the internationally leading standards of the Global Reporting Initiative (GRI). In addition, further details will be disseminated via the internet at the time of the report's publication.

To Geberit, sustainability *inter alia* means to support the maintenance of high standards for ethical management through measures for the prevention of corruption and breaches of competition regulations. Similar principles apply in the procurement area: systematic risk management activities include the scrutiny of environmental and social aspects with respect to all new suppliers as well as periodically for the most important suppliers. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group (for details see Corporate Governance section, part 3, "Information and Control Instruments vis-à-vis the Group Executive Board"). All these measures diminish the entrepreneurial risk and help to protect the shareholders.

The efforts relating to sustainable management are recognized by the capital market. Geberit is well represented in the still relatively small but strongly growing segment of sustainability indices and sustainability funds. The Geberit share is a component of the Dow Jones Sustainability Index (DJSI STOXX) as well as of the Ethibel Sustainability Index (ESI). Renowned sustainability funds hold the shares in their portfolios. Geberit intends to continue to play an important role in the steadily growing investment segments "sustainability" and "water".

Farsighted research and development activities

The "commitment to innovation" is an important pillar of the Geberit strategy. The innovation strength, which is above-average when compared to the industry sector, is to help ensure the Group's long-term success. Successful research and development activities (R&D) are the prerequisite for this. In the year under review, Geberit invested CHF 44.3 million or 2.0% of its sales in the future of its product range and thus fell slightly below the long-term average. This was mainly due to the over proportionate growth in the less R&D-intensive piping systems area. 18 patent applications were filed in 2006 and a total of just under 100 during the last five years.

R&D expenditure (in CHF million)

	2006	2005	2004	2003	2002
	44.3	43.5	43.4	35.7	30.1
In % of sales	2.0	2.3	2.3	2.5	2.4

All new product developments at Geberit undergo a structured innovation and development process. This process ensures that the creative potential of ideas is used to the optimum and that the development activities focus on the needs of the market. In the wake of the internationalization process, R&D competence centers were established in China and the USA. The focus of all new product developments is on the customer benefit and the system approach. In addition to high quality and longevity, new products also stand for the economical use of water in combination with the highest possible level of hygiene.

In the year under review, Geberit primarily launched optimized products in the market. Even proven products may be developed further and improved, whether in terms of functionality or integration into a comprehensive system. These include the Duofix wall-hung WC element or the Duofix system. Since 2006, Geberit has also offered new solutions for shower waste, a concealed washbasin trap, for the rapid connection of sanitary equipment to the drainage pipe as well as a adaptable shower toilet module. In addition, the product range was supplemented with additions to the Mepla, Mapress and Silent-db20 piping systems. Optimized processing tools, system valves and additional fittings inter alia enable simpler and faster processing by the plumber.

In 2007, a number of new products will be launched in the market, for example, a new electronic lavatory tap which is most convincing due to its high degree of operational safety and its various design options, a new actuator plate made of high-quality die-cast material as well as a space-saving WC installation element for simple and fast installation. The adaptable shower toilet module introduced in the Swiss market in 2006 will also be marketed internationally from 2007 onwards. Furthermore, products serving to improve drinking water hygiene and to optimize fire protection will be launched. Also the range of system taps will be expanded in the Swiss market. As every year, the new product launches will be complemented by additions to the multilayer and steel piping systems.

Optimal market cultivation of great importance

Geberit's main focus is on organic sales growth to ensure the Group's long-term success. A prerequisite for this is to increase the market penetration in the existing markets and to develop new markets in a targeted manner. Against this background, great importance continues to be attached to the optimization of market cultivation. About 500 technical advisors working in the field are in daily contact mainly with plumbers, planners and architects. In the year under review, about 30,000 customers received training and further education on Geberit systems and software tools at the approximately 25 information centers in Europe and overseas. In addition to many customer events of the local sales companies, the numerous trade exhibitions attended by Geberit in 2006 served as a platform for maintaining customer contacts and communicating innovation strength. The most important of these were the "Consumenta" in Nuremberg (DE), "Mostra Convegno" in Milan (IT), "Wohnen & Interieur" in Vienna (AT), "KBB" in Birmingham (GB), "VSK" in Utrecht (NL), "Batibouw" in Brussels (BE), "SHK" in Brno (CZ), "Kitchen/Bath Industry Show" in Las Vegas (US) and "Kitchen & Bath China" in Shanghai (CN).

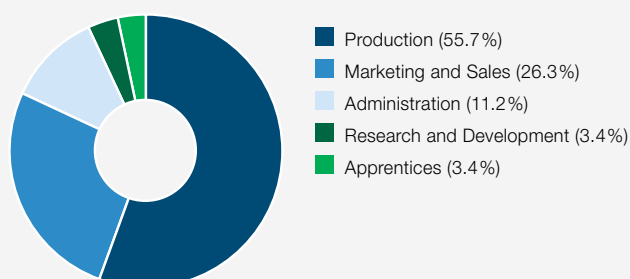
Clear value added for customers

In 2006, Geberit made further efforts to optimize market and customer orientation. The needs and requirements of the customers were even more consistently reflected in the further development of product-market strategies. To this end, the approach of the target groups of architects and investors was intensified. With respect to overall strategic growth issues, the cooperation between the central departments and the sales companies was strengthened. The goal was to jointly define and implement marketing campaigns. Thus the stronger internationalization of business and the need to take advantage of synergies were taken into account and marketing efficiency was enhanced further.

Competent and motivated employees

As of the end of 2006, the Geberit Group employed a workforce of 5,269 worldwide, an increase of 107 employees or 2.1% compared to the end of the prior year. Intensified sales activities in the German market but primarily also the increase in production capacities in China as well as at the plant in Slovenia contributed to this growth. This increase was partially offset by staff reductions resulting from disinvestments in the Underground Piping Systems product line and optimization measures in the USA. Based on the average number of staff of 5,199, sales per employee amounted to CHF 419,988 or 14.4% more than in the previous year.

Employees 2006 by business process (as of 31.12.)



Employees by country (as of 31.12.)

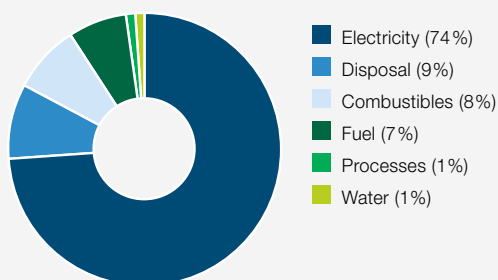
	2006	Share in %	2005	Share in %
Germany	1,985	38	1,944	38
Switzerland	1,031	19	1,006	19
China	577	11	505	10
Austria	434	8	436	8
USA	281	5	317	6
United Kingdom	224	4	228	4
Slovenia	186	4	154	3
Italy	97	2	134	3
Denmark	26	1	27	1
Others	428	8	411	8
Total	5,269	100	5,162	100

In the breakdown of employees by business process, the percentage in the marketing and sales area rose (from 25.9% to 26.3%), while the administration percentage declined (from 11.8% to 11.2%). The production percentage (55.7%), that of research and development (3.4%) and of apprentices (3.4%) remained practically unchanged.

Permanent training and further education promotes the personal development potential of each individual employee and the overall competence of the Geberit team. An introduction program offering a “basic course” for new staff, further education programs with a technological focus as well as on management competences help achieve this goal. On the average, the employees attended about 13 hours of training and further education events in 2006. In addition, 177 apprentices received their training at Geberit.

The Geberit values – integrity, team spirit, enthusiasm, modesty and the ability to renew oneself – are major pillars of success. The new corporate guidelines – the “Geberit Compass” – presents these values together with the vision and mission as well as the management principles. The Code of Conduct, which is also newly developed, applies these values and management principles to the daily work. It will be introduced in 2007 and communicated to all employees. Thus the existing anti-discrimination, anti-corruption and fair competition regulations are summarized in binding form. The rights of employees are protected by an unambiguous, value-based management, thereby minimizing the relevant risks for the entire enterprise.

Distribution environmental impact 2006



Environmental protection as a quality feature

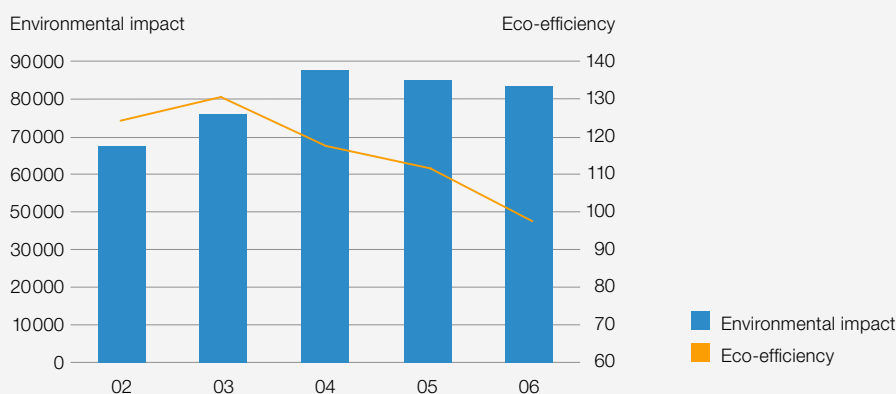
Under firmly established environmental principles, Geberit is committed to the careful use of water, energy and other resources. The goal is to improve and review the environmental performance on an ongoing basis in order to further expand the traditional leadership in the sanitary industry. The work of the Company has an impact on the environment at various levels. At the production plants, the focus is on the steady optimization of the energy consumption. In 2006, all of the Group's 17 plants used about as much electricity as a small town with 15,000 inhabitants. However, the by far greatest impact on the part of Geberit on the energy consumption results from improvements relating to the use of the products manufactured by the Company, in particular WC flushing systems. The cisterns produced in 2006 will in the aggregate consume about 16 times as much energy during their entire lifecycle – for the supply and disposal of the water used – as the production plants during one year. Therefore, water-saving systems constitute a central sustainability issue at Geberit to be solved with innovative, know-how intensive products with low water consumption. The increasing importance of water to the global development will also open up excellent business opportunities for the Company in the future.

Environmental issues are an integral part of customer training events at the training centers. Thus Geberit makes an active contribution towards the dissemination of know-how among customers and at the same time is given an optimal opportunity, for example, to communicate the advantages of its own water-saving products in the market.

In absolute terms, the environmental impact in the production area slightly decreased throughout the Group in 2006. As the value added during the same period rose by 15%, the relative environmental impact (eco-efficiency) improved accordingly. Environmental management competences in the production area were further expanded. Since January 1, 2007, Geberit has been the holder of a combined Group certificate in quality and environment pursuant to ISO 9001 and ISO 14001.

Environmental aspects are taken into account in product developments in an early project stage. For example further developed electronic controls enhance hygiene while simultaneously permitting water savings up to 30%. Automatic flushing and touchless lavatory taps in public toilets meet a strongly growing need. In this area, Geberit consistently translates its existing know-how into new products.

Development environmental impact/eco-efficiency 2002–2006



Commitment to public welfare

Geberit promotes quality of life through innovative products and thus the focus of its social commitment also is on innovation and quality of living. Criteria for strategic public welfare projects are the proximity to the core business and know-how as well as the Geberit culture. Geberit supports among others the UN millennium target of global access to clean drinking water and basic sanitary facilities. In addition to efforts towards more hygienic accommodation for young workers in Cambodia and the reconstruction of Indonesian infrastructure facilities, simple water filters for the local population are, for example, produced with Geberit products in Vietnam. Via such activities, Geberit makes a positive contribution to the public welfare and, on the other hand, receives information with respect to the needs of end-users in the sanitary area.

Unchanged reporting entity in 2006

No new companies were added to the Geberit Group's scope of consolidation in the year under review.

The disinvestment of the product line Underground Piping Systems was completed as of the end of 2005 as planned. 2005 Group sales included CHF 39.9 million from disinvested operations.

Ambitious medium-term goals

Geberit has set itself the target of establishing the standards in the sanitary technology worldwide and supporting them in the long term through sustainable actions. This management approach is to be reflected inter alia in a sales growth above the industry average. In organic terms, sales are projected to grow between four and six percent per annum. Additional growth through acquisitions is not precluded. However, any potential acquisition will have to satisfy strict strategic and financial requirements. Generally, Geberit is aiming at achieving its sales targets while at the same time maintaining its industry leadership in terms of profitability – EBITDA margins between 23 and 25% – and the ability to generate high cashflows.

Clear strategy

The strategy for the achievement of the defined goals is based on a proven, focused business model. The four strategic pillars, “Focus on sanitary technology”, “Commitment to innovation”, “Selective geographic expansion” and “Continuous business process optimization”, are lived on a daily basis by our highly motivated and qualified employees.

Geberit will continue to focus on sanitary technology, relying on the traditional three-tier sales channel. The Company's concentration is on those business areas in the sanitary industry where own profound know-how and core competences are available. The activities focus on sanitary systems and technologies for the transport of water in buildings. High-quality, integrated sanitary technology solutions are offered for this purpose.

For Geberit, the ongoing optimization and supplementing of its product range are vital for its future success. Innovation strength is based on basic research in areas such as hydraulics, statics, fire protection, hygiene or acoustics. The insights gained are systematically implemented in the development of products and systems for the benefit of customers.

The accelerated penetration of markets such as France, the United Kingdom, the Iberian peninsula, Eastern Europe and the Nordic countries is an important factor for long-term success. Outside Europe Geberit concentrates on approaching the most promising markets which are the following: North America, China, Singapore, South Korea, Australia and the United Arab Emirates. In these regions the Company mainly operates in the project business, except for North America. In this context, the existing high standards with respect to quality and profitability are always complied with.

Another focus relates to business processes. Through continuous process optimizations, Geberit intends to ensure a leading, competitive cost structure in the long term. This is achieved, on the one hand, via Group-wide projects and, on the other hand, employees are identifying potential improvements in everyday work and thus are able to make a major contribution towards a positive development.

Outlook 2007

Geberit anticipates that the currently positive economic framework conditions in Europe and the sound immediate industry environment will only experience a slight weakening in 2007. The Company is confident of being able to successfully cope with market challenges. The increasingly broader geographic base should be accordingly reflected in sales. The major European markets Germany, Italy, Switzerland and Austria will continue to have a strong impact on the development of sales. In addition, markets such as the United Kingdom, France, the Nordic countries, the Iberian peninsula, Eastern Europe, the Middle East and Asia, however, also offer further growth potential. Therefore, the Geberit success story is likely to continue. The projected weakening of the US economy – in particular in the building sector – should only have a minor impact on the Company's development due to its limited direct correlation. Also the strategic realignment in the USA is expected to create additional growth impetus.

With respect to cost of materials, Geberit expects that the prices of raw materials relevant to the Company will remain at a high level.

With a powerful and market-oriented organization, experienced and highly motivated executives and employees as well as many new product ideas, Geberit wants to continue its close and trusting cooperation with its market partners in both the commercial and trade sectors in the future.

In summary, Geberit is convinced that it will be able to build on its past success in the current year 2007. The Company expects solid sales growth within the medium-term target range, operating results on a high level and an over proportionate increase in earnings per share.









Corporate Governance

1. Group structure and shareholders

Group structure

The operational Group structure is shown in the diagram on pages 12/13 ("Management Structure").

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalization, Swiss securities identification number and ISIN number please refer to pages 6/7 ("Investor Information").

The Group's consolidated subsidiaries are listed in the Notes to the Consolidated Financial Statements, Note 31. The scope of consolidation does not include any listed companies.

Significant shareholders

Shareholders holding equity interests in excess of certain percentages are required to be disclosed under the Federal Act governing the Swiss Stock Exchange.

On May 4, 2006, Capital Group Companies, Inc. (USA) reported that they fell below the 5 % threshold.

Cross-shareholdings

In terms of equity interests or voting rights, the Geberit Group has no cross-shareholdings with any other companies.

2. Capital structure

Capital

Ordinary capital:	MCHF 4.16
Conditional capital:	MCHF 0.2
Authorized capital:	–

For more details, please refer to the following sub-chapters.

Conditional and authorized capital details

For conditional capital details, please refer to the Financial Statements of Geberit AG, page 103, 1.6, as well as to the articles of incorporation Art. 3a. The general meeting on April 22, 2004 approved the creation of a conditional capital amount of up to a maximum of CHF 200,000 regarding the exercise and/or conversion of option rights issued in connection with convertible bonds or other financial market instruments. Shareholder stock subscription rights relating to conditional capital as well as, subject to certain conditions, bonds or other financial market instruments with conversion and/or option rights can be excluded. On the occasion of their May 5, 2004 resolution regarding the convertible bonds, the Board of Directors agreed to exclude the shareholders' pre-emptive conversion right in accordance with the regulations of the articles of incorporation.

As of December 31, 2006, 180 shares had been issued from conditional capital.

As of December 31, 2006, the Geberit Group had no authorized capital.

Changes in capital

Geberit AG's changes in capital were as follows:

	31.12.2006	31.12.2005	31.12.2004
	CHF million	CHF million	CHF million
Capital stock	4.2	4.2	4.2
Reserves	672.9	632.7	612.7
Retained earnings	311.5	146.9	119.9

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this annual report 2006 (consolidated statements of equity, Note 19 [equity]), to the information in the Financial Statements of Geberit AG (pages 98-105) as well as to the 2004 figures in the 2005 annual report (Geberit Group's Consolidated Financial Statements: consolidated statements of equity, Note 19 [equity]; Financial Statements of Geberit AG: pages 89-95).

Shares, participation and profit sharing certificates

The share capital of Geberit AG is fully paid-in and amounts to CHF 4,160,180. It is divided into 4,160,180 registered shares with a par value of CHF 1.00 each. Each share carries one vote in the general meeting.

No participation and profit sharing certificates of the Geberit Group are outstanding.

Limitations on transferability and nominee registrations

The Geberit Group has not imposed any limitations on the transferability of its shares.

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. The articles of incorporation provide for the registration of a maximum of 3% of the shares held by nominees, which may be permitted by the Board of Directors. The Board of Directors may register nominees as a shareholder 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.

Convertible bonds and warrants/options

On June 14, 2004, Geberit AG issued convertible bonds in the amount of CHF 170 million with a 6-year maturity and a 1% interest rate. Further information is set forth in the Notes to the Consolidated Financial Statements of the Geberit Group (Note 12 [long-term debt]) and in the Notes to the Financial Statements of Geberit AG (pages 101/102, 1.2).

No options were issued to any external parties. For further details on options granted to employees, please refer to the Geberit Group's Consolidated Financial

Statements, Note 15 ("Option plans"), and to item 5 of this chapter "Corporate Governance" ("Compensations, shareholdings and loans").

3. Board of Directors

Members of the Board of Directors

On December 31, 2006, the Board of Directors was composed of six members.

Günter F. Kelm (1940)



Chairman of the Board of Directors since 2005
Non-executive member of the Board of Directors since 2005, elected until 2008
German citizen
Resident in Kreuzlingen (CH)
Member of the Board of Directors, Metall Zug AG, Zug

Having passed the high school examination (Abitur) in Berlin, Günter F. Kelm studied business engineering at the local Technical University. From 1966, his career, via various positions and management functions (among others Assistant to the Management Board, Head of Corporate Development, Managing Director, Finance Director) with internationally operating industrial companies such as Deutsche Lufthansa, Dornier, Eckes and Sommer Allibert, led him to the Geberit Group. In 1986, he joined the Group as Chairman of the Management Board of Geberit GmbH Deutschland and member of the Group Executive Board. In 1991, he was appointed

Chief Executive Officer of the Geberit Group and held this position until December 2004. From 1997 to April 2005, Günter F. Kelm was simultaneously President of the Board of Directors.

Kurt E. Feller (1937)



Vice Chairman of the Board of Directors since 2005
Non-executive, independent member of the Board of Directors since 1999, elected until 2008
Swiss citizen
Resident in Wollerau (CH)
Chairman of the Board of Directors, Rieter Holding AG, Winterthur, Vice Chairman and Lead Director Ciba SC AG, Basle

Having passed the high school examination (Matura), Kurt E. Feller started his career with Allg. Treuhand AG. In 1962, he joined Feller AG where he was, among other functions, a member of the Management Board and Head of Division. In 1969, he graduated with an MBA from the University of Massachusetts in Amherst and undertook an Executive Program and Senior Executive Program at the IMD in Lausanne. In 1978, he joined Rieter AG where, having held the office of Commercial Director, he was promoted to member of the Group Executive Board in 1979. He was appointed CEO in 1989, President in 1994 and Chairman of the Board of Directors in 2000 (non-executive from 2003).

Randolf Hanslin (1942)



Non-executive member of the Board of Directors since 2006, elected until 2009
Swiss citizen
Resident in Rapperswil-Jona (CH)
Chairman of the Board of Directors, Maestrani AG, Flawil

Randolf Hanslin graduated with a degree in mechanical engineering from the Swiss Federal Institute of Technology (ETH) Zurich. He started his career in 1968 as an internationally active consulting engineer with Dr OHC Messner. In 1977, he joined former Geberit AG as Head of Product Research and Development. Shortly afterwards he was appointed as a member of the Management Board of Geberit AG as well as of the Group. In addition, in 1988/89 he was Head of the Group Division Marketing and Sales. From 1991 to 1994, Randolf Hanslin was Chief Executive of Geberit AG. From 1995 to 2004, he was Head of a Group Division being responsible for sales and production companies in various countries as well as for the quality and environmental operations of the Group. Lastly, he was Head of the Products Group Division with a global responsibility for research and development, purchasing, production and logistics. Randolf Hanslin retired in April 2006 from his operational activities within the Group Executive Board.

Dr Robert Heberlein (1941)



Non-executive, independent member of the Board of Directors since 2003, elected until 2009
Swiss citizen
Resident in Zumikon (CH)
Partner at Lenz & Staehelin, Zurich, member of the Board of Directors, Gurit Holding AG, Wattwil, member of the Board of Directors, Medisize Holding AG, Wattwil

Dr Robert Heberlein studied law at the University of Zurich and received his doctorate in law in 1969. He graduated from the University of Michigan, Ann Arbor, with a Master of Comparative Law (MCL) in 1970. After working for various law firms, including in New York and Paris, he joined Staehelin & Giezendanner, now Lenz & Staehelin, in 1972. He has been a partner of that law firm since 1977. He is principally involved in company law, tax law and succession planning.

Hans Hess (1955)



Non-executive, independent member of the Board of Directors since 2006, elected until 2009
Swiss citizen
Resident in Auslikon (CH)
Chairman of the Board of Directors, Burckhardt Compression AG, Winterthur, member of the Board of Directors, Comet AG, Flamatt, Schaffner AG, Luterbach

Hans Hess graduated as a materials engineer from the Swiss Federal Institute of Technology (ETH) Zurich and holds a MBA degree from the University of Southern California. He started his career in 1981 in the research and development division of Sulzer. In 1983, he transferred to Huber & Suhner where he initially worked as a Production Manager until 1988 and subsequently headed a business unit. In 1996, seven years after joining the Leica Group, he became CEO and 1999 President of the Board of Directors of Leica Geosystems AG which went public in the year 2000 on the SWX Swiss Exchange. In the wake of the acquisition of Leica Geosystems AG by the Swedish Hexagon AB, Hans Hess retired from his offices at the end of 2005. Since then he is member of the Board of Directors of various public corporations.

Klaus Weisshaar (1938)



Non-executive, independent member of the Board of Directors since 1999, elected until 2007
German citizen
Resident in Frankfurt a.M. (DE)
Member of the Supervisory and Advisory Boards of various German industrial enterprises, among others, Burg Bad AG, Schmallenberg, and Siepmann-Werke, Warstein

Klaus Weisshaar holds a diploma in economics (University of Freiburg im Breisgau) and started his career as a management consultant for industrial companies. After three years in the packaging industry, he joined Friedrich Grohe GmbH in 1977 where, until his retirement in 1998, he held several major management positions, among other functions, as Controller, Director Finance, Speaker of the Board of Management, and, since 1993, Chairman of the Board of Management.

Cross-involvement

There is no cross-involvement among Boards of Directors.

Elections and terms of office

The term of office for each member of the Board of Directors is three years and the statutory retirement age limit has been established at 70 years. Individual members are re-elected on a staggered basis.

The term of office for Klaus Weisshaar is set to expire at the general meeting on April 26, 2007. He has made himself available for an additional term of office of two years until he reaches the statutory retirement age.

Rudolf Maag retired from the Board of Directors on the occasion of the general meeting 2006.

Internal organizational structure

The organization of the Board of Directors is based on the "Organization Regulation of the Board of Directors of Geberit AG". It determines the duties and powers of the Board of Directors and constitutes the framework for the tasks and responsibilities of the Group Executive Board.

The Board of Directors is self-constituting. In the first meeting following the relevant ordinary general meeting in which re-elections are held, the Board of Directors elects the Chairman and the Vice Chairman from among its members. Günter F. Kelm holds the position of Chairman, Kurt E. Feller that of Vice Chairman.

The Board of Directors meets whenever business so requires, usually six times every year for one day each (2006: 6 meetings). The meetings are chaired by the Chairman or – if he is unable to do so – by the Vice Chairman. The Board of Directors appoints a secretary who is not required to 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.

The Board of Directors can decide when the majority of its members are present. The members may also attend via telephone or electronic media.

The Board of Directors has formed two committees from among its members:

– Personnel Committee

The members of the Personnel Committee are Kurt E. Feller (Chairman), Dr Robert Heberlein and Günter F. Kelm. The committee meets at least twice every year for a half day each (2006: 5 meetings). It develops proposals to be submitted to the entire Board of Directors, including personnel decisions and the determination of compensation regulations and models (salaries, bonus payments, share and option plans) as well as the annual determination of the compensations for the Board of Directors and Group Executive Board. Therefore, the tasks and responsibilities of a compensation and a nomination committee are combined in this committee. Detailed responsibilities are stipulated in the organization regulation of the Personnel Committee.

– Audit Committee

The Audit Committee is composed of Kurt E. Feller (Chairman), Randolph Hanslin, Dr Robert Heberlein, Hans Hess, Günter F. Kelm and Klaus Weisshaar. It meets at least twice every year for a half day each (2006: 2 meetings). The committee's tasks include in particular the supervision of the internal and external

audit as well as the control of the financial reporting. It determines the coordinated scope and planning of the external and internal audit. For every meeting, the internal and external auditors provide an all-inclusive report about all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. The committee also assesses the functionality of the internal control system, including risk management (refer to the following “Information and control instruments vis-à-vis the Group Executive Board”). 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. Both the external and internal auditors have access to the minutes of the meetings of the Board of Directors and Group Executive Board. The detailed responsibilities are stipulated in the organization regulation of the Audit Committee.

Definition of areas of responsibility

Pursuant to article 716a, subparagraph 1 of the Swiss Law of Obligations (Schweizerisches Obligationenrecht), the Board of Directors of Geberit AG has the following non-transferable and irrevocable responsibilities:

- supervision of the Company and giving the instructions required
- determination of the organization

- design of the accounting, financial control as well as financial planning to the extent required for managing the Group
- appointment and dismissal of the persons responsible for management and representation
- supervision of the persons responsible for management, in particular with respect to compliance with the laws, articles of incorporation, regulations and instructions
- establishment of the annual report and preparation of the general meeting and the implementation of its resolutions
- notification of the judge in case of a debt overload

The Board of Directors determines the strategic goals and general means to reach such goals and makes decisions on major business transactions. To the extent legally permissible and in accordance with the Organization Regulation, the Board of Directors assigned the operational management to the Chief Executive Officer.

The Group Executive Board is composed of the Chief Executive Officer and three other members. The members of the Group Executive Board are appointed by the Board of Directors based upon the suggestion of the Personnel Committee.

The Organization Regulation rules the duties and powers of the Board of Directors as a governing body, of the Chairman, the Vice Chairman and the committees. Thus it also defines the rights and duties of the Group Executive Board that are set forth in more detail in the Internal Regulations for the Group Executive Board.

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, as the case may be. Between meetings, the Board of Directors is extensively informed in writing of current business developments and the Company's financial situation on a monthly basis. Essentially this report contains key statements on the Group and on the market development, information and key figures on the Group sales and profit development, statements about the course of business in the individual countries 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 the results until the end of the financial year, information on the development of the workforce and on the investments made, an updated company valuation, the composition of the shareholders as well as market expectations in regard to the business development. In the past year, the Board of Directors held six ordinary meetings. Urgent decisions were partially made using telephone conferences.

Furthermore, the Chairman of the Board of Directors and the Chief Executive Officer were 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, as the case may be. In the year under review, the Personnel Committee held five meetings and the Audit Committee two meetings.

Based on the organization regulations of the Board of Directors, the Audit Committee has implemented an extensive system for monitoring and controlling the risks linked to the business activities. This process includes the risk identification, analysis, control and risk reporting. Operationally, Group management is responsible for the controlling of the risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for the risk management and monitor their implementation. Under normal circumstances, the Group management issues a risk report annually to the attention of the Audit Committee. The extent and details of the reporting depend on the risk identifications made. See Notes to the Consolidated Financial Statements (p. 68/69) on the management of financial risks.

4. Group Executive Board

Albert M. Baehny (1952)



Chief Executive Officer (CEO) since 2005
Member of the Group Executive Board
since 2003, with Geberit since 2003
Swiss citizen
Resident in Arlesheim (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 Sero-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 Specialities". At Geberit he was Head of Group Division Marketing and Sales Europe from 2003 to 2004. Albert M. Baehny has been Chief Executive Officer (CEO) of the Geberit Group since January 1, 2005, refer also to pages 12/13, Management Structure.

Roland Iff (1961)



Member of the Group Executive Board
since 2005, with Geberit since 1993
Swiss citizen
Resident in Herrliberg (CH)
Head of Group Division Finance (CFO)
Member of the Board of Directors,
VZ Holding AG, Zurich

Roland Iff studied economics at the University of St. Gallen 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 and at the company's headquarter in Dayton (US). Subsequently he worked on different market development projects in Brussels before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. From October 1997 he was Head of Group Treasury. Roland Iff has been Head of the Group Division Finance (CFO) of the Geberit Group since January 1, 2005, refer also to pages 12/13, Management Structure.

Bernd Kuhlin (1959)



Member of the Group Executive Board
from December 1, 2006, with Geberit since
December 1, 2006
German citizen
Resident in Feusisberg (CH)
Head of Group Division Sales

Bernd Kuhlin studied electrical engineering at Erlangen/Nuremberg University (DE). For more than 20 years, he gained relevant experience with Siemens where he was entrusted with increasing responsibility in various management functions especially in international sales. Furthermore, he worked for several years in the division building services engineering. Before joining Geberit, he was a member of the Group Executive Board of Ascom, in charge of security solutions. At Geberit Bernd Kuhlin has been Head of Group Division Sales since December 1, 2006 refer also to pages 12/13, Management Structure.

Dr Michael Reinhard (1956)



Member of the Group Executive Board
since 2005, with Geberit since 2004
German citizen
Resident in Uerikon (CH)
Head of Group Division Products

Dr Michael Reinhard studied mechanical engineering at the Technical University Darmstadt and was awarded a PhD in materials science from the Deutsche Kunststoff-institut. He started his professional career in 1987 as a project manager with Automatik GmbH, Gross-Ostheim (DE). In 1990, he joined McKinsey & Company and was soon promoted to senior associate. In 1992, Dr Michael Reinhard joined Schott, Mainz (DE), where he was entrusted with various functions of increasing responsibility within international sales and marketing. In 1995, he became Vice President of Schott's Pharmaceutical Packaging Division and in 1998 Senior Vice President of the Tubing Division comprising 2,400 employees. At Geberit Dr Michael Reinhard became Head of Group Division Sales on January 1, 2005. He has been Head of the Group Division Products since December 1, 2006, refer also to pages 12/13, Management Structure.

Management contracts

The Group has not entered into any management contracts with third parties.

5. Compensations, shareholdings and loans

Contents and method of determining compensations and shareholding programs

Upon recommendation of the Personnel Committee, the Board of Directors annually determines the remunerations of the Board of Directors and Group Executive Board.

The compensation of the Board of Directors is paid in the form of shares. The shares are subject to a lock-up period of two years. The Board member is granted a discount on the share price. Such discount depends on the results of the Group (growth of sales and operating profit) and corresponds to the discount (between 10 and 50 %) granted to employees under the employee participation plans (see Consolidated Financial Statements of the Geberit Group, Note 15 [participation plans]).

The compensation of the Group Executive Board is paid on the basis of a regulation adopted by the Board of Directors applicable to the entire Group management of the Geberit Group (approx. 145 persons). The target salary (100%) is composed of a fixed salary (70%), a Group results related-bonus (25%) as well as an individual performance component (5%). The bonus is calculated based on four company figures (sales and margin development, return on operating assets, earnings per share) and can exceed the percentage included in the target salary. It reaches a maximum of 60%. The individual performance component is based on the achievement of pre-defined objectives and can be 10% maximum. The target salary is determined in line with market conditions and performance.

The bonus and the individual performance component may be received, in whole or in part, in cash and/or in shares (without discount). In case of payment in shares, an additional incentive is granted in the form of one option per share. The shares and options are subject to a lock-up period of three years and two years (with a total term of five years), respectively. The exercise price of the option corresponds to the share market price at the time of allotment. Each option entitles to subscribe for one share.

In addition to the salary, there is an annual option plan for the Group Executive Board and other management members (approx. 55 executives) corresponding to a market value of 10% of the target salary at the time of granting. These options with a total term of five years are subject to a lock-up period of two and four years, respectively. The exercise price of the option is 5% and 10% respectively in excess of the share market price at the time of allotment. Each option entitles to subscribe for one share.

There are special pension fund regulations for the Group Executive Board and other management members. The Company pays for the entire contribution in regard to the part of the salary that exceeds a defined limit. In addition, each member of the Group Executive Board has a car at his disposal. Additionally, no other significant payments of any similar kind are made.

Compensations for acting members of governing bodies

In 2006, total compensations to members of the Board of Directors amounted to TCHF 1,151. Such payments will be made in the following year and paid in the form of shares. The shares are subject to a lock-up period of two years.

Total compensations paid to the members of the Group Executive Board in 2006 (fixed salary, bonus, individual performance component, non-cash benefits; see above) amounted to TCHF 3,455. TCHF 1,577 thereof relates to bonus payments for which provisions have been established. Such bonus payments will be made in the following year and may be received in cash and/or in the form of shares.

Compensations for former members of governing bodies

No compensation was paid to former members of the Board of Directors and Group Executive Board in the year under review.

Share allotments and ownership in the year under review

In the year under review, the members of the Board of Directors acquired 728 shares at market value less 40% discount under the abovementioned compensation ex 2005. Under the optional bonus scheme ex 2005, the members of the Group Executive Board acquired 682 shares at market value.

On December 31, 2006, the members of the Board of Directors held 112,362 shares and the members of the Group Executive Board held 3,355 shares of which 3,249 and 2,217, respectively, are subject to lock-up periods.

Option allotments and ownership in the year under review

The options of the members of the Board of Directors as of December 31, 2006 are set forth in the following table:

Year of issue	End of blocking period	Maturity	Number	Exercise price
2003	23.01.07	23.01.08	1,456	450.00
2004	lapsed	27.01.09	375	682.00
2004	27.01.08	27.01.09	876	714.50
2005	21.01.07	21.01.10	272	904.50
2005	21.01.09	21.01.10	272	947.50
2005	24.03.07	24.03.10	180	897.50
2006	25.01.08	25.01.11	240	1,164.50
2006	25.01.10	25.01.11	240	1,220.00
2006	23.03.08	23.03.11	45	1,238.50

Each option entitles to subscribe for one share. On December 31, 2006, a total of 3,956 options of the members of the Board of Directors were outstanding. 3,996 options were exercised in the year under review.

The options of the members of the Group Executive Board as of December 31, 2006 are set forth in the following table:

Year of issue	End of blocking period	Maturity	Number	Exercise price
2003	23.01.07	23.01.08	644	450.00
2004	27.01.08	27.01.09	436	714.50
2005	21.01.07	21.01.10	656	904.50
2005	21.01.09	21.01.10	656	947.50
2005	24.03.07	24.03.10	698	897.50
2006	25.01.08	25.01.11	579	1,164.50
2006	25.01.10	25.01.11	579	1,220.00
2006	23.03.08	23.03.11	637	1,238.50

Each option entitles to subscribe for one share. On December 31, 2006, a total of 4,885 options of the members of the Group Executive Board were outstanding. 1,801 options were exercised in the year under review.

Convertible bonds ownership in the year under review

On December 31, 2006, the members of the Board of Directors and the members of the Group Executive Board held no convertible bonds.

Additional fees and remunerations

No additional fees and remunerations were paid to members of governing bodies in the year under review.

Loans to members of governing bodies

No loans to members of governing bodies are outstanding.

Highest total compensation

The highest individual compensation to a member of the Board of Directors in the year under review (fixed salary, bonus, Board compensation) amounted to TCHF 510. TCHF 174 thereof relates to bonus payments. The payment of the Board compensation will be made in the following year in the form of shares at the market price less a discount. The shares are subject to a lock-up period of two years.

525 options were allotted to the member of the Board of Directors with the highest total compensation in accordance with the following table. Each option entitles to subscribe for one share:

Year of issue	End of blocking period	Maturity	Number	Exercise price
2006	25.01.08	25.01.11	240	1,164.50
2006	25.01.10	25.01.11	240	1,220.00
2006	23.03.08	23.03.11	45	1,238.50

6. Shareholders' participation

Voting rights and representation restrictions

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. The articles of incorporation provide for a maximum registration of 3% of the shares held by nominees, which may be permitted by the Board of Directors. 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.

No exceptions to these rules were granted in the year under review.

The voting right may only be exercised if the shareholder is recorded as a voting shareholder in the share register of Geberit AG. Treasury shares have no voting rights.

With respect to the participation in the general meeting, there are no regulations in the articles of incorporation which deviate from the law.

Statutory quorums

The rules relating to statutory quorums set forth in the articles of incorporation correspond to the legal minimum requirements.

Convocation of the general meeting of shareholders/agenda

The general meeting of shareholders will be convened by the Board of Directors at least 20 days prior to 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 the implementation of a special audit are exempt from this rule. Shareholders representing shares with a par value of TCHF 50 may request in writing that a subject of discussion be added to the agenda at least 45 days prior to the general meeting.

Inscriptions into the share register

From the 10th day prior to and until the day after the general meeting no registrations are made. No exceptions to these rules were granted.

7. Changes of control and defense measures

There are no regulations in the articles of incorporation with respect to “opting-up” and “opting-out” as well as changes of control.

8. Auditors

Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, have been the auditors of the Geberit Group and Geberit AG since 1997. The lead auditor, Daniel Ketterer, has been in charge of the auditing mandate since 2001. According to the regulation of the profession the lead auditor is replaced after seven years. Thus, the lead auditor for the consolidated financial statements 2008 will be replaced.

Auditing fees

In 2006, PricewaterhouseCoopers invoiced the Geberit Group approx. TCHF 1,130 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.

Additional fees

For additional services PricewaterhouseCoopers invoiced approx. TCHF 70 regarding audit-related services, approx. TCHF 1,400 relating to tax consultancy as well as TCHF 360 for other services. In addition to compensations for current tax consultancy services, the tax consultancy amount also included special expenses for consultancy fees relating to intra-group restructurings.

Supervisory and control instruments pertaining to the auditors

Prior to 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 meeting of the Audit Committee for specific agenda items.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, remuneration and independence of the auditors and submits a proposal to the general meeting for the appointment of the Group auditors. Every year, the Audit Committee determines the scope of the external and internal audit and its audit plans and discusses audit results with the external and internal auditors. For more details on the Audit Committee, see item 3.

9. Information policy

Geberit maintains an open and regular communication with its shareholders, the capital market and the general public, with the Geberit's CEO, CFO and Head of Corporate Communications as direct contacts.

Shareholders receive summary annual reports as well as half-year reports. The annual report as well as a sustainability report published every three years are available in printed form and via internet under www.geberit.com. Quarterly financial statements are published. Media and analysts' conferences are held at least once every year.

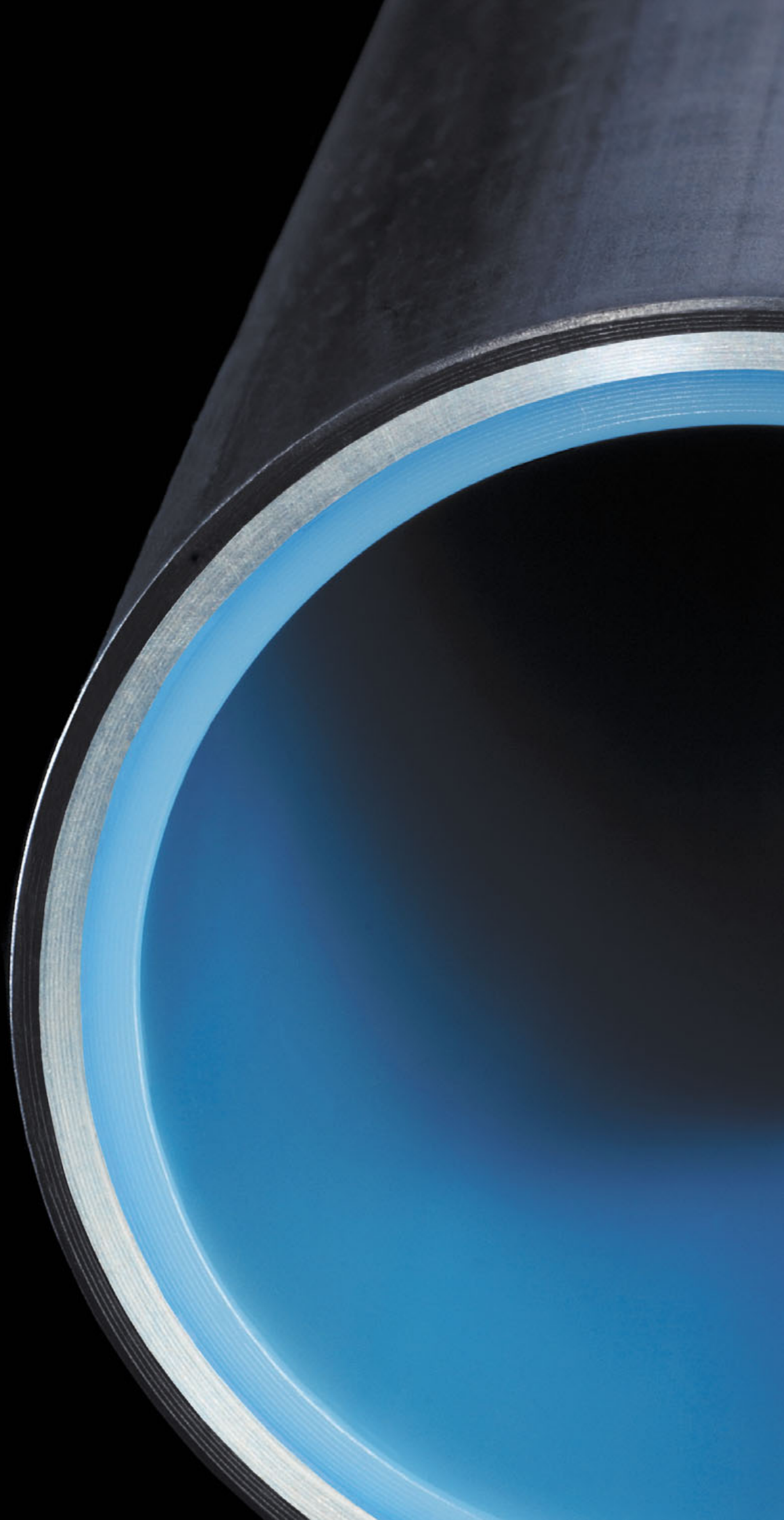
Contact may be established at any time under corporate. communications@geberit.com. Contact addresses for investors, media representatives and the interested public can be found on the internet at www.geberit.com under the appropriate chapters.

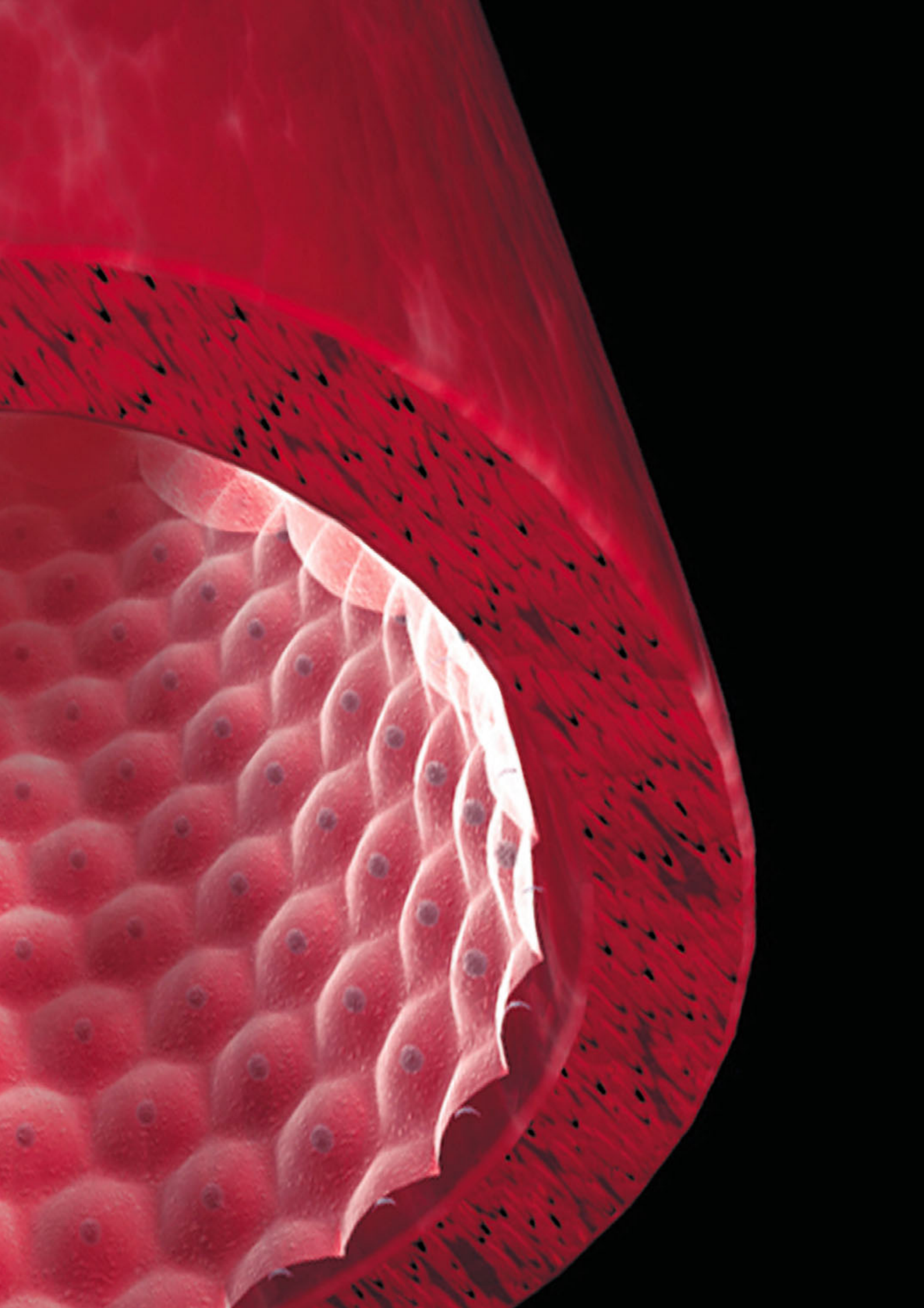
Interested parties may add their names to a mailing list available under <http://www.geberit.com/Geberit/Inet/com/wcmscome.nsf/FormMailinglist>, in order to receive ad hoc publications or other recent information relating to the Company. All published media releases of the Geberit Group from the last years can be downloaded under <http://www.geberit.com/Geberit/Inet/com/wcmscome.nsf/pages/med-med-1>.

For further details on the Geberit Group's information policy including a time schedule, please refer to the "Investor Information" chapter on page 7 of this annual report.









Consolidated Financial Statements

Geberit Group

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Consolidated Balance Sheets

	Note	31.12.2006 MCHF	31.12.2005 MCHF
Assets			
Current assets			
Cash and cash equivalents		182.4	180.0
Trade accounts receivable	4	115.8	111.6
Other accounts receivable and prepaid expenses	5	52.0	41.4
Inventories	6	199.8	177.3
Total current assets		550.0	510.3
Non-current assets			
Property, plant and equipment	7	533.9	528.3
Deferred tax assets	16	67.3	62.4
Financial assets and other non-current assets	8	34.4	33.2
Goodwill and intangible assets	9	825.1	812.4
Total non-current assets		1,460.7	1,436.3
Total assets		2,010.7	1,946.6
Liabilities and Equity			
Current liabilities			
Short-term debt	10/12	14.7	49.4
Trade accounts payable		102.4	94.3
Tax liabilities and tax provisions		85.5	89.0
Other current provisions and liabilities	11	127.1	115.2
Total current liabilities		329.7	347.9
Non-current liabilities			
Long-term debt	12	308.4	344.0
Accrued pension obligation	14	152.8	141.9
Deferred tax liabilities	16	88.8	98.3
Other non-current provisions and liabilities	17	65.1	56.5
Total non-current liabilities		615.1	640.7
Shareholders' equity			
Capital stock		4.2	4.2
Reserves		1,017.1	941.4
Cumulative translation adjustments		44.6	12.4
Total shareholders' equity		1,065.9	958.0
Minority interest			
Total equity		1,065.9	958.0
Total liabilities and equity		2,010.7	1,946.6

The accompanying notes on pages 62 to 95 are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2006 MCHF	2005 MCHF
Sales		2,183.5	1,922.9
Sales deductions	21	334.8	282.7
Net sales		1,848.7	1,640.2
Cost of materials		634.5	580.3
Personnel expenses		442.3	418.5
Depreciation expense	7	76.9	75.8
Amortization of goodwill and intangibles	9	10.0	13.2
Other operating expenses, net	22	202.8	185.5
Total operating expenses, net		1,366.5	1,273.3
Operating profit (EBIT)		482.2	366.9
Finance costs, net	23	16.3	17.2
Profit before income tax expenses		465.9	349.7
Income tax expenses	24	110.9	89.7
Net income from continuing operations		355.0	260.0
Net income from discontinued operations			2.5
Net income		355.0	262.5
– Attributable to shareholders		355.0	262.5
– Attributable to minority interest			
Other financial figures			
EPS continuing operations (CHF)	20	88.55	63.48
EPS discontinued operations (CHF)	20		0.61
EPS total (CHF)	20	88.55	64.09
EPS diluted continuing operations (CHF)	20	85.88	61.87
EPS diluted discontinued operations (CHF)	20		0.58
EPS diluted total (CHF)	20	85.88	62.45
EPS adjusted continuing operations (CHF)	20	88.55	64.11
EPS adjusted discontinued operations (CHF)	20		0.61
EPS adjusted total (CHF)	20	88.55	64.72
Interest expenses, net	23	12.2	17.0
Operating cashflow (EBITDA)	25	569.1	455.9
Net cashflow	25	454.2	366.6
Free cashflow	25	355.9	290.2

The accompanying notes on pages 62 to 95 are an integral part of the consolidated financial statements.

Consolidated Statements of Equity and Statements of Recognized Income and Expenses in Equity

a) Statements of Recognized Income and Expenses in Equity

	2006	2005
	MCHF	MCHF
Hedge accounting	2.6	(1.0)
Actuarial gains/(losses) and adjustments according to IAS 19.58(b)	(2.0)	(6.9)
Exchange differences on translation of foreign operations	32.2	(13.4)
Net income directly booked to equity	32.8	(21.3)
Net income according to income statement	355.0	262.5
Total net income	387.8	241.2
– Attributable to shareholders	387.8	241.2
– Attributable to minority interest		

b) Consolidated Statements of Changes in Equity

	Attributable to shareholders							Minority interest	Total equity
	Ordinary shares	Capital in excess of par	Treasury shares	Retained earnings	Distr. in excess of predecessor bases	Hedge accounting	Cum. translation adjustments		
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2004	4.2	435.5	(39.6)	485.1	(88.3)	(6.2)	25.8	0.3	816.8
Total net income 2005				255.6		(1.0)	(13.4)		241.2
Dividends				(90.3)					(90.3)
Changes in Group organization								(0.3)	(0.3)
(Purchase)/Sale of treasury shares		7.8	(10.0)						(2.2)
Convertible Bond									
Share participation and option plans		(7.2)							(7.2)
Balance at 31.12.2005	4.2	436.1	(49.6)	650.4	(88.3)	(7.2)	12.4		958.0
Total net income 2006				353.0		2.6	32.2		387.8
Dividends				(101.5)					(101.5)
Changes in Group organization									
(Purchase)/Sale of treasury shares		12.6	(186.6)						(174.0)
Convertible Bond		0.2							0.2
Share participation and option plans		(4.6)							(4.6)
Balance at 31.12.2006	4.2	444.3	(236.2)	901.9	(88.3)	(4.6)	44.6		1,065.9

The accompanying notes on pages 62 to 95 are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2006 MCHF	2005 MCHF
Cash provided by operating activities			
Net income		355.0	262.5
Depreciation and amortization	7/9	86.9	89.0
Finance costs, net	23	16.3	17.2
Income tax expenses	24	110.9	89.7
Other		6.1	9.2
Operating cashflow before changes in net working capital and taxes		575.2	467.6
Income taxes paid		(123.1)	(80.6)
Changes in net working capital	25	(9.7)	1.9
Net cash provided by operating activities		442.4	388.9
Cash from/(used) in investing activities			
Acquisitions, net		(0.9)	69.9
Purchase of property, plant & equipment and intangible assets	7/9	(81.3)	(79.5)
Proceeds from sale of property, plant & equipment and intangible assets		2.6	6.3
Other, net		2.4	2.8
Net cash from/(used) in investing activities		(77.2)	(0.5)
Cash from/(used) in financing activities			
Proceeds from short-term borrowings		1.6	88.6
Repayments of short-term borrowings		(49.7)	(43.1)
Proceeds from long-term borrowings		179.4	267.4
Repayments of long-term borrowings		(196.9)	(481.9)
Interest paid		(14.7)	(17.2)
Dividends		(101.5)	(90.3)
(Purchase)/Sale of treasury shares		(188.1)	(14.5)
Other, net		(1.1)	(1.4)
Net cash from/(used) in financing activities		(371.0)	(292.4)
Effects of exchange rates on cash		8.2	2.4
Net increase/(decrease) in cash		2.4	98.4
Cash and cash equivalents at beginning of year		180.0	81.6
Cash and cash equivalents at end of year		182.4	180.0

The accompanying notes on pages 62 to 95 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Basis of presentation

The Geberit Group is a leading supplier of sanitary plumbing systems for the residential and commercial new construction and renovation markets. The product range of the Group consists of the product area “sanitary systems” with the product lines installation systems, flushing systems, public and waste fittings and traps on the one hand and the product area “piping systems” with the product lines building drainage systems and supply systems on the other hand. All products are sold to plumbers and installers through wholesalers.

The consolidated financial statements include Geberit AG and the companies which it controls (“the Group” or “Geberit”). Minority interests are shown as a separate part of the consolidated equity. The Group eliminates all intra-group transactions as part of the Group consolidation process. Companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

The term “MCHF” in these consolidated financial statements refers to millions of Swiss francs, “MEUR” refers to millions of Euro, “MGBP” refers to millions of Great Britain pounds sterling and “MUSD” refers to millions of US dollars. The term “shareholders” refers to the shareholders of Geberit AG.

Critical accounting estimates

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

2. Changes in Group organization

There were no changes in Group organization in 2006.

3. Summary of significant accounting policies

Adoption of new or revised accounting standards

In 2006, there were no new or amended IFRS standards with a material effect on the financial statements of the Geberit Group.

For 2007, the management does not expect a material impact on the Group's financial statements due to new or amended IFRS standards. Nevertheless, in particular IFRS 7 and IAS 1 revised require extensive disclosures in connection with financial instruments and capital management. IFRS 8 Operating segments was published in November 2006, will be effective for accounting periods beginning on or after January 1, 2009, and replaces IAS 14 Segment Reporting. IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the top management. These new requirements could have an impact on the segment reporting currently used. Geberit has not yet undergone a careful analysis and therefore no final assessment of the impact can presently be made.

Foreign currency translation

The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates the actual rate at the date of the transaction. At the end of the accounting period, foreign currency receivables and liabilities are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to income. Exchange rate differences related to loans which are part of the net investment in foreign entities are recorded as a separate component of equity within cumulative translation adjustments. For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates for the period. Translation gains or losses are accumulated as a separate component of equity within cumulative translation adjustments.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and liquid short-term investments with maturities of three months or less on their acquisition date. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The purchase cost and the cost of production both are determined using the weighted-average method. Net realizable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the necessary selling costs. An allowance is made for obsolete and slow-moving inventories.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Betterment that increases the useful lives of the assets, improves the quality of the output or enables a substantial reduction in operating costs is capitalized and depreciated over the remaining useful lives. Depreciation on property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (15–50 years), production machinery and assembly lines (8–15 years), moulds (6–8 years), equipment (5–20 years) and vehicles (5–10 years). Properties are not regularly depreciated. Repairs and maintenance related to investments in property, plant and equipment are charged to income as incurred.

Non-current assets held for sale

Non-current assets held for sale and disposal groups are measured at the lower of carrying amount or fair value less cost to sell.

Intangible assets and goodwill

The excess of the purchase price over the fair value of net assets of a company acquired is recorded as goodwill. Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill and intangible assets with an indefinite useful life (this corresponds to the Geberit trademarks recorded as a consequence of the leveraged buyout in 1997) are not regularly amortized but tested for impairment on an annual basis. Since the Geberit trademarks are a major element of the business model of the Geberit Group they have been assigned an indefinite useful life. Impairments are expensed in the consolidated income statements when they occur and in case of goodwill not reversed in later periods. The amortization of intangible assets with a definite useful life is calculated using the straight-line method based upon the following useful lives: patents and technology (10 years), trademarks (5 years) and software (4–6 years).

Valuation of property, plant and equipment, goodwill and intangible assets

Property, plant and equipment, goodwill and intangible assets are tested for impairment at each reporting date. If there is any indication of impairment the actual carrying amount of the asset is compared with the recoverable amount. If the carrying amount is bigger than its estimated recoverable amount, it is written down to its recoverable amount. The valuation is based on single assets or, if such valuation is not possible, on the level of the group of assets for which there are separately identifiable cashflows.

For the impairment tests of goodwill and intangibles with an indefinite useful life the Group applies the most recent business plans (period 4 years) and the assumptions therein concerning price increases, market growth and the development of the Group's market share. To discount future cashflows the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in Note 9.

Deferred financing fees

Financing fees are deferred and amortized over the expected life of the related debt instrument using the effective interest rate method. Amortization of deferred financing fees is part of finance costs, net.

Associated companies and joint ventures

The Group's share of profits and losses of associated companies (voting rights between 20 % and 50 %) and joint ventures is included in the consolidated financial statements in accordance with the equity method of accounting. All other non-consolidated investments are stated at cost, with adequate provision for permanent diminution in value.

Provisions

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

Sales and sales deductions

Sales include the invoiced net amounts after deduction of rebates shown in the invoice and normally are recognized upon shipment of products to customers. Credit notes issued subsequently are deducted.

Sales deductions are recognized in the same period when sales are recorded.

Marketing expenses

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

Taxes

The consolidated financial statements include direct taxes that are based on the results of the Group companies and are calculated according to local tax rules. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated using the current or the tax rate expected to apply in the period in which these differences reverse. If the realization of future tax savings related to tax loss carry-forwards and other deferred tax assets is no longer probable, valuation allowances are recorded. A liability for deferred taxes is only recognized for non-refundable taxes at source or other taxes on those available earnings of foreign subsidiaries which are intended to be remitted.

Research and development expenditures

Research and development expenditures are expensed as incurred. These costs are included in personnel expenses, depreciation expense and other operating expenses, net.

Retirement benefit plans

The Group companies have various defined benefit and defined contribution pension schemes which comply with applicable laws and customs in the respective countries in which the Group operates. For defined benefit plans, the projected benefit obligations are calculated annually by independent actuarial experts using the projected unit credit method based on the service life, projected salary and pension benefit development and expected return on pension fund investments. Experience adjustments and the effects of changes in actuarial assumptions are charged or credited to equity as they occur. In the consolidated balance sheet funded defined benefit plans are recognized at the lower of the funding surplus attributable to the employer and the funded status. The amount recognized may be positive (an asset) or negative (an accrual).

Annual net pension costs in connection with defined benefit plans are charged to income in the period incurred. The corresponding costs for defined contribution plans are based on fixed percentages of participant salaries as defined in the respective plan documents and also are charged to income as incurred.

Participation plans

Rebates granted to employees and members of the Board of Directors when buying Geberit shares under a share participation program are charged to income in the year the program is issued.

Options provided in share participation and option plans are measured at their fair values when they are granted. These values are determined using the binomial model, adjusted by the expected employee departure rate and recorded as personnel expenses over the vesting period of the options.

Earnings per share

The number of ordinary shares used for calculating earnings per share is determined on the basis of the weighted average of issued and outstanding ordinary shares.

For the calculation of diluted earnings per share potentially dilutive shares from option programs and from the Convertible Bond issued in 2004 are added to ordinary shares ("adjusted number of ordinary shares"). Dilutive shares from option programs are determined using the intrinsic value of the options to calculate the number of ordinary shares that could have been bought at market price. The market price is the average annual Geberit share price. For the Convertible Bond, full conversion in ordinary shares is assumed.

Diluted earnings per share is the ratio of net income adjusted for interest and amortization expenses from the Convertible Bond, net of tax, and the adjusted number of ordinary shares.

Financial instruments

Trade and other receivables are carried at amortized cost less allowances for credit losses. Trade and other payables are carried at amortized cost. The carrying amount of such items basically corresponds to their fair values.

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

The fair value of the liability component of a convertible bond is determined at issuance using a market interest rate for equivalent non-convertible debt instruments to discount the total of future cash outflows. The difference to the nominal value is recognized as the equity component within equity, net of income tax effects. Until converted or extinguished, the liability component is measured on an amortized cost basis using the effective interest rate method.

Derivatives are initially recognized at fair value and subsequently remeasured to fair value.

Hedge accounting

Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes of the fair value of instruments designated as fair value hedges are recorded in finance costs, net, together with the change in fair value of the underlying item. The effective portion of instruments designated as cashflow hedges and instruments designated as hedges of net investments in foreign operations is recognized in equity. The ineffective portion is recorded in finance costs, net.

Financial risk management**General**

Risk management is ensured by the central Treasury of the Geberit Group which acts in line with the directives of the Treasury Policy issued by the Group's management bodies. Risk management is concentrated on recognizing, analyzing and hedging foreign exchange rate, interest rate, liquidity and credit risks, with the aim of limiting their effect on cashflow and net income.

The counterparts to derivatives are major financial institutions and the Group does not have significant exposure to any individual counterpart. Management believes that the risk of loss from these contracts is remote. The Group does not hold any financial instruments for trading or speculative purposes.

The Group invests its cash in deposits with major banks throughout the world. The Group has a policy of making investments only with major credit-worthy commercial institutions. These investments generally mature within three months and the Group has not incurred any related losses.

Management of foreign exchange risk

In order to manage risks associated with fluctuations in foreign currencies, the concept of currency cashflow matching is considered the primary hedging strategy. Any remaining material transactional risk is hedged with derivative financial instruments such as forward exchange contracts and foreign exchange options.

Intercompany invoicing is reported in the currency of the invoiced company. This minimizes the number of subsidiaries exposed to transactional risk. Subsidiaries with significant foreign currency exposure can subscribe to hedging contracts with Group Treasury.

Management of interest rate risk

Interest rate risk is managed in order to minimize the effects resulting from adverse movements of interest rates on financial expenses. Geberit considers its interest rate exposure as neutral, if the split between fixed and floating rates is 50%. This means that the effect of an interest rate movement on the floating rate portion is offset by an opportunity gain or loss in the fixed rate portion. Due to continuous repayments of the Revolving Facility the share of the loans on a floating rate basis could temporarily fall below the 50% target. The management considers the risk of a not balanced interest rate risk exposure as immaterial.

Management of liquidity risk

The liquidity risk is managed according to the Treasury Policy. Liquid funds including the contractually granted credit lines must cover the future cash drains in due time amounting to a liquidity reserve defined in the Treasury Policy.

Management of credit risk

The Group sells a broad range of products in the sanitary plumbing field throughout the world, but primarily within continental Europe. Major credit risks mainly result from such selling transactions. Ongoing credit evaluations of customers' financial conditions are performed and, generally, no further collateral is required. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base. The Group records allowances for potential credit losses. Such losses, in the aggregate, have not exceeded management's expectations.

The maximum credit risk of receivables and other financial assets basically corresponds to the net carrying amount of the asset. Generally, there are no past due but not impaired receivables and other financial assets.

4. Trade accounts receivable

	2006	2005
	MCHF	MCHF
Trade accounts receivable	123.0	118.2
Allowance	(7.2)	(6.6)
Total trade accounts receivable	115.8	111.6

Of trade accounts receivable, MCHF 4.0 was denominated in CHF (PY: MCHF 10.6), MCHF 62.3 in EUR (PY: MCHF 63.7), MCHF 17.7 in USD (PY: MCHF 16.8) and MCHF 3.8 in GBP (PY: MCHF 0.8).

5. Other accounts receivable and prepaid expenses

	2006	2005
	MCHF	MCHF
Income tax refunds receivable	1.0	1.7
Other tax receivables	28.1	24.4
Prepaid expenses and other current assets	22.9	15.3
Total other accounts receivable and prepaid expenses	52.0	41.4

As of January 1, 2007, the Group will terminate qualifying insurance policies related to a defined benefit plan in Germany, financed by the employer. These receivables are therefore reclassified from the financial assets (see Note 8) to "Prepaid expenses and other current assets". Their value amounts to MCHF 6.6 as of December 31, 2006 (PY: MCHF 6.1).

6. Inventories

	2006	2005
	MCHF	MCHF
Raw materials, supplies and other inventories	58.2	46.3
Work in progress	29.5	25.1
Finished goods	88.0	79.1
Goods purchased for resale	23.7	26.6
Prepayments to suppliers	0.4	0.2
Total inventories	199.8	177.3

Inventories include allowances for slow-moving and obsolete items of MCHF 26.0 as of December 31, 2006 (PY: MCHF 23.5).

7. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets un- der constr./ advanced payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2006					
Cost at beginning of year	867.2	301.2	517.0	36.7	12.3
Additions	78.2	3.8	38.9	6.6	28.9
Disposals	(60.7)	(5.4)	(48.7)	(6.2)	(0.4)
Transfers		2.0	12.4		(14.4)
Translation differences	22.5	5.8	15.3	1.0	0.4
Cost at end of year	907.2	307.4	534.9	38.1	26.8
Accumulated depreciation at beginning of year	338.9	61.9	260.6	16.4	
Depreciation expense	76.9	10.1	59.9	6.9	
Impairments					
Disposals	(55.7)	(2.2)	(47.3)	(6.2)	
Transfers		(0.2)	1.3	(1.1)	
Translation differences	13.2	1.7	10.7	0.8	
Accumulated depreciation at end of year	373.3	71.3	285.2	16.8	
Net carrying amounts at end of year	533.9	236.1	249.7	21.3	26.8
2005					
Cost at beginning of year	838.3	287.2	496.4	33.7	21.0
Changes in Group organization	(21.3)	(9.5)	(11.8)		
Additions	78.7	3.8	27.3	7.4	40.2
Disposals	(44.0)	(2.4)	(34.3)	(6.9)	(0.4)
Transfers		16.9	30.6	1.4	(48.9)
Translation differences	15.5	5.2	8.8	1.1	0.4
Cost at end of year	867.2	301.2	517.0	36.7	12.3
Accumulated depreciation at beginning of year	299.5	53.0	231.4	15.1	
Changes in Group organization	(4.1)	(0.3)	(3.8)		
Depreciation expense	75.1	8.8	59.4	6.9	
Impairments	0.7		0.7		
Disposals	(38.6)	(0.7)	(31.2)	(6.7)	
Transfers			(0.4)	0.4	
Translation differences	6.3	1.1	4.5	0.7	
Accumulated depreciation at end of year	338.9	61.9	260.6	16.4	
Net carrying amounts at end of year	528.3	239.3	256.4	20.3	12.3

As of December 31, 2006, buildings were insured at MCHF 462.1 (PY: MCHF 447.4) and equipment at MCHF 945.6 (PY: MCHF 904.6) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,407.7 (PY: MCHF 1,352.0).

In 2005 impairment adjustments in the amount of MCHF 0.7 were made to machinery and equipment. The adjustments are based on an impairment test that was made in connection with the optimization of the product range in the USA.

As of December 31, 2006, the Group has entered into firm commitments for capital expenditures of MCHF 6.0 (PY: MCHF 4.0).

8. Financial assets and other non-current assets

	2006	2005
	MCHF	MCHF
Prepaid pension asset (see Note 14)	24.0	18.0
Reinsurance policies for pension obligations (see Note 14)	5.8	11.7
Other (see Note 30)	4.6	3.5
Total financial assets and other non-current assets	34.4	33.2

As of January 1, 2007, the Group will terminate qualifying insurance policies related to a defined benefit plan in Germany, financed by the employer. These receivables are therefore reclassified to the position "Prepaid expenses and other current assets" (see Note 5). Their value amounts to MCHF 6.6 as of December 31, 2006 (PY: MCHF 6.1).

9. Goodwill and intangible assets

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
	MCHF	MCHF	MCHF	MCHF
2006				
Cost at beginning of year	1,210.2	914.1	128.7	167.4
Additions	3.1			3.1
Disposals				
Translation differences	22.9	21.6	0.9	0.4
Cost at end of year	1,236.2	935.7	129.6	170.9
Accumulated amortization at beginning of year	397.8	225.4	102.4	70.0
Amortization expenses	10.0		3.3	6.7
Impairments				
Disposals				
Translation differences	3.3	2.8	0.2	0.3
Accumulated amortization at end of year	411.1	228.2	105.9	77.0
Net carrying amounts at end of year	825.1	707.5	23.7	93.9
2005				
Cost at beginning of year	1,278.3	983.2	128.4	166.7
Changes in Group organization	(36.4)	(35.0)		(1.4)
Additions	0.8			0.8
Disposals				
Translation differences	(32.5)	(34.1)	0.3	1.3
Cost at end of year	1,210.2	914.1	128.7	167.4
Accumulated amortization at beginning of year	399.5	237.7	98.9	62.9
Changes in Group organization	(2.0)	(1.7)		(0.3)
Amortization expenses	10.6		3.4	7.2
Impairments	2.6	2.6		
Disposals				
Translation differences	(12.9)	(13.2)	0.1	0.2
Accumulated amortization at end of year	397.8	225.4	102.4	70.0
Net carrying amounts at end of year	812.4	688.7	26.3	97.4

In 2005 impairment adjustments in the amount of MCHF 2.6 were made on goodwill from the acquisitions in the USA in 2002. The impairment was made in connection with the optimization of the product range in the USA.

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2006, there was no indication for an impairment of these assets.

The following table shows the carrying amount of positions which are material for the Group. Furthermore, the table shows the parameters used in the impairment analysis.

	Carrying amount 31.12.2006	Calculation of recoverable amount		
		Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate (pre-tax)
	MCHF		%	%
Goodwill from LBO Geberit	292.3	U	3.24	10.20
Goodwill from Mapress acquisition	371.8	U	3.36	11.45
Geberit trademarks	84.6	U	3.24	9.64
Total	748.7			

From today's perspective, management believes that a reasonable change of one of the crucial parameters (see Note 3) used to calculate the recoverable amount would not lead to an impairment. The scenarios used to support this assumption are based on decreases both in operating margins and the growth rate beyond the planning periods.

10. Short-term debt

The Group maintains credit lines of MCHF 49.1 (PY: MCHF 48.4) from various lenders which can be cancelled at short notice. The use of these credit lines is always short-term in nature and, accordingly, the respective drawings are included in short-term debt. At December 31, 2006 and 2005, the Group did not have any outstanding drawings on the above-mentioned credit lines.

On March 31, 2005, UBS AG (50%) and HypoVereinsbank (50%) made available to Geberit Management GmbH a credit line of MEUR 208.5 to refinance liabilities to Group companies (final maturity January 3, 2006). Subsequently, the credit line was reduced to MEUR 30.0 in 2005 and fully repaid in 2006. The effective interest rate for 2006 and 2005 was 3.09%.

11. Other current provisions and liabilities

	2006	2005
	MCHF	MCHF
Compensation-related liabilities	50.2	39.5
Accrued interest	3.2	3.3
Customer-related liabilities	45.5	40.4
Other current liabilities	23.3	29.7
Current provisions	4.9	2.3
Total other current provisions and liabilities	127.1	115.2

2006 and 2005 movements of current provisions are shown in the following table:

Current provisions

	2006	2005
	MCHF	MCHF
January 1	2.3	7.9
Transfers	1.8	
Additions	3.7	0.2
Used	(1.7)	(5.2)
Reversed	(1.3)	(1.3)
Translation differences	0.1	0.7
December 31	4.9	2.3

12. Long-term debt

	2006	2005
	MCHF	MCHF
Private Placement	121.0	129.9
Revolving Facility	18.7	33.2
Convertible Bond	155.8	152.2
Other long-term debt	27.6	31.4
Long-term debt	323.1	346.7
Short-term portion of long-term debt	(14.7)	(2.7)
Total long-term debt	308.4	344.0

Private Placement

In December 2002, the Group raised MUS\$ 100.0 from various US insurance companies through privately placed debt ("Private Placement") issued by its US subsidiary The Chicago Faucet Company. The Private Placement is split into (i) a series A (MUS\$ 35.0), which carries a coupon of 5.0% and is due on December 19, 2009 and (ii) a series B (MUS\$ 65.0), which carries a coupon of 5.54% and is due on December 19, 2012. The Private Placement is secured by guarantees from Geberit AG, Geberit Holding AG and Geberit Deutschland GmbH. The Group must comply with the following financial ratios:

- EBITDA/finance costs, net: min. 3.0x
- Net debt/EBITDA: max. 3.5x

As of December 31, 2006, the fair value of the Private Placement amounted to MCHF 121.5 (PY: MCHF 132.1). It is calculated by discounting all future cashflows with the current interest rate (swap rate applicable for remaining time to maturity plus credit spread).

Revolving Facility

Since November 2003, a credit line ("Revolving Facility") of MCHF 400.0 granted by a syndicate of banks is available for the Geberit Group. In December 2005, the credit line has been extended by one year to the new final maturity October 31, 2009. The amended and extended Revolving Facility can be used to fund working capital requirements, investments in PP&E and acquisitions. This credit line is firmly available. At December 31, 2006, the Revolving Facility bears interest at LIBOR plus an annual interest margin of 0.225%. The interest margin depends on the net debt to EBITDA ratio. This ratio is verified on a quarterly basis. The interest is payable at the maturity date of the respective drawing used under the Revolving Facility. The drawings can have terms of one to twelve months or such other period as the lender may agree to. Furthermore, a commitment fee is paid equal to 30% of the applicable interest margin. Drawings under the Revolving Facility are secured by guarantees from Geberit AG, Geberit Holding AG, Geberit Deutschland GmbH and the Chicago Faucet Company and contain covenants and conditions typical for syndicated financing, among others the compliance with the following financial ratios:

- EBITDA/finance costs, net: min. 5.0x
- Net debt/EBITDA: max. 3.0x
- Equity/total assets: min. 25%

During 2006 and 2005, the effective interest rate on the Revolving Facility was 1.57% and 2.40%, respectively.

Convertible Bond

On June 14, 2004, the Group issued a Convertible Bond at a nominal value of MCHF 170.0. The Convertible Bond is split into 34,000 bond fractions at a par value of CHF 5,000 each.

The Convertible Bond falls due on June 14, 2010 at a nominal value of MCHF 170.0 or can be converted at any time into shares of Geberit AG. The conversion price is CHF 993, i.e. a bond fraction can be converted into 5.03525 shares.

The fair values of the liability and the equity component were determined on issuance of the bond.

The liability recognized in the balance sheet as of December 31, 2006 was determined as follows:

	MCHF
Convertible Bond at nominal value on June 14, 2004	170.0
Equity component	(19.8)
Liability component on initial recognition on June 14, 2004	150.2
Transaction costs	(3.6)
Amortization expense 2004	2.1
Liability recognized as of December 31, 2004	148.7
Amortization expense 2005	3.5
Liability recognized as of December 31, 2005	152.2
Amortization expense 2006	3.8
Conversion in Geberit shares	(0.2)
Liability recognized as of December 31, 2006	155.8

Amortization expense includes the amortization of the interest discount and of transaction costs related to the Convertible Bond. As of December 31, 2006, 36 fractions were converted into shares. The effective interest rate of the Convertible Bond charged to the income statement was 3.56 % (PY: 3.46 %).

As of December 31, 2006, the fair value of the liability component amounted to MCHF 158.4 (PY: MCHF 159.4). It is calculated by discounting the future cashflows of all fractions not converted in Geberit shares at the balance sheet date with the current interest rate (swap rate applicable for remaining time to maturity plus credit spread).

Other long-term debt

At December 31, 2006, the Group had MCHF 27.6 of other long-term debt (PY: MCHF 31.4). This debt incurred an effective interest rate of 5.07% (PY: 4.76%).

Maturities and currency mix

	MCHF
2007	14.7
2008	1.0
2009	63.2
2010	156.7
2011 and thereafter	87.5
Total	323.1

Of the long-term debt outstanding as of December 31, 2006, MCHF 26.9 was denominated in EUR (PY: MCHF 30.9), MCHF 175.2 in CHF (PY: MCHF 185.9) and MCHF 121.0 in USD (PY: MCHF 129.9).

13. Derivative financial instruments

Where necessary according to the Treasury Policy, the Group enters into derivative financial instruments to hedge its exposure to foreign currency exchange rate risk and interest rate risk. This policy and the accounting policies for the Group's derivative financial instruments are disclosed in Note 3. At December 31, 2006 and 2005, the following derivative financial instruments were outstanding:

Cross currency interest rate hedge

MUSD 55.0 of the Private Placement (see Note 12) were converted into Euro to finance the German subsidiaries of the Group. The foreign exchange rate and interest rate risk arising from this conversion is hedged with the following financial instrument:

	Maturity	Strike price	Contract amount Purchase MUSD	Contract amount (Sale) MEUR	Estimated fair value 31.12.06 MCHF	Estimated fair value 31.12.05 MCHF	USD Interest rate %	EUR Interest rate %
2006								
USD buy/EUR sell	19.12.2012	1.004	55.0	(54.8)	(28.2)	(24.7)	5.54	5.9775

Forward foreign exchange contracts and foreign exchange options

	Maturity	Forward rate	Contract amount MEUR	Estimated fair value MCHF
2006				
EUR buy/CHF sell	18.01.2007	1.60118	8.0	0.0
EUR buy/CHF sell	31.01.2007	1.60000	10.0	0.1
Total				0.1
2005				
EUR buy/CHF sell	03.01.2006	1.53910	5.0	0.1
EUR buy/CHF sell	03.01.2006	1.53760	5.0	0.1
EUR buy/CHF sell	03.01.2006	1.55733	10.0	0.0
EUR buy/CHF sell	03.01.2006	1.55730	10.0	0.0
EUR buy/CHF sell	03.01.2006	1.55764	10.0	0.0
EUR buy/CHF sell	03.01.2006	1.53740	10.0	0.2
Total				0.4

The change in fair value of the instruments is recorded in finance costs, net.

Interest rate hedges

As of December 31, 2006 and 2005, the Group had no open interest rate hedges.

14. Retirement benefit plans

The Group sponsors defined benefit and defined contribution plans for its employees in Switzerland, Germany, Austria and the USA. These plans are accounted for according to the IFRS rules for defined benefit plans and are either funded or unfunded. Funded plans are either funded by assets held independently of the Group's assets in separate trustee administered funds or by qualifying insurance policies. The net periodic pension costs of the defined benefit plans were as follows:

	2006		2005	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Service cost	15.5	5.2	14.1	4.4
Interest cost on projected benefit obligation	9.4	6.0	9.7	6.3
Expected return on plan assets	(14.2)		(12.5)	
Contributions of employees	(6.7)		(6.3)	
Net periodic pension cost	4.0	11.2	5.0	10.7

The following table sets forth the current status of the defined benefit pension plans and the amounts recognized in the Group's consolidated balance sheets.

	2006		2005	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Benefit obligation				
At beginning of year	282.7	135.9	252.5	117.8
Service cost	15.5	5.2	14.1	4.4
Interest cost on projected benefit obligation	9.4	6.0	9.7	6.3
Actuarial (gains)/losses	12.5	1.2	13.2	10.9
Translation differences	(0.1)	4.5	0.5	1.1
Benefits paid	(7.5)	(6.9)	(7.3)	(4.6)
Benefit obligation at end of year	312.5	145.9	282.7	135.9
Plan assets at fair value				
At beginning of year	316.7		276.5	
Expected return on plan assets	14.2		12.5	
Contributions of employees	6.7		6.3	
Contributions of employers	10.8		12.1	
Benefits paid	(7.4)		(7.0)	
Actuarial gains/(losses)	12.0		15.9	
Translation differences	(0.2)		0.4	
Plan assets at fair value at end of year	352.8		316.7	
Funded status at end of year	40.3	(145.9)	34.0	(135.9)
Adjustment according to IAS 19.58 (b)	(17.4)		(16.4)	
Total pension asset/(obligation)	22.9	(145.9)	17.6	(135.9)
The pension asset/(obligation) is composed of:				
Prepaid pension asset (see Note 8)	24.0		18.0	
Reinsurance policies for pension obligations (see Note 8)	5.8		5.6	
Accrued pension obligations	(6.9)	(145.9)	(6.0)	(135.9)
Total pension asset/(obligation)	22.9	(145.9)	17.6	(135.9)

The plan assets of funded plans of MCHF 352.8 (PY: MCHF 316.7) are composed of assets of MCHF 347.0 (PY: MCHF 311.1) in two independent Swiss trustee pension funds and MCHF 5.8 (PY: MCHF 5.6) in qualifying insurance policies. As of January 1, 2007, the Group

will terminate qualifying insurance policies related to a defined benefit plan in Germany, financed by the employer. These policies cover the gap between the pension obligation recognized and the actual pension liability in case of an insured event. The value of these policies amounted to MCHF 6.6 at the balance sheet date (PY: MCHF 6.1). They are not included in the tables in this note.

The legal situation relating to pension plans in Switzerland limits the Group's control over the surplus in the Swiss pension fund.

The benefit obligations, the plan assets, the funded status and the net actuarial gains and losses were as follows:

	2006 MCHF	2005 MCHF	2004 MCHF
Benefit obligations	(458.4)	(418.6)	(370.3)
Plan assets	352.8	316.7	276.5
Funded status	(105.6)	(101.9)	(93.8)
Net actuarial (gains) and losses on benefit obligations	13.7	24.1	20.5
– of which from changes in actuarial assumptions	1.4	32.6	14.7
– of which from experience adjustments	12.3	(8.5)	5.8
Experience adjustments on plan assets	(12.0)	(15.9)	(0.1)
Total actuarial (gains) and losses in current year	1.7	8.2	20.4
Adjustment according to IAS 19.58(b), (gain)/loss	1.0	2.8	(7.6)
Recorded in equity, current year	2.7	11.0	12.8
Recorded in equity, accumulated	94.9	92.2	81.2

The plan assets of the Swiss pension fund is split into the following asset categories (in %):

	2006	2005
Equity	40.6	35.6
Bonds and other debt instruments	30.6	31.9
Real estate property	25.1	25.6
Other	3.7	6.9
Total	100.0	100.0

The expected return on plan assets is calculated based on long-term returns on the investments in the respective asset category. The investments per asset category follow the guidelines defined in the strategic asset allocation policy.

The actual return on these plan assets amounts to 8.4% in 2006 and 11.8% in 2005. As of December 31, 2006, plan assets include MCHF 2.8 (PY: MCHF 1.6) of equity instruments of Geberit AG and MCHF 10.5 (PY: MCHF 9.7) in real estate property used by the Group.

In 2007 the expected employers' contribution to the plan assets amounts to MCHF 7.0.

The following actuarial assumptions were used for the calculation of the defined benefit obligations and the expected return on plan assets (in %):

	2006			2005		
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	3.25	4.5	6.0	3.25	4.5	6.0
Annual rate of increase in future compensation levels	2.0	2.5	4.0	2.0	2.5–3.5	4.0
Expected rate of future increases in pension benefits	1.0	0–2.0	0.0	1.0	0–2.5	0.0
Expected rate of return on plan assets	4.5			4.5		

The consolidated income statement also includes expenses for defined contribution plans of MCHF 2.0 in 2006 (PY: MCHF 3.1).

15. Participation plans

Share plans

In 2006, the employees could purchase a limited number of shares at a discount of 40 % (PY: 50 %) to the market price ("Employee share plan 2006"). The Geberit management was entitled to draw the previous year's bonus partly or wholly in shares at the market price ("Management share plans 2006"). For each of these shares the management participants received one option (see part 2: "Option plans"). As part of the "Directors Program 2006" the non-executive members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 40 % (PY: 50 %). All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2006 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share plan 2006 (ESPP)	2008	934	4,235	743.10
Management share plans 2006 (MSPP)	2009	62	2,083	1,238.50
Directors Program 2006 (DSPP)	2008	5	728	743.10

The 7,046 shares required for these plans were held by the Group as treasury shares.

As of December 31, 2006, active managers and employees together owned 38,474 (PY: 87,628) shares, i.e. 0.9 % (PY: 2.1 %) of the share capital of Geberit AG. 1.0 % of the decrease of 1.2 % is due to personnel leaving the Group and retirements.

Option plans

For each of the shares purchased in connection with the “Management share plans 2006” the Geberit management received one option to purchase an additional share at a 1:1 ratio. The exercise price of the options is equal to the price at which the underlying shares were allocated. The options can be exercised after blocking periods of two years. They lapse if not exercised after five years from grant date.

In connection with an additional option plan (“Option plan 2006”), the managing directors and members of the Geberit Group Executive Board were entitled to additional options with a term to maturity of five years and a blocking period of two and four years, respectively.

The following is a summary of the options allocated in 2006:

	End of blocking period	Maturity	Number of partici- pants	Number of options allocated	Exercise price CHF
Management share plans 2006 (MSPP)	2008	2011	62	2,083	1,238.50
Option plan 2006 type A (MSOP)	2008	2011	56	4,110	1,164.50
Option plan 2006 type B (MSOP)	2010	2011	56	4,110	1,220.00
Total				10,303	

The fair value of the options granted in 2006 amounted to CHF 190.53 for MSOP type A (two years blocking period), CHF 173.88 for MSOP type B (four years blocking period) and CHF 236.34 for MSPP (two years blocking period) at the corresponding granting date. The fair value was determined using the binomial model for “American Style Call Options”.

The calculation model was based on the following parameters:

	Reference share price ¹ CHF	Sur- charge %	Exercise price CHF	Expected volatility %	Expected Ø dividend yield %	Con- tractual period Years	Risk free interest rate %
Management share plans 2006 (MSPP)	1,238.50	0	1,238.50	24.57	2.40	5	2.360
Option plan 2006 type A (MSOP)	1,109.10	5	1,164.50	25.12	2.60	5	2.175
Option plan 2006 type B (MSOP)	1,109.10	10	1,220.00	25.12	2.60	5	2.175

¹ The reference share price corresponds to the average share price of the Geberit shares for the period from 12.–25.1.2006 for MSOP and from 9.–22.3.2006 for MSPP, respectively.

The following table summarizes all option plans in place as of December 31, 2006:

End of blocking period	Maturity	Number of options outstanding	Average exercise price CHF	Number of options in the money	Average exercise price CHF
lapsed	2007–2009	2,965	597.20	2,965	597.20
2007	2008–2010	12,861	666.46	12,861	666.46
2008	2009–2011	9,818	991.22	9,818	991.22
2009	2010	3,504	947.50	3,504	947.50
2010	2011	3,670	1,220.00	3,670	1,220.00
Total		32,818	849.27	32,818	849.27

All options granted to the Mapress management in connection with the Mapress acquisition (MMBP) were exercised in 2006. The table below considers the 2:1 share ratio for the MMBP program regarding the calculation of the number of options. The following movements took place in 2006:

	MSOP		MSPP		MMBP		Total	
	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 31.12.05	33,950	634.64	9,205	712.22	2,301	525.00	45,456	644.67
Granted options	8,220	1,192.25	2,083	1,238.50			10,303	1,201.60
Forfeited options	3,910	815.48	110	1,041.86			4,020	821.67
Exercised options	10,612	504.45	6,008	657.26	2,301	525.00	18,921	555.47
Lapsed options								
Outstanding 31.12.06	27,648	824.65	5,170	980.91			32,818	849.27
Exercisable at 31.12.06	2,092	597.14	873	597.35			2,965	597.20

The 32,818 options outstanding represent 0.8% of the share capital of Geberit AG. The Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2006 had an exercise price between CHF 393.50 and CHF 1,238.50 and an average remaining contractual life of 2.7 years.

Costs resulting from participation plans amounted to MCHF 2.7 in 2006 (PY: MCHF 2.9), those for option plans to MCHF 1.8 (PY: MCHF 2.1).

16. Deferred tax assets and liabilities

2006	2006 Total	Movements in 2006				2005 Total
		(Charged)/ credited to income	Acqui- sitions	(Charged)/ credited to equity	Trans- lation differences	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carry-forwards	10.0	2.7			(0.1)	7.4
Accrued pension obligation	12.7	(0.1)		0.5	0.4	11.9
Property, plant and equipment	2.2	(0.7)			(0.1)	3.0
Goodwill and intangible assets	17.9	(2.2)			0.6	19.5
Other	24.5	1.1		3.1	(0.3)	20.6
Total deferred tax assets	67.3	0.8		3.6	0.5	62.4
Deferred tax liabilities						
Inventories	(4.5)	(0.2)			0.2	(4.5)
Property, plant and equipment	(50.8)	10.1			(0.6)	(60.3)
Prepaid pension asset	(4.5)	(0.2)		0.3		(4.6)
Intangible assets	(16.6)	3.0			(0.3)	(19.3)
Other	(12.4)	(2.8)				(9.6)
Total deferred tax liabilities	(88.8)	9.9		0.3	(0.7)	(98.3)
2005	2005 Total	Movements in 2005				2004 Total
		(Charged)/ credited to income	Acqui- sitions	(Charged)/ credited to equity	Trans- lation differences	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carry-forwards	7.4	2.3			0.3	4.8
Accrued pension obligation	11.9	0.5		3.9	0.5	7.0
Property, plant and equipment	3.0	(0.2)			0.2	3.0
Goodwill and intangible assets	19.5	(2.2)			0.1	21.6
Other	20.6	1.1	(0.4)	0.1	0.4	19.4
Total deferred tax assets	62.4	1.5	(0.4)	4.0	1.5	55.8
Deferred tax liabilities						
Inventories	(4.5)	0.6	0.6		(0.1)	(5.6)
Property, plant and equipment	(60.3)	0.8	1.2		(0.3)	(62.0)
Prepaid pension asset	(4.6)	(1.8)		(0.1)		(2.7)
Intangible assets	(19.3)	2.2	0.4		(0.1)	(21.8)
Other	(9.6)	(3.4)				(6.2)
Total deferred tax liabilities	(98.3)	(1.6)	2.2	(0.1)	(0.5)	(98.3)

The decrease in deferred tax assets and liabilities (charged)/credited to the income statement 2006 is mainly a result of the income tax rate reduction in the canton St. Gallen (Switzerland) that will become effective as of January 1, 2007.

No deferred tax liabilities are established for non-refundable withholding taxes or other taxes on unremitted earnings which are not planned to be remitted to the parent. As of December 31, 2006 and 2005, there were no such retained earnings in the subsidiaries.

The Group recognizes deferred tax assets from loss carry-forwards when they comply with the requirements of IAS 12. The following loss carry-forwards (listed by maturity) were used for the calculation of deferred tax assets:

Maturity	2006	No deferred tax asset	Deferred tax asset	2005	No deferred tax asset	Deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
1 year	0.9	0.9		1.2	1.1	0.1
2 years	2.3	2.3		1.1	0.9	0.2
3 years	0.2	0.1	0.1	0.6	0.5	0.1
4 years	3.3	2.6	0.7	0.2	0.1	0.1
5 years	1.2		1.2	0.4		0.4
6 years	9.3	0.1	9.2	0.5		0.5
> 6 years	25.3	3.0	22.3	20.3		20.3
Total	42.5	9.0	33.5	24.3	2.6	21.7

17. Other non-current provisions and liabilities

	2006	2005
	MCHF	MCHF
Provisions for operating risks	19.7	15.9
Accrued grant payments	0.6	0.6
Derivatives (see Note 30)	28.2	24.7
Other non-current liabilities	16.6	15.3
Total other non-current provisions and liabilities	65.1	56.5

Provisions for operating risks mainly include provisions for warranties. 2006 and 2005 movements are shown in the following table. For details with respect to derivatives see Note 13.

Provisions for operating risks

	2006	2005
	MCHF	MCHF
January 1	15.9	14.6
Changes in Group organization		(0.5)
Additions	8.3	4.5
Used	(3.4)	(1.0)
Reversed	(1.2)	(2.1)
Translation differences	0.1	0.4
December 31	19.7	15.9

18. Contingencies

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

The Group is also subject to various environmental laws and regulations in the jurisdictions in which it operates. In the ordinary course of business, the Group incurs capital and operating expenditures and other costs in complying with such laws and regulations. The Group currently does not anticipate any extraordinary material capital expenditures for environmental control technology. Some risk of environmental liability is inherent in the Group's business, and there can be no assurance that additional environmental costs will not arise in the future. However, the Group does not anticipate any material adverse effect for its results of operations or financial position as a consequence of future costs of environmental compliance.

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

19. Equity

In 2006, dividends of MCHF 101.5 were distributed to the shareholders of Geberit AG (CHF 25 per share).

As part of the share buyback program, 139,100 shares were repurchased at a total amount of MCHF 179.0 as of the end of December 2006. This corresponds to an average price of CHF 1,287 per share. No decision has yet been taken concerning the utilization of the repurchased shares. As of December 31, 2006, the Group held a total of 203,241 (PY: 69,160) treasury shares with a carrying value of MCHF 236.2 (PY: MCHF 49.6). In 2006, the Group bought a net total of 134,081 treasury shares. Treasury shares are deducted at cost from equity.

For transactions in connection with the participation plans see Note 15.

20. Earnings per share

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

	2006	2005
Attributable net income according to income statement (MCHF)	355.0	262.5
Thereof net income from continuing operations (MCHF)	355.0	260.0
Thereof net income from discontinued operations (MCHF)		2.5
Weighted average number of ordinary shares outstanding (thousands)	4,009	4,096
Earnings per share (EPS) from continuing operations (CHF)	88.55	63.48
Earnings per share (EPS) from discontinued operations (CHF)		0.61
Earnings per share (EPS), total (CHF)	88.55	64.09

For the diluted earnings per share, the weighted average number of issued ordinary shares is adjusted to assume conversion of all potentially dilutive ordinary shares (see Note 3). The Group has granted share options to the management and has issued a Convertible Bond which both are used to calculate the potentially dilutive ordinary shares.

	2006	2005
Attributable net income according to income statement (MCHF)	355.0	262.5
Interest and amortization expenses of Convertible Bond, net (MCHF)	5.1	4.8
Net income to determine diluted earnings per share (MCHF)	360.1	267.3
Thereof net income from continuing operations (MCHF)	360.1	264.8
Thereof net income from discontinued operations (MCHF)		2.5
Weighted average number of ordinary shares outstanding (thousands)	4,009	4,096
Adjustments for share options (thousands)	13	13
Adjustment for Convertible Bond (thousands)	171	171
Weighted average number of ordinary shares outstanding (thousands)	4,193	4,280
Diluted earnings per share (EPS) from continuing operations (CHF)	85.88	61.87
Diluted earnings per share (EPS) from discontinued operations (CHF)		0.58
Diluted earnings per share (EPS), total (CHF)	85.88	62.45

For the calculation of adjusted earnings per share, the amortization of goodwill and the Geberit trademarks is added back to net income.

	2006	2005
Attributable net income according to income statement (MCHF)	355.0	262.5
Total amortization of goodwill and Geberit trademarks (MCHF)		2.6
Adjusted net income attributable to shareholders (MCHF)	355.0	265.1
Thereof net income from continuing operations (MCHF)	355.0	262.6
Thereof net income from discontinued operations (MCHF)		2.5
Weighted average number of ordinary shares outstanding (thousands)	4,009	4,096
Adjusted earnings per share (EPS) from continuing operations (CHF)	88.55	64.11
Adjusted earnings per share (EPS) from discontinued operations (CHF)		0.61
Adjusted earnings per share (EPS), total (CHF)	88.55	64.72

21. Sales deductions

	2006	2005
	MCHF	MCHF
Early payment discounts	63.1	54.5
Outbound freight costs	60.7	56.5
Customer volume discounts	181.7	146.1
Other	29.3	25.6
Total sales deductions	334.8	282.7

22. Other operating expenses, net

	2006	2005
	MCHF	MCHF
Energy and maintenance expenses	77.3	65.2
Marketing expenses	49.3	47.4
Administration expenses	44.9	45.3
Other operating expenses	45.0	44.2
Other operating income	(13.7)	(16.6)
Total other operating expenses, net	202.8	185.5

Other operating income includes, among others, compensation for postage and packaging, rental income, non-periodic income and catering revenues.

In 2006, costs of MCHF 12.7 (PY: MCHF 13.7) were capitalized as property, plant and equipment, including in particular tools and assembly lines, which are part of the production process. The amount was deducted from personnel expenses, cost of materials and other operating expenses, net.

23. Finance costs, net

	2006	2005
	MCHF	MCHF
Interest income	(4.8)	(4.1)
Interest expenses	17.0	21.1
Amortization of deferred financing fees	1.3	1.1
Foreign exchange result, net	1.5	(2.3)
Other financial income	(0.1)	(0.1)
Other financial expenses	1.4	1.5
Total finance costs, net	16.3	17.2

24. Income tax expenses

	2006	2005
	MCHF	MCHF
Current taxes	121.6	89.6
Deferred taxes	(10.7)	0.1
Total income tax expenses	110.9	89.7

The differences between income tax expenses computed at the weighted average applicable rate of the Group of 25.4% (PY: 26.2%) and income tax expenses provided on earnings were as follows:

	2006	2005
	MCHF	MCHF
Income tax expenses, at applicable rate	118.4	92.3
Utilization of loss carry-forwards	(0.3)	(0.8)
Operating losses with no current tax benefit	1.6	0.4
Changes in tax rates	(8.0)	
Non-deductible expenses including goodwill amortization, net	1.0	(0.9)
Other	(1.8)	(1.3)
Total income tax expenses	110.9	89.7

“Changes in tax rates” mainly contains the reduction in deferred tax assets and liabilities as a result of the income tax rate reduction in the canton St. Gallen (Switzerland) that becomes effective as of January 1, 2007.

25. Cashflow figures

Net cashflow is calculated as follows:

	2006	2005
	MCHF	MCHF
EBITDA	569.1	455.9
Finance costs, net	(16.3)	(17.2)
Income tax expenses	(110.9)	(89.7)
Deferred taxes charged/(credited) to net income (see Notes 16 and 24)	(10.7)	0.1
Changes in non-current provisions	26.0	20.7
Changes in other non-current assets and liabilities	(3.0)	(3.2)
Net cashflow	454.2	366.6

Changes in non-current provisions mainly include the changes in provisions for operating risks, accrued pension costs and non-cash expenses resulting from share participation and option plans charged or credited to net income. The position changes in other non-current assets and liabilities mainly includes the changes in prepaid pension assets and deferred financing fees charged or credited to net income.

Free cashflow is calculated as follows:

	2006	2005
	MCHF	MCHF
Net cashflow	454.2	366.6
Purchase of property, plant and equipment and intangible assets, net	(78.7)	(73.2)
Changes in net working capital	(9.7)	1.9
Payments charged to non-current provisions	(9.9)	(5.1)
Free cashflow	355.9	290.2

As per Group definition, the term “Free cashflow” does not include divestments or acquisitions of subsidiaries nor the purchase or sale of treasury shares and dividend payments.

Changes in net working capital comprise the changes in the aggregate of trade accounts receivable, inventories and other accounts receivable and prepaid expenses, less the aggregate of trade accounts payable and other current provisions and liabilities charged or credited to net income.

Payments charged to non-current provisions mainly include pensions.

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

26. Segment information

The Group consists of a single business segment: the design, manufacturing and sale of sanitary plumbing systems to the residential and commercial construction industry. The business segment is divided into geographical regions.

The segment “Other major European markets” includes Austria, the United Kingdom, Benelux and France. All other European markets are summarized in the “Other European markets”. The segment “Other markets” includes principally North America, Middle East and Africa as well as the Far East. The segment “Corporate functions” consists in particular of Geberit AG, Geberit Holding AG and Geberit International AG as the central holding and management companies, and the research and development company Geberit Technik AG.

Balance sheet and income statement information is allocated to geographical segments in accordance with the jurisdiction where the assets and liabilities are located and the results are generated.

The Group considers the operating profit to be the segment result. Group companies principally account for intersegment sales using the “market-minus” method. Due to the existing transfer price concept, most of the profits are generated in Germany and Switzerland where the most important production plants are located.

Balance sheet information of the corporate functions includes unallocated assets and liabilities of the Group which consist of cash and cash equivalents, goodwill and the Geberit trademark licenses from the leveraged buyout, income tax assets and liabilities and financial assets and liabilities. Intercompany transactions have been eliminated in the column “Eliminations”.

Balance sheet information is as follows:

	Switzer- land	Germany	Italy	Other major European markets	Other European markets	Other markets	Corporate functions	Elimina- tions	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
2006									
Segment assets	289.0	764.1	84.5	315.5	162.5	126.1	1,389.8	(1,120.8)	2,010.7
Segment liabilities	62.7	299.8	26.1	91.7	44.0	43.8	1,497.5	(1,120.8)	944.8
Capital expenditure	18.6	35.9	4.3	9.7	6.1	5.3	1.4		81.3
Depreciation expense	20.6	30.9	2.5	11.8	4.1	5.5	1.5		76.9
2005									
Segment assets	277.8	776.0	96.8	283.3	154.5	124.4	1,150.9	(917.1)	1,946.6
Segment liabilities	61.2	254.3	36.1	79.3	35.7	31.5	1,407.6	(917.1)	988.6
Capital expenditure	23.6	23.3	4.4	12.3	3.4	10.5	2.0		79.5
Depreciation expense	19.5	30.5	3.3	12.4	3.7	4.9	1.5		75.8

Income statement information is as follows:

	Continuing operations							Total	Discon- tinued opera- tions	Total
	Switzer- land	Germany	Italy	Other major European markets	Other European markets	Other markets	Cor- porate functions			
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF			MCHF
2006										
Intersegment sales	268.2	555.6	30.5	92.4	15.3	7.7				
External sales	252.6	747.8	265.2	474.0	259.7	184.2		2,183.5		2,183.5
Segment result	125.1	214.9	27.2	54.1	3.4	2.3	55.2	482.2		482.2
Finance costs, net								16.3		16.3
Income tax expenses								110.9		110.9
Net income								355.0		355.0
2005										
Intersegment sales	223.0	449.4	20.0	83.5	12.5	5.5				
External sales	227.2	634.4	256.3	423.3	219.8	161.9		1,922.9		1,922.9
Segment result ¹	92.1	168.6	21.4	44.9	4.0	(4.6)	40.5	366.9	2.5	369.4
Finance costs, net								17.2		17.2
Income tax expenses								89.7		89.7
Net income								260.0	2.5	262.5

¹ In 2005, impairment adjustments in the amount of MCHF 3.3 were made and allocated to "Other markets".

The adjustments are based on an impairment test that was made in connection with the optimization of the product range in the USA (see Notes 7 and 9).

27. Related party transactions

In 2006 and 2005, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2006	2005
	MCHF	MCHF
Salary, bonus and other compensation	4.6	4.8
Granted options (2,320 in 2006 and 2,734 in 2005)	0.5	0.5
Total	5.1	5.3

In 2006 and 2005, there were no further material related party transactions.

28. Foreign exchange rates

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

Currency			2006		2005	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.6073	1.5722	1.5568	1.5483
United Kingdom	GBP	1	2.3978	2.3075	2.2645	2.2623
USA	USD	1	1.2194	1.2539	1.3098	1.2432
Poland	PLN	100	42.0200	40.3660	40.3670	38.5370
Slovenia	SIT	100	0.6710	0.6570	0.6500	0.6470
China	CNY	100	15.6010	15.6880	16.2320	15.2740
Denmark	DKK	100	21.5560	21.0940	20.8680	20.7690
Australia	AUD	1	0.9660	0.9395	0.9618	0.9488
Czech Republic	CZK	100	5.8360	5.6010	5.3620	5.1990
Hungary	HUF	100	0.6380	0.5860	0.6160	0.6240
Norway	NOK	100	19.4700	19.4980	19.4070	19.3490
Sweden	SEK	100	17.7770	17.0220	16.5270	16.6780
Singapore	SGD	1	0.7954	0.7885	0.7875	0.7482
Slovakia	SKK	100	4.6430	4.2610	4.1080	4.0110

29. Subsequent events

These financial statements have been approved by the Board of Directors on March 6, 2007.

The Board of Directors will submit a request for a 1:10 stock split to the general meeting which will be held as at April 26, 2007. If the motion is passed, the split will be implemented subsequently, after payment of dividends.

On January 31, 2007, Geberit AG concluded in due time its share buyback program in the amount of MCHF 200.0, which the company had started in January 2006. In the course of the program a total of 139,100 registered shares, equal to MCHF 179.0 and corresponding to 3.34 % of the capital stock, were repurchased. The average purchase price per share was CHF 1,287 (see Note 19). The share buyback program was conducted over a second trading line, specially arranged for this purpose at the SWX Swiss Exchange. No decision has been taken yet concerning the utilization of the repurchased shares.

30. Additional disclosures on financial instruments

Measurement of financial instruments by categories according to IAS 39

Based on the relevant balance sheet item of financial instruments, the following table shows the reconciliation from the carrying amounts in the balance sheet to the classification by categories according to IAS 39:

	Carrying amount as of 31.12.2006	At amortized cost	At cost	At fair value
	MCHF	MCHF	MCHF	MCHF
Financial assets				
Cash and cash equivalents	182.4	182.4		
Receivables	167.8	167.8		
Other non-derivative financial instruments	4.5	2.9		1.6
Derivative financial assets	0.1			0.1
Financial liabilities				
Short-term debt	14.7	14.7		
Trade accounts payable	102.4	102.4		
Private Placement	121.0	121.0		
Revolving Facility	18.7	18.7		
Convertible Bond	155.8	155.8		
Other long-term debt	12.9	12.9		
Derivative financial liabilities	28.2			28.2
Aggregated by measurement category in accordance with IAS 39				
Loans and receivables	353.1	353.1		
Held-to-maturity investments				
Available-for-sale financial assets				
Financial assets at fair value	1.7			1.7
Financial liabilities at amortized cost	425.5	425.5		
Financial liabilities at fair value	28.2			28.2

	Carrying amount as of 31.12.2005	At amortized cost	At cost	At fair value
	MCHF	MCHF	MCHF	MCHF
Financial assets				
Cash and cash equivalents	180.0	180.0		
Receivables	153.0	153.0		
Other non-derivative financial instruments	3.1	0.5	0.2	2.4
Derivative financial assets	0.4			0.4
Financial liabilities				
Short-term debt	49.4	49.4		
Trade accounts payable	94.3	94.3		
Private Placement	129.9	129.9		
Revolving Facility	33.2	33.2		
Convertible Bond	152.2	152.2		
Other long-term debt	28.7	28.7		
Derivative financial liabilities	24.7			24.7
Aggregated by measurement category in accordance with IAS 39				
Loans and receivables	333.5	333.5		
Held-to-maturity investments				
Available-for-sale financial assets	0.2		0.2	
Financial assets at fair value	2.8			2.8
Financial liabilities at amortized cost	487.7	487.7		
Financial liabilities at fair value	24.7			24.7

31. Group companies as of December 31, 2006

Switzerland	Owner- ship in %	Activity
Geberit AG, Rapperswil-Jona		○
Geberit Holding AG, Rapperswil-Jona	100	○
Geberit International AG, Rapperswil-Jona	100	○
Geberit International Sales AG, Rapperswil-Jona	100	△
Geberit Technik AG, Rapperswil-Jona	100	○
Geberit Verwaltungs AG, Rapperswil-Jona	100	○
Geberit Vertriebs AG, Rapperswil-Jona	100	△
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	100	△
Geberit Produktions AG, Rapperswil-Jona	100	□
Geberit Balena AG, Bütschwil	100	△
Büchler Werkzeugbau AG, Flawil	100	□
Geberit Fabrication SA, Givisiez	100	□
Australia		
Geberit Pty Ltd., North Ryde NSW	100	△
Austria		
Geberit Vertriebs GmbH & Co. KG, Pottenbrunn	100	△
Geberit Produktions GmbH & Co. KG, Pottenbrunn	100	□
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn	100	○
Geberit Huter GmbH, Matri	100	□
Belgium		
Geberit N.V., Machelen	100	△
Channel Islands		
Geberit Finance Ltd., Jersey	100	○
Geberit Reinsurance Ltd., Guernsey	100	○
China		
Geberit Flushing Technology Co. Ltd., Daishan	100	□/△
Geberit Plumbing Technology Co. Ltd., Shanghai	100	□/△
Czech Republic		
Geberit spol. s.r.o., Brno	100	△
Denmark		
Geberit A/S, Lystrup	100	△
Finland		
Geberit OY, Espoo	100	△
France		
Geberit S.à.r.l., Antony	100	△
Germany		
Geberit Beteiligungs GmbH & Co. KG, Pfullendorf	100	○
Geberit Deutschland GmbH, Pfullendorf	100	○

Germany	Owner- ship in %	Activity
Geberit Management GmbH, Pfullendorf	100	○
Geberit Vertriebs GmbH, Pfullendorf	100	△
Geberit Produktions GmbH, Pfullendorf	100	□
Geberit Mapress GmbH, Langenfeld	100	□
Geberit Mapress Technik GmbH, Langenfeld	100	○
Geberit RLS Beteiligungs GmbH, Pfullendorf	100	○
Geberit Lichtenstein GmbH, Lichtenstein	100	□
Geberit Weilheim GmbH, Weilheim	100	□
Hungary		
Geberit Kft, Budapest	100	△
Italy		
Geberit Produzione S.p.a., Villadose	100	□
Netherlands		
Geberit Holding B.V., Nieuwegein	100	○
Geberit B.V., Nieuwegein	100	△
Geberit Invest B.V., Nieuwegein	100	○
Geberit Management B.V., Nieuwegein	100	○
Geberit International B.V., Nieuwegein	100	○
Norway		
Geberit AS, Lysaker	100	△
Poland		
Geberit Sp.z.o.o., Warsaw	100	△
Portugal		
Geberit Tecnologia Sanitária S.A., Lissabon	100	△
Singapore		
Geberit South East Asia Pte. Ltd., Singapur	100	△
Slovakia		
Geberit Slovensko s.r.o., Bratislava	100	△
Slovenia		
Geberit Sanitarna tehnika d.o.o., Ruše	100	□/△
Spain		
Geberit S.A., Barcelona	100	△
Sweden		
Geberit AB, Malmö	100	△
Turkey		
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100	△
United Kingdom		
Geberit Ltd., Aylesford	100	□/△
Geberit UK Ltd., Aylesford	100	○
USA		
Duffin Manufacturing Co., Elyria	100	□/△
The Chicago Faucet Company, Des Plaines	100	□/△

○ Services, holding functions

△ Distribution

□ Production

Report of the Group Auditors



Report of the group auditors to the general meeting of Geberit AG, Rapperswil-Jona

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of shareholders' equity, statement of cash flows and notes, pages 58 to 95) of Geberit Group for the year ended 31 December 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'Daniel Ketterer'.

Daniel Ketterer
Auditor in charge

A handwritten signature in black ink, appearing to read 'Gilles Thiéry'.

Gilles Thiéry

Zurich, Switzerland, 6 March 2007

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Financial Statements

Geberit AG

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Financial Statements

Balance Sheets

	31.12.2006 MCHF	31.12.2005 MCHF
Current assets		
Cash and cash equivalents		0.1
Treasury shares	179.1	
Accounts receivable		
– Third parties	3.1	1.0
– Group companies	22.4	120.8
Total current assets	204.6	121.9
Non-current assets		
Investments	956.4	832.0
Intangible assets: Deferred financing costs Convertible Bond	2.1	2.7
Total non-current assets	958.5	834.7
Total assets	1,163.1	956.6
Current liabilities		
– Third parties	1.9	1.8
– Group companies	2.8	1.0
Total current liabilities	4.7	2.8
Non-current liability: Convertible Bond	169.8	170.0
Shareholders' equity		
Capital stock	4.2	4.2
Legal reserves		
– General reserve, share premium	1.0	0.8
– Reserve for treasury shares	239.8	53.0
Free reserves	432.1	578.9
Retained earnings	311.5	146.9
Total shareholders' equity	988.6	783.8
Total liabilities and shareholders' equity	1,163.1	956.6

Income Statements

	2006 MCHF	2005 MCHF
Income		
Dividends from subsidiaries	310.0	140.0
Financial income	2.0	2.5
Other operating income	0.2	0.3
Total income	312.2	142.8
Expenses		
Administrative expenses	2.2	2.0
Financial expenses	2.5	2.3
Total expenses	4.7	4.3
Net income	307.5	138.5

Notes to the Financial Statements

1. Notes (in accordance with Article 663b of the Swiss Code of Obligations)

1.1 Guarantees, assets pledged in favour of third parties

	31.12.2006	31.12.2005
	MCHF	MCHF
Guarantee Revolving Facility	400.0	400.0
Guarantees in connection with Private Placement (MUSD 100)	121.9	131.0

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

1.2 Convertible Bond

The terms of the CHF 170,000,000 1% convertible bond 2004–2010, issued on June 14, 2004, are as follows:

Coupon:	1.00% p.a., payable annually on June 14
Tenor:	6 years (2004–2010)
Early redemption at the option of the issuer:	At the principal amount plus accrued interest, if any, subject to a period of not less than 30 days' prior notice a) at any time, if 85% or more in aggregate of the principal amount of the Convertible Bond has been converted and/or purchased, or b) on or after June 14, 2008, if, within a period of 30 consecutive trading days, the closing price of the registered shares of Geberit AG on the SWX Swiss Exchange for 20 trading days shall have been at least 130% of the conversion price deemed to be in effect on each of such trading days.
Early redemption at the option of holders:	At the principal amount plus accrued interest, if any, upon the occurrence of a change in the legal or economic structure of Geberit AG according to the terms of the Convertible Bond.
Redemption:	June 14, 2010, at the principal amount
Denomination:	CHF 5,000 or multiples thereof

Conversion right:	Bonds of CHF 5,000 each are convertible into 5.03525 registered shares of Geberit AG at any time during the conversion period; fractions exceeding CHF 10 will be paid out cash.
Conversion period:	The bonds are convertible from July 26, 2004, up to and including May 31, 2010, or five business days (i.e. the banks in Zurich are open all day) prior to an early redemption.
Conversion price:	CHF 993 per registered share of Geberit AG
Dividend rights:	The shares issued upon conversion will have the same rights as the existing shares, in particular with respect to dividend rights.
Reserved share capital:	200,000 shares from the conditional capital
Total included share capital:	Up to a nominal amount of CHF 171,198

1.3 Significant investments

All Group companies are listed in the Consolidated Financial Statements of the Geberit Group (see Note 31).

1.4 Share capital

The share capital of Geberit AG consists of 4,160,180 ordinary shares with a par value of CHF 1.00 each.

1.5 Treasury shares

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

	Number of registered shares	High in CHF	Average in CHF	Low in CHF
Balance at December 31, 2005	69,160			
Purchases under the buyback program	139,100	1,463.00	1,287.00	1,120.00
Purchases	20,981	1,895.00	1,314.24	1,080.35
Sales	26,000	1,895.00	1,296.30	1,080.35
Balance at December 31, 2006	203,241			
Number of treasury shares held by Geberit AG	139,100			

The Board of Directors of Geberit AG approved a share buyback program of up to MCHF 200.0. Under this program, the company repurchased shares for MCHF 179.0 as at the end of December 2006. No decision has yet been taken concerning the utilization of the repurchased shares.

The legal reserves for treasury shares were recorded at cost.

1.6 Capital increases

	31.12.2006 MCHF	31.12.2005 MCHF
Conditional capital	0.2	0.2

The fifth ordinary general meeting, held on April 22, 2004, decided to create a new conditional capital of up to CHF 200,000 through the issue of a maximum of 200,000 new registered shares with a par value of CHF 1.00 each through the exercise of conversion or option rights, e.g. in connection with a Convertible Bond.

On June 14, 2004, a Convertible Bond was issued on the conditions according to section 1.2 in these notes to the financial statements. As of December 31, 2006, 180 shares have been issued in connection with this conditional capital increase. The usage of the conditional capital is not subject to any time limit.

2. Other disclosures required by the law

2.1 Significant shareholders

According to the information available to the Board of Directors the following shareholders held shares entitling them to more than 5% of the total share capital:

	31.12.2006	31.12.2005
The Capital Group, Los Angeles	–	> 5%

Proposal for the appropriation of available earnings

Proposal by the Board of Directors to the General Meeting

	2006 CHF	2005 CHF
Available earnings		
Net income	307,540,361	138,491,182
Balance brought forward	3,961,627	8,396,445
Total available earnings	311,501,988	146,887,627
Transfer to free reserves	140,000,000	40,000,000
Proposed/Paid dividend	160,843,200	102,926,000
Balance to be carried forward	10,658,788	3,961,627
Total appropriation of available earnings	311,501,988	146,887,627
Transfer of the share premium resulting from conversion to free reserves	174,826	

Dividend payments

The Board of Directors proposes a dividend payment of CHF 40 per share (prior year: CHF 25 per share).

The number of shares is subject to execution of conversion rights derived from the Convertible Bond (see section 1.2) and treasury shares held by Geberit AG. The Board of Directors may adapt the total amount of the proposed dividend to the number of shares with dividend rights at the General Meeting.

Stock split requested for 2007

The Board of Directors submits a request for a 1:10 stock split to the general meeting of April 26, 2007. If the motion is passed, the split will be implemented subsequently, after payment of dividends.

Report of the Statutory Auditors



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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, pages 100 to 104) of Geberit AG for the year ended 31 December 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'Daniel Ketterer'.

Daniel Ketterer
Auditor in charge

A handwritten signature in black ink, appearing to read 'Gilles Thiéry'.

Gilles Thiéry

Zurich, Switzerland, 6 March 2007





Image compositions

Actuator plate

The eccentric, asymmetrical and yet harmonious lines of the Twist actuator plate are unmistakable.



Swiss Re Tower, London

The eccentric shape of this building designed by British star architect, Lord Norman Foster, is a prominent feature of the skyline of London.

WC flushing system

This flushing system allows the user to flush the toilet hands-free or manually.



Peacock feather

The bright eyes on the peacock's feathers make his attackers believe that they are facing many enemies; they also impress peahens during courtship.

Bathtub drain

The fluid technology of all bathtub drain assemblies is optimized to provide self-cleaning, problem-free drainage for years.



Parabolic mirror

Already in antiquity, parabolic mirrors were used to focus sunbeams in order to ignite a fire.

Shower toilet

The design, quality and comfort of the Balena 8000 shower toilet leaves nothing to be desired.



Pelican

The most obvious feature of a pelican is the long beak and the throat pouch with a capacity of 13 liters.

Roof drainage system

By means of negative pressure, the Geberit Pluvia roof drainage system draws off up to 100 liters of rainwater per second, making this system far superior to standard drainage systems.



Orange

The orange was brought to Europe from the Far East by the Portuguese, upon their discovery of the maritime route to India.

Flexible connection pipe

The flexible connecting pipe PluviaConnect adapts perfectly to all installation conditions.

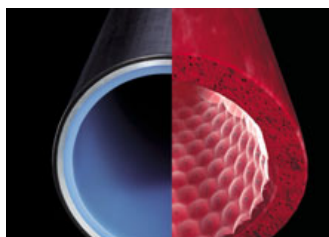


Spinal column

Intricate coordination by vertebrae, discs, muscles and ligaments keeps human beings upright.

Mepla pipe

The Mepla multilayer pipe is durable, robust, easy to install and can be adjusted to any of our customers' requirements.



Artery

The entire human circulatory system of arteries and veins is estimated to be 90,000 kilometers long.

Electronic lavatory tap

The infrared lavatory tap operates touchless and thus meets the highest standards of modern hygiene.



The human eye

Our eyes are highly sensitive sensory organs. They perceive light at wave lengths of approximately 350 to 750 nanometers.

Geberit Key Figures

		2006	2005
Sales	MCHF	2,183.5	1,922.9
Change on previous year	%	+13.6	+0.8
Operating profit (EBIT)	MCHF	482.2	366.9
Margin	%	22.1	19.1
Net income	MCHF	355.0	262.5
Margin	%	16.3	13.7
Operating cashflow (EBITDA)	MCHF	569.1	455.9
Margin	%	26.1	23.7
Net cashflow	MCHF	454.2	366.6
Margin	%	20.8	19.1
Finance costs, net	MCHF	16.3	17.2
Research and development expenses	MCHF	44.3	43.5
In % of sales	%	2.0	2.3
Earnings per share	CHF	88.55	64.09
Earnings per share, adjusted*	CHF	88.55	64.72
Capital expenditure	MCHF	81.3	79.5
Number of employees	31.12.	5,269	5,162
Annual average		5,199	5,237
Sales per employee	TCHF	420.0	367.2
		31.12.2006	31.12.2005
Total assets	MCHF	2,010.7	1,946.6
Cash and cash equivalents	MCHF	182.4	180.0
Net working capital	MCHF	138.1	120.8
Property, plant and equipment	MCHF	533.9	528.3
Goodwill and intangible assets	MCHF	825.1	812.4
Corporate debt	MCHF	323.1	393.4
Equity	MCHF	1,065.9	958.0
Equity ratio	%	53.0	49.2
Gearing	%	13.2	22.3

* Adjusted for amortization of goodwill

	2004	2003	2002	2001	2000	1999	1998
	1,906.8	1,403.9	1,273.0	1,165.1	1,208.5	1,190.7	1,032.2
	+35.8	+10.3	+9.3	-3.6	+1.5	+15.4	+7.9
	305.5	206.4	186.3	157.1	189.7	176.4	140.4
	16.0	14.7	14.6	13.5	15.7	14.8	13.6
	194.4	147.0	118.1	92.1	104.4	54.3	37.4
	10.2	10.5	9.3	7.9	8.6	4.6	3.6
	453.4	329.8	295.7	261.7	297.5	303.5	255.7
	23.8	23.5	23.2	22.5	24.6	25.5	24.8
	351.7	271.3	247.1	206.8	207.5	186.4	152.1
	18.4	19.3	19.4	17.7	17.2	15.7	14.7
	30.0	23.4	23.0	29.1	37.4	37.9	59.4
	43.4	35.7	30.1	34.1	30.5	29.1	28.8
	2.3	2.5	2.4	2.9	2.5	2.4	2.7
	47.32	36.31	29.22	23.00	25.72	13.29	8.06
	60.37	43.74	36.42	30.14	35.16	32.84	33.70
	87.8	69.8	59.6	76.6	66.9	78.1	67.5
	5,516	4,412	4,436	4,144	4,240	4,309	3,788
	5,469	4,419	4,307	4,189	4,267	4,258	3,822
	348,7	317.7	295.6	278.1	283.2	279.6	270.1
	31.12.2004	31.12.2003	31.12.2002	31.12.2001	31.12.2000	31.12.1999	31.12.1998
	1,937.1	1,507.8	1,500.2	1,445.1	1,444.7	1,546.2	1,468.6
	81.6	181.3	137.5	101.5	64.4	126.3	99.0
	130.9	77.6	85.0	86.4	96.4	72.1	59.8
	538.8	490.9	492.0	492.3	490.7	516.9	456.2
	878.8	469.7	510.3	512.0	546.3	581.0	618.6
	535.3	297.2	432.0	505.3	560.1	642.8	801.7
	816.8	739.0	630.2	546.8	492.5	492.2	274.3
	42.2	49.0	42.0	37.8	34.1	31.8	18.7
	55.5	15.7	46.7	73.8	100.6	104.9	256.2

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The statements in this review relating to matters that are not historical facts are forward-looking statements that are not guarantees of future performance and involve risks and uncertainties, including but not limited to: future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors and other factors beyond the control of the company.

This annual report is published in German and English and is also available on the internet as an online version. The printed German version is binding.

Geberit Products



Automatic WC flushing system



Flush actuator



Fill valve



Height adjustable toilet frame



Mepla-Mapress compression joint



PE Flexible Connection



Roof drainage system



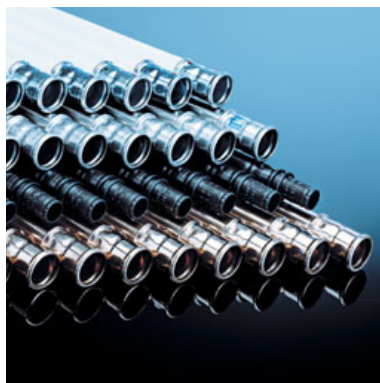
Washbasin siphon trap



Shower tray trap



Shower toilet



Supply systems



Electronic faucet



Geberit AG
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