

Annual Report 2007

Financial Highlights

		2007	2006
Sales	MCHF	2,486.8	2,183.5
Change on previous year	%	+13.9	+13.6
Operating profit (EBIT)	MCHF	553.8	482.2
Margin	%	22.3	22.1
Net income	MCHF	463.3	355.0
Margin	%	18.6	16.3
Operating cashflow (EBITDA)	MCHF	637.9	569.1
Margin	%	25.7	26.1
Free cashflow	MCHF	362.7	355.5
Margin	%	14.6	16.3
Finance costs, net	MCHF	11.4	16.3
Research and development expenses	MCHF	48.1	44.3
In % of sales	%	1.9	2.0
Earnings per share*	CHF	11.67	8.86
Capital expenditure	MCHF	103.5	81.3
Number of employees	31.12.	5,344	5,269
Annual average		5,360	5,199
Sales per employee	TCHF	464.0	420.0
		31.12.2007	31.12.2006
Total assets	MCHF	2,298.3	2,010.7
Cash and cash equivalents	MCHF	450.1	182.4
Net working capital	MCHF	168.7	131.9
Property, plant and equipment	MCHF	529.3	533.9
Goodwill and intangible assets	MCHF	828.8	825.1
Corporate debt	MCHF	273.9	323.1
Equity	MCHF	1,404.4	1,065.9
Equity ratio	%	61.1	53.0
Gearing	%	-12.5	13.2

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

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What Geberit products are made of

Raw materials are ultimately the key to Geberit's success figures. It all starts with them, nothing is possible without them. It is no wonder, then, that raw materials and materials derived from them are also an important cost factor. In the last financial year, they accounted for around 50% of the operating expenses of 1.55 billion Swiss francs. This, however, is not enough to explain the fascination these materials can exert. It is for that reason that in this Annual Report we will take a look from a different perspective at where it all begins. We wish you pleasant viewing and interesting insights.



Günter F. Kelm, Chairman of the Board



Albert M. Baehny, CEO

To our Shareholders

Ladies and gentlemen

In 2007, the Geberit Group continued the successful development of previous years. All objectives were exceeded – in part by a considerable margin. At CHF 2,486.8 million, consolidated sales reached a new record level in 2007. This equates to growth of 13.9%. After adjustment for currency and disinvestment effects, growth was 11.4%. Operating profit rose by 14.8% to CHF 553.8 million. Net income increased by 30.5% to CHF 463.3 million; earnings per share registered an above-average increase of 31.7%, rising to CHF 11.67. The major challenge of achieving continued profitable growth was overcome in convincing manner.

The pleasing business development led to a further strengthening of the financial base. As of the year-end, the equity ratio was a very healthy 61.1%.

The success of the Geberit Group in 2007 can be attributed to a wide range of factors. The further internationalization of the sales base was equally as fruitful as the strengthened activities in both the main and the developing markets with the pre-wall technology, the Balena shower toilet and the supply systems. Almost all Geberit markets achieved very good growth rates in a positive overall economic environment and a climate within the construction industry that was predominantly friendly throughout the world.

To enable us to cope with the expected growth, we initiated significant investment programs with respect to our infrastructure in 2007. As part of the further optimization of our product portfolio, the entire PVC operations in the UK were sold in the middle of the year.

Against the background of the company's extremely pleasing business development, we again wish to make a considerable increase in the distribution to our shareholders. The Board of Directors will propose a dividend of CHF 5.20 per share at the General Meeting.

Kurt E. Feller, longtime Chairman and current Vice Chairman of the Board of Directors, will be leaving the supervisory body at the General Meeting 2008, after having reached the age limit prescribed by the articles of incorporation. We would like to thank him most sincerely for his committed efforts, characterized by a high level of expertise, and for his exceptionally valuable contribution to the success of the Geberit Group over the past nine years. At the forthcoming General Meeting, the Board of Directors will propose the election of Hartmut Reuter to the Board of Directors.

The excellent results in 2007 can be attributed to the outstanding commitment, the high motivation and the skills of the employees of our Group companies in around 40 countries. At this point, we wish to express our thanks and appreciation for their exemplary performance.

Particular thanks are also due to our customers from the commercial and trade sectors for yet another year of constructive cooperation which we greatly appreciate, as well as for their confidence in our products and services.

Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

Our intention is to continue along our successful path in the new year. Although we are acting upon the assumption that overall economic developments and the construction industry have peaked in several important markets, we are optimistic that we can continue to deliver above-average results. We wish to create the basis for the long-term, positive development of our company through the introduction of a series of important new products, a clear branding policy, sustained management, continued high levels of expenditure for research and development as well as the targeted development of our employees.



Günter F. Kelm
Chairman of the Board



Albert M. Baehny
Chief Executive Officer (CEO)





Copper

Probably the very first metal used by humans, with copper tools already being utilized in the New Stone Age (8000 BC). The largest concentrated deposits are located on the Keweenaw Peninsula in the U.S. state of Michigan, but copper is also mined in Chile, Indonesia, Australia and Russia.

Its greatest advantage: its outstanding heat conductivity. This is why brew kettles, heating and cooling coils and electrical cables are made from either pure copper or copper alloys. The price of copper is, however, currently very high. The main reason for this are worldwide economic growth, which brings with it high demand, as well as instability in the supply chain. Mining copper also requires great effort and significant resources. With open-pit mining a thousand tons of rock must be moved in order to extract a single ton of raw copper! Geberit uses copper as a product material or component in alloys for, among other things, fittings, faucets and valves.







Iron

Five percent of the earth's crust is made up of iron, making this element the fourth most common on the planet – after oxygen, silicon and aluminum. Iron ore is extracted from both open-pit and underground mines, primarily in Brazil, Australia, China, Russia and India. It has been mined for around 4000 years and is nowadays the most frequently used industrial metal.

As the most important precursor material for products made of steel alloys, iron is also the most important metal for Geberit. Steel is often subjected to a plating process with chrome, nickel or zinc to improve the finish of the final product. At Geberit, for example, iron is used in installation elements and piping systems.



Share price development January 1 until December 31, 2007



— Geberit Share
— Swiss Performance Index (SPI)

(Source: Thomson Financial Datastream)
The graphs on pages 8 and 9 are based on the 1:10 stock split implemented on May 8, 2007.

Investor Information

Share price performance in the year under review

In the trading year, the Geberit AG share suffered its first setback for many years. After an excellent first six months, driven above all by the very good company development as well as the positive stock market environment, the price rose from its level of CHF 187.80 at the beginning of the year to slightly above CHF 220.00 as of end of May, before slipping to a year-end value of CHF 155.50. This represents a fall of 17.2% during 2007. The main reasons for this were external factors such as the crisis in the US construction sector – although Geberit's US business was only marginally affected by this – as well as profit warnings by companies with whom Geberit can only be compared to a very limited extent. Some investors also realized profits as a result of the gratifying development of the share price. The Swiss Performance Index (SPI) remained more or less constant (-0.1%) compared to the beginning of 2007. Over the last five years, the average annual increase in the value of the Geberit share was 31.3% (SPI: +16.4%). The Geberit Group's market capitalization reached CHF 6,176 million as of the end of 2007.

In accordance with a resolution of the general meeting held on April 26, 2007, a stock split was carried out on May 8, 2007 in the ratio of 1:10.

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

At the end of 2007, the free float as defined by SWX was 100%.

The management of Geberit AG has decided to initiate a share buyback program in 2008. Shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register less withholding tax will be repurchased via a separate trading line, and retired by means of a capital reduction. Based on the closing price of Geberit registered shares on January 16, 2008, the value of the shares to be bought back is approximately CHF 270 million.

Distribution

The Board of Directors of Geberit AG will propose a dividend of CHF 5.20 at the general meeting on April 30, 2008, which corresponds to a rise in the per share distribution of CHF 1.20 or 30.0%. 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 45.3% is at the upper end of the 30 to 50% range as defined by Geberit's stock exchange listing.

Distribution (CHF per share)*

	2007	2006	2005	2004	2003
Dividend	5.20	4.00	2.50	2.20	1.70
Total	5.20	4.00	2.50	2.20	1.70

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

Share price development June 22, 1999 (IPO), until December 31, 2007



Subject to the shareholders' approval, the dividend shall be paid on May 6, 2008.

Time schedule

2008	
Interim report first quarter	April 29
General meeting	April 30
Dividend payment	May 6
Half-year results	August 12
Interim report third quarter	October 30

2009	
First information on the year 2008	January 20
Media and analysts' conference	March 12
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, 2007)

Registered shareholders	14,368
Capital stock (CHF)	4,174,773
Number of registered shares of CHF 0.10 each	41,747,731
Registered shares	27,443,201
Treasury stock:	
- Treasury shares	637,569
- Share buyback program	1,391,000
Total treasury stock	2,028,569
Stock exchange	virt-x, London
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Reuters	GEBN.VX

Key figures (CHF per share)*	2007	2006
Net income	11.67	8.86
Net cashflow	12.92	11.33
Equity	35.37	26.59
Distribution	5.20	4.00

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



From left to right:

Hans Hess

Randolf Hanslin

Dr Robert Heberlein

Günter F. Kelm

Klaus Weisshaar

Kurt E. Feller

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)

The term of office for both Kurt E. Feller and Günter F. Kelm is set to expire at the general meeting on 30 April 2008. Günter F. Kelm has made himself available for another two years. Kurt E. Feller, having reached the retirement age prescribed by the articles of incorporation, is to step down from the Board of Directors.

A proposal will be submitted to the general meeting to elect Hartmut Reuter to the Board of Directors.

The Board of Directors of Geberit AG consists of a maximum of seven members whose term of office is three years. The retirement age prescribed by the articles of incorporation is 70. The members of the Board of Directors are re-elected on a staggered and individual basis.

Personnel Committee

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

Audit Committee

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



From left to right:

Dr Michael Reinhard

Bernd Kuhlin

Albert M. Baehny

Roland Iff

Group Executive Board

Albert M. Baehny (1952), Chief Executive (CEO)

Roland Iff (1961), Finance (CFO)

Bernd Kuhlin (1959), Sales

Dr Michael Reinhard (1956), Products

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.

An illustration of the management structure can be found on pages 14/15 of this report.

Management Structure

January 1, 2008

Board of Directors

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

Chief Executive Officer

Albert M. Baehny

Communications

R. Sidler

Marketing

W. Christensen

Human Resources

R. Held

Environment/ Sustainability

R. Högger

North America

A. Nowak

Far East/Pacific

F. Aepli

China

M. Schumacher

Singapore

E. Foo

Australia

C. Stauber

Sales

Bernd Kuhlin

Germany

Dr K. Spachmann

Italy

G. Castiglioni

Switzerland

R. Vincenz

Austria

J. Rapp

Netherlands

M. Portengen

Luxembourg

P. Schintgen

France

V. Deflandre

Belgium

P. Forier

Great Britain

M. Hürlimann

Nordic countries

L. Risager

Poland

A. Dobrut

Czech Republic

J. Hornicek

Hungary

A. Lukács

Adriatic region

M. Medved

Slovakia

V. Sedlacko

Spain

D. Mayolas

Portugal

J. Seabra

International Sales

F. Reimann

OEM

D. Grob

Industry

T. Sarrazin

Shower toilet

D. Grob

Products

Dr Michael Reinhard

Quality

R. Scheidegger

Purchasing

A. 't Gilde

Logistics

H. Kirsch

Technology

Dr M. Reinhard a.i.*

Products

Sanitary Systems

E. Renfordt-Sasse

Installation Systems

M. von Ballmoos

Cisterns & Mechanisms

T. Beck

Faucets & Flushing Systems

D. Raissle

Waste Fittings & Traps

T. Kiffmeyer

Shower toilet

A. Gierer

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

Rapperswil-Jona (CH)

B. Bünzli

Production Pottenbrunn (AT)

H. Schwarzl

Production Givisiez (CH)

M. Pittet

Production Villadose (IT)

R. Prügl

Production Langenfeld (DE)

U. Wagner

Production Plants China (CN)

C. Steiger

Production Plants USA (US)

A. Nowak

Finance

Roland Iff

Controlling

W. Müller

Treasury

T. Wenger

Internal Audit

D. Ochsenbein

Information Technology

E. van den Berg

Legal Services

Dr A. Riebel

Service, Finance and Holding Companies

W. Frei/J. Haas

* Multiple functions



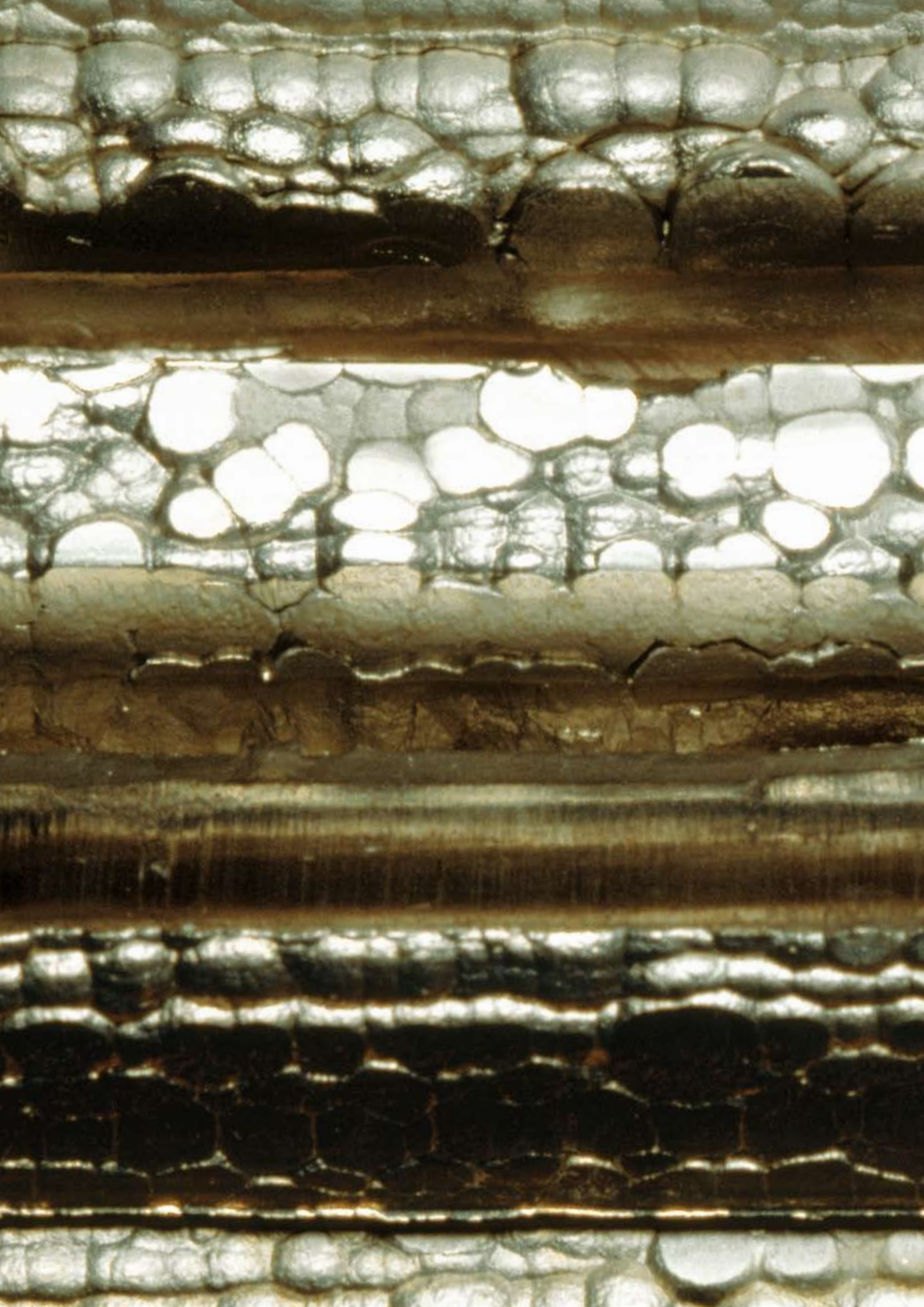


Crude oil

"Black gold" continues to be the main engine of the world economy. It is indispensable for the production of fuel and for numerous products in the chemical industry. The most important producers of crude oil are Saudi Arabia, Russia, the USA, Mexico and Iran. Huge new deposits were discovered in Brazil as recently as 2007. Crude oil is obtained by drilling into mostly deep layers of the earth, both on land and on offshore oil rigs.

Geberit uses crude oil primarily in the form of plastics such as polyethylene, polypropylene and polystyrene, which are required for cisterns, mechanisms, actuator plates and pipes, among other things.







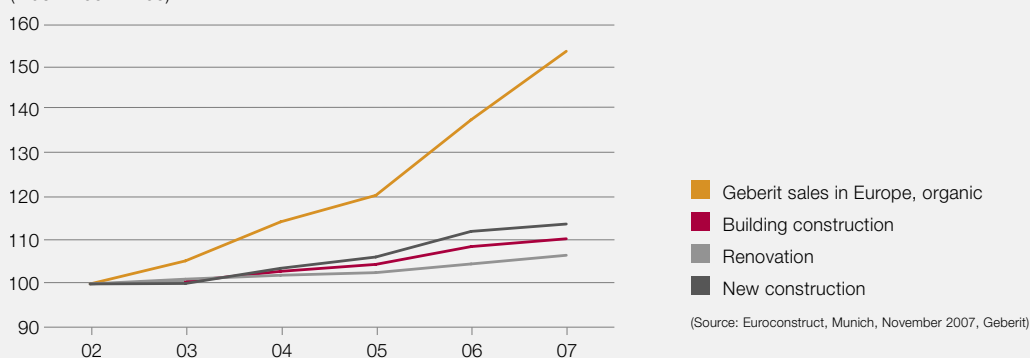
Nickel

Pure nickel has a silvery shine and, like iron, can be polished, forged, welded, rolled into sheets and drawn into wires. Thanks to its chemical resistance, it is used mainly as protection against corrosion and in steel-refinement. Nickel is also used to a lesser extent in the manufacture of coins, containers, kitchen appliances and devices for chemical laboratories. The majority of world production is extracted from iron ores containing nickel and copper, such as pentlandite in Russia, Australia, Canada and Cuba.

At Geberit, nickel is used as an alloy component for piping systems and actuator plates made of stainless steel.



Building construction activities and Geberit sales in Europe 2002–2007
(Index: 2002 = 100)



Business and Financial Review

In 2007, the Geberit Group continued a sequence of successful years with a further record result. This success was supported by broad geographical growth in sales, high cost discipline and permanent process optimization. The company further strengthened and expanded 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. The cycle has now peaked in many regions.

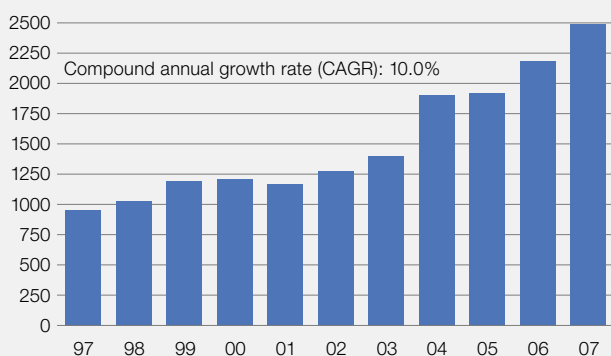
According to estimates by Euroconstruct dated November 2007, the construction industry in **Europe** again grew, albeit with reduced dynamism. The renovation market, where Geberit traditionally generates about 70% of its sales, had a stabilizing effect. On the other hand, new residential construction declined. There was continued strong growth in the new commercial construction segment. 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 the **USA**, growth in gross domestic product (GDP) slowed from +3.3% in the prior year to +2.2%. Construction investments fell by 2.3% compared with the

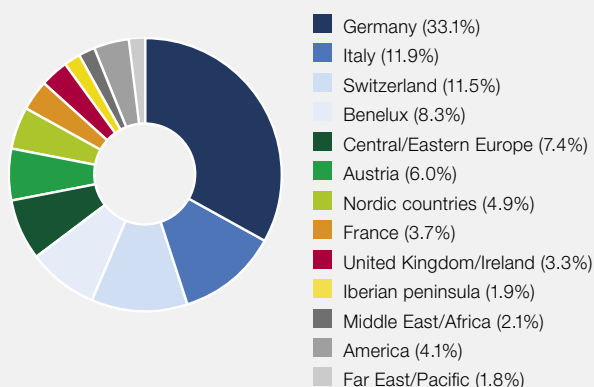
prior year to USD 1,140 billion. The construction industry presented a mixed picture. While the private construction sector posted a very negative development (-20.1%), an increase of 15.7% was reported for commercial construction activities, an area of principal relevance to Geberit.

Asia experienced growth in gross domestic product of around 8% which was, as in prior years, mainly driven by China with its 11.4% GDP growth. According to estimates from within the industry, construction investments in China grew considerably faster than in prior years with an increase of 25%.

Group sales development 1997–2007
(in CHF million)



2007 sales by markets



Renewed double-digit organic growth

The Geberit Group generated sales of CHF 2,486.8 million in 2007 (previous year CHF 2,183.5 million). This represents a growth of 13.9% in terms of Swiss Francs and of 10.1% after currency adjustments. In organic terms, the growth amounted to 15.2% or 11.4% in local currency.

8.9% of the 15.2% organic growth was due to higher sales volumes, 2.5% to price changes and 3.8% to positive exchange rate developments.

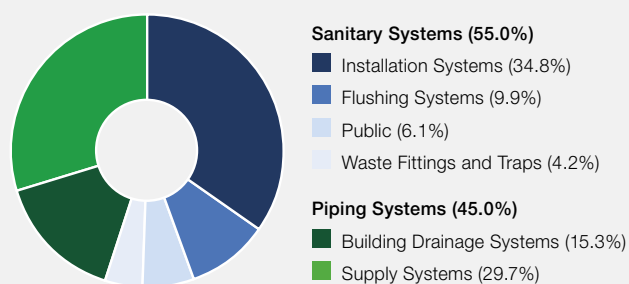
The convincing organic growth during recent years further strengthened the positive medium-term sales trend compared with the prior year. Over the last ten years, the average total growth was 10.0%, over the last five years even 14.3%.

Broadly supported, positive market development

The following sales by countries and regions relate to organic changes in local currencies.

With an increase of 11.4%, European markets developed significantly better than medium-term expectations. Double-digit increases in sales were generated in Central/Eastern Europe (+34.3%), the United Kingdom/Ireland (+30.0%), the Nordic countries (+24.3%), France (+20.9%), the Iberian peninsula (+19.4%), Switzerland (+12.7%) and Austria (+12.1%). There were also gratifying increases in sales in the Benelux countries (+8.1%), Italy (+6.3%) and in Germany (+5.4%). Impressive growth rates were maintained in the Middle East/Africa (+45.1%) and Far East/Pacific (+32.0%) regions. Thanks to a positive fourth quarter, the decrease in North America was reduced to -5.8%. In addition to the high growth rates in the major European markets, there was considerably stronger growth in many smaller and medium-sized markets. Thus the base of the Group's future sales growth further broadened.

2007 sales by product areas and product lines



Above-average growth in Piping Systems

In the year 2007, sales of CHF 1,367.3 million were generated in the product area **Sanitary Systems**, corresponding to a 9.4% growth after currency adjustments. The contribution of Sanitary Systems to total sales fell slightly to 55.0% compared with 55.4% in the prior year.

Installation Systems, the largest product line within Sanitary Systems with a contribution to total sales of 34.8%, impressed with an increase of 11.2% in local currencies. Once again, this was primarily due to dry-wall elements and actuator plates. The pre-fabricated bathrooms used in project business also made an above-average contribution to growth. The **Flushing Systems** product line, which contributed 9.9% to Group sales, grew by 10.1%. The situation with filling and flushing valves was gratifying, as was that with Balena shower toilets where the increasing internationalization activities bore fruit. The continuing shift from exposed to concealed solutions (part of the product line Installation Systems) resulted in a decline in sales. Growth in the **Public** product line was just 4.7%, resulting in a contribution of 6.1% to total sales. As a consequence of the unsatisfactory situation in North America in prior years, the product range was streamlined with a corresponding effect on sales. Within this product line, however, sales of urinal flushing systems experienced above-average growth. The product line **Waste Fittings and Traps** was likewise unable to match the growth

rates of the other product lines. Growth of just 1.6% meant that the contribution to total sales fell to 4.2%. This product line also suffered as a result of the streamlining of the US product range already mentioned and, additionally, due to the weakness of the US residential construction sector. The only products in this product line with satisfactory results were traps and connection sleeves.

At 10.9%, the **Piping Systems** product area showed notably stronger growth than Sanitary Systems – adjusted by the sale of the PVC business in the UK, growth was even 13.9%. Sales amounted to CHF 1,119.5 million. Despite the disinvestment, the contribution to total sales increased from 44.6% in the prior year to 45.0%.

The product line **Building Drainage Systems** recorded a rise of 10.4% in local currencies and adjusted by the sale of the PVC business. The contribution to total sales was 15.3%. The growth was broadly supported by the entire product range. The highest growth of all product lines came from **Supply Systems** with an increase of 15.7%. Sales of the Mapress product range were outstanding. The multilayer piping system Mepla also showed a gratifying situation. The contribution to Group sales reached 29.7%.

Significant currency effects

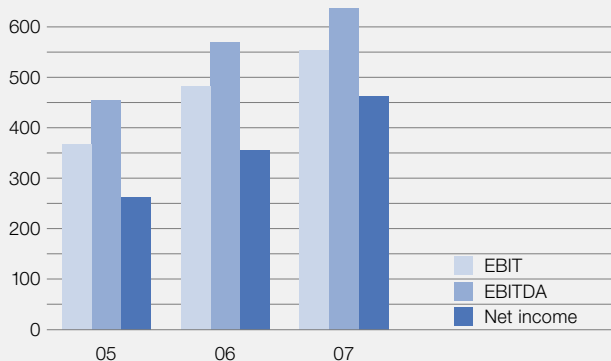
The very strong Euro against the Swiss Franc during the entire year under review was the main reason behind significant currency gains in sales. Positive currency effects also resulted from the British Pound and the Polish Zloty, while business in US-Dollars had negative effects. Accumulated currency gains contributed 3.8% to total sales growth.

In 2007, Geberit generated 70% of its sales in the Euro zone. 5% of sales were generated in US-Dollars and 3% in British Pounds. The currency risk is limited since sales are matched by corresponding expenses in the same currencies. The remaining currency risk of about CHF 220 million, thereof approximately CHF 50 million in Euro, is partially hedged.

Sales reduced by disinvestment of the UK PVC business

The entire PVC piping business in the UK was sold effective July 1, 2007. In the first half of 2007, this area accounted for sales of CHF 23.1 million, CHF 44.5 million in the entire year 2006. Therefore, the years 2007 and 2006 were adjusted by these amounts in order to present the organic sales development.

EBIT, EBITDA, Net income 2005–2007
(in CHF million)



Profitability maintained at high level

The Geberit Group followed on seamlessly from its record results of the prior year. The massive increases in raw material prices over the course of the year had a considerable effect on earnings; nevertheless, these were compensated for to a major extent through broadly supported increases in sales, successful cost management at all levels as well as selective price adjustments. Book profits from the sale of the PVC business in the UK also had a positive effect on annual results.

The operating cashflow (EBITDA) rose by 12.1% against the prior year to CHF 637.9 million. The EBITDA margin was 25.7% (prior year 26.1%), just insignificantly below last year's record figure. The average EBITDA growth of 11.5% markedly exceeded the corresponding rise in sales of 10.0% over the last decade. The operating profit (EBIT) grew by 14.8% to CHF 553.8 million. The EBIT margin amounted to 22.3% (prior year 22.1%).

Net income rose by 30.5% to CHF 463.3 million. The return on sales thus amounted to 18.6% (prior year 16.3%). Earnings per share of CHF 11.67 were generated (+31.7% against the prior year).

Operating expenses under control

As a result of higher sales and customer discounts, sales deductions rose by 14.4% to CHF 382.9 million. At 15.4% (prior year 15.3%), the share of sales deductions in Group sales remained more or less constant.

Total operating expenses in 2007 amounted to CHF 1,550.1 million (prior year CHF 1,366.5 million), corresponding to a 13.4% increase. As a percentage of sales, operating expenses declined again slightly from 62.6% in the prior year to 62.3%. This decrease was mainly due to volume effects resulting from the good sales performance, pronounced cost awareness throughout the Group as well as further optimized processes. The significant currency effects were a burden on all expenditure items as was the substantial increase in the cost of materials. Cost of materials amounted to CHF 782.9 million, a 23.4% increase against the prior year. At 31.5% of sales, this figure was considerably higher than the prior year level of 29.1%. The year was characterized by the volatile and unpredictable development of raw material prices for both metals and plastics. The higher purchasing prices were not passed on to the customers in full. This led to a fall of around 2% in margins. Personnel expenses rose by 5.7% to CHF 467.4 million or 18.8% of sales (prior year 20.3%). At CHF 75.1 million (prior year CHF 76.9 million), depreciation remained practically unchanged as did amortization of goodwill and other intangible assets at CHF 9.0 million (prior year CHF 10.0 million). Other operating expenses showed a

significantly under-proportional rise of 6.4% to CHF 215.7 million in spite of volume-related increases in energy, maintenance and repair costs as well as intensified marketing activities. Non-recurring income of CHF 5.5 million from the sale of property also had a positive effect on this item.

The sale of the PVC business in the UK had no significant effect on the Group's operating margins.

Net income at new record level

In the year under review, Geberit generated net income of CHF 463.3 million (prior year CHF 355.0 million). This corresponds to an increase of 30.5%.

At CHF 11.4 million, net financial expenses were 30.1% below the prior year figure. The reason for this improvement was the notably higher net interest income as a result of lower interest payments on debt with simultaneously higher income from investments.

Due to the higher pretax result, tax expenses rose from CHF 110.9 million to CHF 127.9 million. The tax rate, however, decreased slightly from 23.8% in the prior year to 23.6% in 2007. The net income includes a book profit of CHF 48.8 million (after tax) from the sale of the UK PVC piping business effective July 1, 2007.

Another rise in cashflow

Mainly as a result of the higher operating cashflow (EBITDA), the net cashflow of CHF 512.9 million exceeded the relevant prior year figure by 12.9% in 2007. As a consequence of the rise in net cashflow and despite considerably higher investments in property, plant and equipment as well as in working capital, the free cashflow again rose over the already impressive prior year figure by 2.0% to CHF 362.7 million. This figure does not include the proceeds of CHF 103.2 million from the sale of the PVC business in the UK. The free cashflow was used to make distributions to shareholders of CHF 159.0 million and to repay debts.

Strong financial base

Thanks to another rise in free cashflow, the Geberit Group further strengthened its balance sheet structure as of the end of 2007. Debt was reduced by CHF 49.2 million to CHF 273.9 million. This resulted in a positive net cash level of CHF 176.2 million as of the end of the year under review following net debt of CHF 140.7 million as of the end of 2006.

As of the year-end 2007, the equity ratio amounted to a sound 61.1% (prior year 53.0%). In terms of average equity, the Group was able to increase its return on equity further to 37.5% in the year under review (prior year 35.8%). As a result of the net cash level mentioned, the gearing (net debt/equity) changed from 13.2% in the prior year to -12.5% as of December 31, 2007. The Group's liquidity situation is very comfortable. In addition to liquid funds in the amount of CHF 450.1 million, the Group had access to undrawn operating credit facilities of CHF 453.2 million as of December 31, 2007.

Debt (in CHF million)

	12/07	12/06	12/05
Long-term debt	271.0	308.4	344.0
Total debt	273.9	323.1	393.4
Cash and cash equivalents	450.1	182.4	180.0
Net debt	-176.2	140.7	213.4

As of December 31, 2007, the Geberit Group held 2,028,569 own shares in treasury of which 1,391,000 related to the share buyback program expired as of the end of January 2007. No decision has yet been made as to the use of the shares repurchased. The remaining number of treasury shares of approximately 640,000 is mainly earmarked for share participation plans.

Total assets increased from CHF 2,010.7 million as of the end of the prior year to CHF 2,298.3 million at the end of 2007. Net working capital rose by CHF 36.8 million to CHF 168.7 million as a result of adjustments to the higher sales volume as well as currency effects. Goodwill and intangible assets increased to CHF 828.8 million (prior year CHF 825.1 million), property, plant and equipment fell from CHF 533.9 million in the prior year to CHF 529.3 million.

Invested operating capital comprising net working capital, property, plant and equipment as well as goodwill and intangible assets amounted to CHF 1,526.8 million (previous year CHF 1,490.9 million) as of the end of 2007. The return on operating assets, expressed as the ratio of operating profit before amortization (EBITA) to average invested operating capital, rose from 31.7% to 35.2%.

Significantly higher investments

In 2007, investments in property, plant and equipment and intangible assets amounted to CHF 103.5 million, a rise by CHF 22.2 million or 27.3% against the prior year. As a percentage of sales, the investment ratio in the year under review was 4.2%.

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

	2007	2006	2005	2004	2003
	103.5	81.3	79.5	87.8	69.8
In % of sales	4.2	3.7	4.1	4.6	5.0

The bulk of investments – approximately 70% – in 2007 flowed into the expansion of infrastructure. One fourth of this was used for the procurement of tools and equipment for newly developed products. 18% of total investments was used for the ongoing renewal of property, plant and equipment.

Substantial amounts were used for the expansion of production facilities in Pfullendorf (DE), Givisiez (CH) and Rapperswil-Jona (CH), as well as for the procurement of tools and molds for new products. In the second half of 2007, a start was also made on expanding the production hall in Givisiez for the Mepla production. The year under review also saw investments in a new exhibition stand for Europe's leading sanitary trade fair, the ISH in Frankfurt (DE).

Sustainable foundations for growth

A leader in the long term

In 2007, Geberit once again demonstrated that above-average economic success, environmentally friendly actions and social balance are not conflicting concepts. The company wishes to maintain its top position in the field of sustainability and thus to continue to be a role model for the industry in future. A dialog with all interest groups helps recognize trends and requirements in the markets of tomorrow at an early stage. 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. The initiatives in terms of sustainability have a positive effect not least on Geberit's innovative activities, for example in the development of water-saving, hygienic, noise insulated and durable products. The result is that Geberit can proliferate and differentiate itself to a greater extent in established markets while, in the markets of the future such as China, it positions itself as a provider of choice from the very beginning.

To provide a clear view of previous achievements and future objectives, Geberit published its second Sustainability Report in 2007. Together with supplementary information published on the Internet, this conforms to the highest standard of the latest guidelines on sustainability reporting - application level A of the Global Reporting Initiative (GRI) guidelines. The report thus

ensures optimum transparency for investors and other interest groups. In addition, Geberit launched a new internal Code of Conduct in 2007 and implemented a Code of Conduct for all suppliers in order to ensure high, global procurement standards. These instruments encourage commitment by the employees through a positive corporate culture, thus protecting the company to as great an extent as possible against damage. 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 in terms of sustainable corporate management are being rewarded by the capital market. Geberit is well represented in the still relatively small but strongly growing segment of sustainability indices and sustainability funds. Thus the Geberit share is a component of the Dow Jones Sustainability Index (DJSI STOXX) as well as the FTSE4Good Index (Europe/Global). Renowned sustainability funds hold the shares in their portfolios. Geberit's objective is to continue to play a significant role in the constantly growing investment segments "Sustainability" and "Water".

Efficient research and development as the basis for long-term success

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 48.1 million or 1.9% of its sales in the future of its products. This was an increase of 8.6% against the prior year. This was due both to the development of a series of new products – to be launched in 2008 primarily in the Sanitary Systems area (see below) – as well as to advance expenditure related to product launches in 2009. 17 patent applications were filed in 2007 and a total of approximately 90 in the last five years.

R&D expenditure (in CHF million)

	2007	2006	2005	2004	2003
	48.1	44.3	43.5	43.4	35.7
In % of sales	1.9	2.0	2.3	2.3	2.5

All new product developments at Geberit undergo a structured innovation and development process. This process ensures that the creative potential within the Group is used to the optimum and that the development activities focus on the needs of the market. In the wake of the internationalization process, development 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, durability and easy installation, new products also stand for the economical use of water in combination with the highest possible level of hygiene and optimized acoustic attributes.

The latest technologies are used for the development work thus reducing the time period up until the launch of the new products (time-to-market). A good example is the computer-assisted engineering used in the Basic Sanitary Technology department. Using this procedure, for example, it has been possible to achieve a decisive reduction in the development period of a pipe fitting. Whilst conventional development requires the production of trial tools and prototypes, this step can be dispensed with in virtual development using a computer. The development time for this step has been reduced from three months to three days.

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 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 was also marketed internationally from 2007 onwards. Furthermore, products serving to improve drinking water hygiene and to optimize fire protection were launched. Also the range of system faucets was expanded in the Swiss market.

A series of new products will be launched in 2008, predominantly in the Sanitary Systems area. The most important launch will be a toilet installation system with a concealed cistern capable of completely tool free installation and, in the same context, a series of new actuator plates in a high-quality design capable of individual design adaptation by the end user. The innovative bath waste overflow PushControl combines various new product attributes with advantages for both the plumber and the user. The fact that optimized technical attributes can by all means be accompanied by attractive optics is documented by the "iF product design award 2008" for the PushControl. The new products will be rounded off by extensions to the range of shower toilets, attractively-shaped shower channels as well as a major extension to the range of piping systems for heating installations.

Optimal market cultivation as success factor

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. Around 500 technical advisers working in the field are in contact on a daily basis with plumbers, planners and architects, in particular. 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. An additional element is formed by external events of the local sales companies at which training and education measures are held in a different environment in cooperation with partners. As a result of these measures, a further approximately 30,000 customers came into contact with Geberit know-how and products during the past year. In Poland, for example, various external events were held together with wholesalers, technical universities or research institutes at which a total of more than 3,000 plumbers were provided with practically-relevant training. Germany organized a very successful series of events entitled "Sicher dabei!". The total of 1,000 participants were provided with speedy safety training all around the construction process through reference to racing sport. The aim was to enable customers to manage their planning duties with even greater speed and precision in the future.

In addition, the numerous trade exhibitions attended by Geberit in 2007 served as a platform for maintaining customer contacts and communicating innovation strength. The most important of these were "ISH" in Frankfurt (DE), "Batibouw" in Brussels (BE), "MosBuild" in Moscow (RU), "Wohnen & Interieur" in Vienna (AT), "Fiera Termoidraulica" in Padova (IT) and "Kitchen/Bath Industry Show" in Las Vegas (USA).

Within the scope of the partnership with the ceramics manufacturer Duravit in the USA, a new training center was established at the US headquarters in Des Plaines (Chicago). During successful workshops held in the second half of 2007, a large number of interior designers and plumbers who, until then, had been primarily design oriented, came into contact with the Geberit concealed technology for the first time.

Geberit further optimized market and customer orientation in 2007. The needs and requirements of the customers were even more consistently reflected in the further development of product-market strategies. With respect to overall strategic growth issues, the cooperation between the central departments and the sales companies established itself. Above all with major new product launches such as those planned for 2008, joint market cultivation campaigns bring major advantages as well as a clear increase in marketing efficiency. This takes account of the internationalization of business and of the need to exploit synergies.

Geberit employees as brand ambassadors

The employees play an extremely important role in determining how customers and the interested public perceive Geberit. They should represent the Geberit values in an authentic and convincing manner. This requires detailed understanding of which values are important, how they have developed, what they mean and where they should lead Geberit in future. These themes were taken up and discussed intensively with the employees at workshops all around the world (see pages 40 to 45 of this annual report). Follow-up activities are currently being planned for the coming years; these are to be organized primarily under local responsibility. Ultimately, it is the customer who will benefit from these measures by being able to provide even more competent and motivated advice and support.

Competent and motivated employees

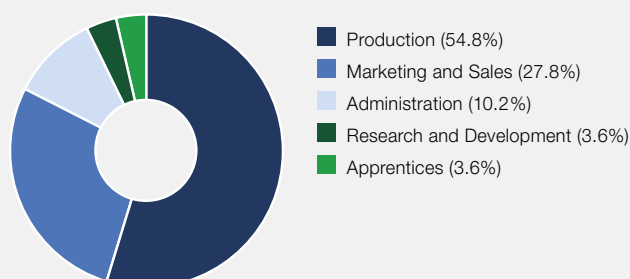
As of the end of 2007, the Geberit Group employed a workforce of 5,344 worldwide, an increase of 75 employees or 1.4% compared to the end of the prior year. The new sales company in South Africa as well as increased capacity at the plants in China and in Lichtenstein (DE) contributed to this rise. This increase was partially offset by staff reductions resulting from the sale of the PVC business in the United Kingdom and further optimization measures in production in the USA. Based on the average number of staff of 5,360, sales per employee amounted to CHF 463,955 or 10.5% more than in the previous year.

Employees by countries

(as of December 31)

	2007	Share in %	2006	Share in %
Germany	2,054	38	1,985	38
Switzerland	1,066	20	1,031	19
China	633	12	577	11
Austria	456	9	434	8
USA	253	5	281	5
Slovenia	200	4	186	4
Italy	100	2	97	2
United Kingdom	69	1	224	4
Others	513	9	454	9
Total	5,344	100	5,269	100

Employees 2007 by business processes
(as of December 31)



In the breakdown of employees by business processes, the main increase took place in the marketing and sales area (from 26.3% to 27.8%). The percentage in research and development as well as apprentices rose slightly (from 3.4% to 3.6% in both cases). This was at the expense of administration (from 11.2% to 10.2%), but above all of production (from 55.7% to 54.8%) – the result of the sale of the UK production.

The share of female employees as of the end of 2007 was 31% (prior year 30%), in upper management this figure was 6% (prior year 5%). For Geberit, equality of opportunity and equal pay for men and women is a matter of course. Share participation plans at attractive conditions help motivate the entire workforce (see also Consolidated Financial Statements of the Geberit Group, note 17 [participation plans]). Geberit also attaches great importance to health and safety. In 2007, the absenteeism rate was again very low at 2.4% (prior year 2.3%), with only 0.1% the result of work accidents (prior year 0.1%) and the remaining 2.3% (prior year 2.2%) caused by illness. On average, the employees attended about 15 hours of training and further education events in 2007 (prior year 14 hours). In addition, 190 apprentices (prior year 177 apprentices) received their training at Geberit.

Acting on their own responsibility by all employees constitutes a fundamental pillar of the Geberit corporate culture. To this end, the new Code of Conduct was introduced in September 2007. It reflects the views and ethical values of Geberit on sensitive subjects such as discrimination, workplace bullying or conflicts of interest. The Code forms the guidelines for entrepreneurial actions and employee conduct, and offers the possibility of speaking to defined, local contact persons in confidence in the event of suspicion or conflict.

The competence and the high commitment of the employees are the basis for Geberit's success. For this reason, great importance is attached to dialog. Broad-based, quantitative surveys on commitment and satisfaction are carried out on a regular basis at long intervals - the last time in 2004. This enables a serious evaluation of the results and the implementation of corresponding measures in so far as these are advisable from the company's point of view. In 2007, a suggestion from the last survey was taken up – increased emphasis on the subjects of further training and job rotation within the Geberit Group. A program was developed which offers committed and motivated employees the possibility of spending several days taking a look at a different area within the company, of applying, via an internal project exchange, to spend between three and twelve months working on a department-spanning project, or of gaining international work experience through an assignment. These opportunities help the participants develop, and encourage the integration

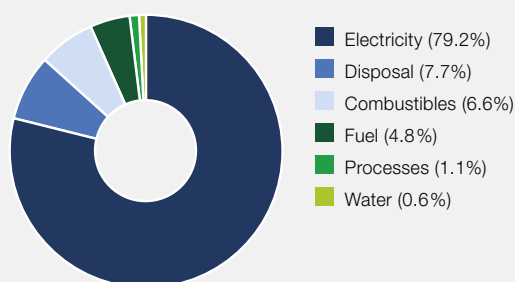
of the entire Geberit team beyond area and national boundaries. The program represents the start of a broad-based human resources marketing concept scheduled to be launched primarily in 2008. A very far reaching element of the dialog with the employees, implemented in the Group for the first time in this form in 2007, was the "Living Geberit" project already mentioned. Around 3,000 employees from all over the world discussed the central corporate and brand values in 50 workshops and in 13 different languages. This produced a series of extremely practically oriented and important suggestions for improvement. The overall results of the project are currently being analyzed; the corresponding measures will then be discussed and implemented mainly in the local companies. Further information on this very successful internal communication project can be found on pages 40 to 45 of this annual report.

Continuous improvement of the environmental performance

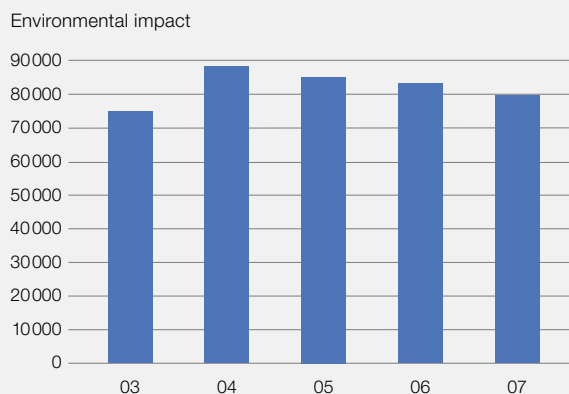
In its Code of Conduct, Geberit acknowledges its leading role as an environmentally conscious company which has already been committed to careful handling of energy and natural resources for many years. Measures in various areas and forward-looking dealings contribute to reducing water shortages and the global CO₂ problem. Geberit has updated its CO₂ strategy and set itself ambitious objectives in a plan of action. A reduction of 15% in relative emissions of greenhouse gases compared with 2006 should be achieved by 2009. Seven production sites were examined in the year under review with the aim of exploiting potential for energy saving, increased energy efficiency and the use of renewable energy carriers. The share of renewable energy carriers for electricity should be increased by 5% every three years. Last year, emissions of greenhouse gases were 78,570 metric tons of CO₂ equivalents (prior year 81,144 metric tons).

In 2007, there was a sharp increase in the public debate on the subject of water consumption and water shortages. Geberit products can make a daily contribution to solving these problems. Until 2006, the entire dual flush and flush-stop "fleet of cisterns" from Geberit – produced since 1998 and still in operation today – succeeded in saving over 4,500 million cubic meters of water compared with traditional flushing systems. Or put another way: The saving was considerably more than the annual water consumption of all households in

Distribution environmental impact 2007



Development environmental impact 2003–2007



Germany. This is made possible by the consistent, innovation-oriented development of the products. During the development phase, the company systematically holds Eco-Design workshops in order to ensure that environmental aspects are taken into account at an early stage in all development projects.

Each year, Geberit prepares a comprehensive corporate eco-balance of which the most important results for over 30 GRI indicators are shown in the Internet. In absolute terms, the environmental impact in the production area decreased by 4.5% throughout the Group in 2007 (prior year decrease of 1.9%). At the same time, sales throughout the Group rose by 13.9%. The most important factor in the environmental impact was electricity consumption at 110.8 GWh (prior year 113.3 GWh), followed by waste disposal with 13,382 metric tons (prior year 11,998 metric tons), 81.6% of which flowed into recycling processes. Also of relevance were the energy consumption of combustibles at 41.3 GWh (prior year 45.2 GWh) and of fuels with 10.7 GWh (prior year 11.9 GWh). The consumption of fresh water and the related waste water was of minor significance. Nevertheless, Geberit has an important role-model function in this context. Targeted saving measures enabled a reduction in water consumption of 28.3% in 2007 compared with the prior year, equivalent to 61,257 cubic meters.

The environmental certification of the production sites was further expanded. The aim of this is to ensure continuous improvement in the environmental performance with a simultaneous reduction in risks, and the implementation of uniform standards throughout the Group. Since the beginning of 2007, the Geberit Group has been in possession of a combined Group quality and environment certificate pursuant to ISO 9001 and 14001. Certification pursuant to ISO 14001 has since been initiated at the three sites in the USA and at the two sites in China. All sites throughout the world should have uniform certification by the end of 2008. At the same time, Geberit attaches great importance to the training and sensitization of employees concerning environmental aspects. As far as possible, customers, suppliers and other interest groups are also involved in this process. Thus Geberit makes an active contribution towards the dissemination of know-how on environmental themes and, at the same time, can communicate the advantages of its own water-saving products in an optimal manner.

Responsibility for society

The Geberit vision lays down that a sustainable improvement in the quality of people's lives should be achieved with innovative solutions in sanitary technology. This is why the UN millennium target of global access to clean drinking water and basic sanitary facilities constitutes an important guideline for the social commitment. In aid projects, Geberit focuses on making a contribution towards the long-term improvement of water supplies. Consequently, people in need of help at various locations throughout the world are not provided solely with materials, but, rather, Geberit also endeavors to pass the corresponding craftsman's know-how for the planning and creation of sanitary systems on to local craftsmen. For example, the building of sanitary systems for the accommodation of just under 400 female factory workers in Cambodia. In the year under review, Geberit made total donations and contributions of CHF 2.0 million (prior year CHF 1.9 million). In addition, at the end of 2007, a program was initiated to launch various projects for the creation of adequate sanitary facilities in schools in different regions of the world over the coming years. In addition to experienced local employees, apprentices from the entire Group will also be part of the realization of these projects.

As part of the promotion of sustained innovation, Geberit is supporting the building of the new Monte-Rosa hut in the middle of the high alpine Swiss mountains. The building, planned 2,800 meters above sea level by the Swiss Federal Institute of Technology Zurich (ETH) together with the Swiss Alpine Club (SAC), combines top-level technology and sustainable building at the highest level.

For Geberit, high ethical standards are a matter of course. The Code of Conduct introduced in 2007 concretized the orientation framework for conduct with integrity in the social environment. Fair competition throughout the world is an important principle in this respect. Price agreements, other forms of cartels or other competition-distorting activities are rejected. As an active member of the international organization Transparency, Geberit is committed to high standards in combating corruption. Comprehensive internal training is provided on these guidelines and adherence checked by the internal audit department.

Sale of the PVC piping business in the UK

The Geberit Group sold the entire PVC piping business in the UK effective July 1, 2007. The transaction covered the entire production and warehousing site at Aylesford (GB) and the sales team associated with the PVC business in the United Kingdom – a total of around 170 employees – as well as “Terrain”, the leading brand in the UK commercial PVC drainage market. The selling price was GBP 42.5 million. The transaction produced a once-off book profit of CHF 48.8 million (after tax). This business accounted for sales of CHF 23.1 million in the first half of 2007, CHF 44.5 million in the entire year 2006.

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 approach is to be reflected inter alia in a sales growth above the industry average. Additional growth through acquisitions is not precluded. However, any potential acquisition will have to satisfy strict strategic and financial requirements. In the event of a lack of attractive acquisition objects, the plan is for increased investment in the organic growth of individual markets/regions or products in the future with targeted, long-term-oriented measures. Generally, Geberit is aiming at achieving its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. In order to embrace the anticipated growth, Geberit plans to invest substantially higher sums in property, plant and equipment over the next two years. Following the investment volume of CHF 103.5 million in 2007, which was already higher than the previous level, sums of CHF 130 to CHF 150 million per annum are planned for the expansion of production and logistics capacities as well as for the launch of new products in 2008 and 2009.

Clear strategy

The Geberit vision is to achieve a sustainable improvement in the quality of people's lives with innovative solutions in sanitary technology. The proven and focused strategy for this is based on the four strategic pillars "Focus on sanitary technology", "Commitment to innovation", "Selective geographic expansion" and "Continuous business process optimization". It is practiced daily 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. Here, superior quality, integrated and water-saving sanitary technology is offered.

For Geberit, the ongoing optimization and supplementation of the product range is decisive for 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 2008

The Management assumes that the building sector in some important European markets has peaked and will weaken at a high level. In other regions, such as Eastern Europe, the Middle East or Asia, the rapid growth in the industry will, however, continue at full speed. These developments could be hindered by increasing uncertainty among market players as a result of the turbulence on the financial markets. Nevertheless, the company is optimistic that in 2008 it will again be able to successfully master the challenges presented by the markets. This positive estimate is supported by the wide geographical spread of 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. In the USA, the effects of the crisis in the residential construction sector will also be felt to a lesser extent in the construction of semi-public buildings such as hospitals or schools – the main area of Geberit's activities in the USA. On the other hand, the collaboration with the ceramics manufacturer Duravit, started in 2007 for the purpose of cultivating the US market with the pre-wall philosophy in bathrooms of high-standard hotel or private buildings, is showing an extremely gratifying development. In addition, significant new products to be launched in the first half of 2008 in the Sanitary

Systems area, such as the first installation systems capable of fitting completely without tools, new actuator plates in high-quality design as well as the extension of the shower toilet product range, will have a positive effect on overall Group development.

The development of raw material prices in 2008 is something that we regard as being uncertain and volatile. From today's perspective, we assume that the cost of materials will remain at the high level of 2007. Slightly lower steel prices will be offset by rising prices for plastics.

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 2008.

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Living Geberit: Rediscovering the Geberit spirit

Geberit employees are ambassadors for our company. With this in mind, around 3000 employees concerned themselves intensively with the core values of the company and the Geberit brand during workshops in 2007. The Living Geberit project was met with an extremely positive echo among the employees, many of whom rediscovered the Geberit philosophy.

The employees are the company's most important ambassadors. They have a decisive effect on the image of a brand and represent the Group in daily dealings with customers and other stakeholders. Optimum performance of this task is only possible if the employees are aware of what their company stands for and what its objectives are. Geberit employees should not be content with simply doing their job. Those who work at Geberit should identify with and practice the company's philosophy.



The Living Geberit Trainer talking to the assembled team of Geberit Spain.



1987-1989

Carta

El grupo Gebert cambia de estructura para convertirse en una compañía moderna. El grupo se divide en seis divisiones, especializadas en distribución, la producción...



El grupo Gebert cambia de estructura para convertirse en una compañía moderna. El grupo se divide en seis divisiones, especializadas en distribución, la producción...

1990

El grupo Gebert cambia de estructura para convertirse en una compañía moderna. El grupo se divide en seis divisiones, especializadas en distribución, la producción...

La familia Gebert se retira del negocio operativo. Günter F. Keim es nombrado nuevo CEO.



Se autoriza la comercialización de los primeros alimentos modificados genéticamente, p. ej. soja, y antiparásitos en tomates y remolachas azucareras.

Aparece "Internet". Cuatro años más tarde ya lo utilizan 50 millones de usuarios - para lo cual la radio necesitó 32 años.

Una nueva sensación en el ámbito recreativo se estrena en Japón: la Playstation de Sony. Es un éxito mundial y tiene adeptos de todas las edades.

La familia Gebert se retira del negocio operativo. Günter F. Keim es nombrado nuevo CEO.

Algunos años después de la caída del Muro de Berlín, Gebert inicia su expansión hacia Europa del Este. Entre otras, adquiere la compañía Prosan en Eslovenia.



Se funda la nueva división de ventas internacionales.



Tras unos cambios dentro del grupo, las unidades industriales se agrupan por áreas de negocio y se dividen en cinco departamentos: ventas, marketing, sistemas y finanzas.

La familia vende la compañía al inversor financiero Doughty Hanson & Co., pero la autonomía operativa del grupo Gebert queda intacta.

Después de que Gebert introdujera 14 años antes la primera producción de Aluminio Anodizado en la industria de primer sistema de Aluminio Anodizado sobre aluminio, Gebert...

Carta

Gebert inicia su primera campaña de marketing en el extranjero. La primera campaña de marketing en el extranjero...



Making values tangible

In 2007, Geberit increased its investment in further staff training in this area. Within the scope of the Living Geberit project, employees throughout the Group concerned themselves intensively with the brand and the identity of Geberit. The aim was to make the central Geberit values tangible – both in terms of the brand and in terms of interpersonal dealings in everyday working life. The employees should function as convinced ambassadors of Geberit, identify themselves even more closely with Geberit thinking and with the Know-How Installed brand concept, and incorporate this into their work.

50 Living Geberit workshops were held worldwide in 13 languages for around 3000 employees. The project has thus also underscored the increasing international orientation of our Group. A total of 70 so called Geberit ambassadors from the respective markets led the workshops, thus ensuring the anchoring of the project at the local level. The following questions were made the focal point:

- Where have we come from? What is the basis for our strength?
- What can we learn from other successful brands?
- How do we wish to be perceived? Where do we want to go?
- What role does the Know-How Installed brand concept play in our success?
- What are our core values? How do we implement these successfully in our daily work?





Intensive exchange of information

The feedback from the employees concerning the workshops was extremely positive. The employees were enthusiastic, were open and motivated to become involved. Many reported that they had increased their knowledge levels and rediscovered the Geberit values. It was fascinating to watch just how much dynamism a project of this nature can generate throughout the Group.

Thanks to the mixed composition of the working groups – at the major sites, employees from the most varying departments, such as production and marketing, were brought together – the result was a fruitful discussion that went beyond the immediate work environment. The increased “we” feeling was a further important result of the project. The employees are proud to work for Geberit.



New initiatives

Some topics gave rise to very intensive discussions in the workshops. This resulted in new initiatives, both in individual markets as well as at Group level. A further positive aspect was the cross-border cooperation. Thus for example, the French speaking markets, the countries of the former Yugoslavia or the Czech Republic/ Slovakia organized joint events.

The evaluation of the workshops indicated that further sensitization is required concerning some aspects of the brand and the Geberit values. For the employees, it is also important that the values do not simply exist on paper, but rather that they are actually implemented and practiced. Geberit will continue this process in focused dialog with the employees – in part on a group-wide basis, in part locally.





Corporate Governance

1. Group structure and shareholders

Group structure

The operational Group structure is shown in the diagram on p. 14/15 ("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 code please refer to p. 8/9 ("Investor Information").

The Group's consolidated subsidiaries are listed in the Notes to the Consolidated Financial Statements, Note 33. 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 March 12, 2007, Barclays Plc, London, reported that it had exceeded the 5% threshold with a share in voting rights of 5.04%. On September 18, 2007, however, Barclays Plc, London, reported that it had reduced its equity interest in Geberit AG to below 5%.

On December 5, 2007, Geberit AG reported that it holds treasury shares totaling 4.89% of the voting rights.

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 4.2
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, p. 117, 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 issue of convertible bonds, the Board of Directors agreed to exclude the shareholders' pre-emptive conversion right in accordance with the regulations in the articles of incorporation.

As of December 31, 2007, 147,731 shares had been issued from conditional capital.

As of December 31, 2007, the Geberit Group had no authorized capital.

Changes in capital

Geberit AG's changes in capital were as follows:

	31.12.2007	31.12.2006	31.12.2005
	MCHF	MCHF	MCHF
Share capital	4.2	4.2	4.2
Reserves	827.2	672.9	632.7
Available earnings	308.8	311.5	146.9

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this annual report 2007 (consolidated statements of equity and Note 21 [equity]), to the information in the Financial Statements of Geberit AG (p. 112-122) as well as to the 2005 figures in the 2006 annual report (Geberit Group's Consolidated Financial Statements: consolidated statements of equity, Note 19 [equity]; Financial Statements of Geberit AG: p. 98-105).

Shares, participation and profit sharing certificates

The share capital of Geberit AG is fully paid-in and amounts to CHF 4,174,773. It is divided into 41,747,731 registered shares with a par value of CHF 0.10 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 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.

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 14 [long-term debt]) and in the Notes to the Financial Statements of Geberit AG (p. 115/116, 1.2).

No options were issued to any external parties. As regards options issued to employees, reference is made to Note 17 ("Option plans") in the Consolidated Financial Statements of the Geberit Group.

3. Board of Directors

Members of the Board of Directors

On December 31, 2007, 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 (including 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 (CEO) 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

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; member of the Board of Directors, Franke Holding AG, Aarburg

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 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 in the law firm 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 in various law firms including in New York and Paris, he joined Staehelin & Giezendanner, now Lenz & Staehelin, in 1972. He has been a partner in this law firm since 1977. He is principally involved in corporate 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; Chairman of the Board of Directors, Comet AG, Flamatt; Chairman of the Board of Directors, Reichle & deMassari, Wetzikon; member of the Board of Directors, 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 in 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 duties at the end of 2005. Since then he has been a 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 2009
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 of Friedrich Grohe AG, Hemer (DE).

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. Members of the Board of Directors are re-elected on a staggered and individual basis.

The term of office for both Kurt E. Feller and Günter F. Kelm is set to expire at the general meeting on April 30, 2008. Günter F. Kelm has made himself available for

another two years. Kurt E. Feller, having reached the retirement age prescribed by the articles of incorporation, is to step down from the Board of Directors. A proposal will be submitted to the general meeting to elect Hartmut Reuter to the Board of Directors.

Internal organizational structure

The organization of the Board of Directors is based on the "Organization Regulation of the Board of Directors of Geberit AG" (view also p. 53/54 "Definition of areas of responsibilities").

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 (2007: 6 meetings). Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors. The Board of Directors shall be quorate if a majority of its members are present. Attendance can also be effected via telephone or electronic media.

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 (2007: 2 meetings). It develops proposals to be submitted to the entire Board of Directors, including, in particular, personnel decisions and the determination of compensation regulations and models (salaries, bonus payments, share and option plans) for the entire Group management, as well as the annual determination of the compensation 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 (2007: 2 meetings). It develops proposals to be submitted to the entire Board of Directors. The committee's responsibilities 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 objectives and the general funds for achieving these, and decides on major business transactions. To the extent legally permissible and in accordance with the Organization Regulation, the Board of Directors has 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 proposal of the Personnel Committee.

The Organization Regulation of the Board of Directors 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. The Organization Regulation can be viewed at www.geberit.com under Info Service/Downloads/Corporate Governance.

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 product lines and 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 conference calls.

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.

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 Executive Board 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. At regular intervals, the Group Executive Board issues a risk report 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. 79-81) 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 p. 14/15, 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 headquarters 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. Beginning in October 1997 he served as Head of Group Treasury. Roland Iff has been Head of Group Division Finance (CFO) of the Geberit Group since January 1, 2005, refer also to p. 14/15, 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 Schindellegi (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 p. 14/15, 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 Kunststoffinstitut. 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 p. 14/15 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 compensation and participation plans

Upon recommendation of the Personnel Committee, the Board of Directors annually determines the remuneration of each member of the Board of Directors and of the individual members of the Group Executive Board.

The compensation of the Board of Directors is paid in the form of shares. The shares are subject to a blocking 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 17 [participation plans]).

The compensation of the Group Executive Board is paid on the basis of a regulation adopted by the Board of Directors applicable also 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, and is subject to regular comparison with competitors.

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 blocking 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. 50 executives). The Board of Directors annually determines the scope of the options granted to management members. In the year under review, the market value of options granted as of the granting date corresponded to 10% of target salary. These options with a total term of five years are subject to a blocking 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 as well as other management members have cars at their disposal. Additionally, no other significant payments of any similar kind are made.

Details regarding compensation as well as share and option allotments and ownership can be found on p. 118-120.

6. Participatory rights of the shareholders

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 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.

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 do not entitle the holder to vote.

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 is convened by the Board of Directors at the latest 20 days before the date of the meeting. No resolutions may be passed on any subject not announced in this context. Applications to convene an extraordinary General Meeting or the implementation of a special audit are exempt from this rule. Shareholders representing shares with a par value of TCHF 4 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

In the invitation to the General Meeting, the Board of Directors shall announce the record date for registration in the share register that is authoritative with respect to the right to attend a vote.

7. Changes of control and defense measures

There are no regulations in the articles of incorporation with respect to “opting-up” and “opting-out”. Likewise, no agreements and plans exist in the event of a change 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. Lead auditor Daniel Ketterer has been in charge of the audit mandate since 2001. According to the regulation of the profession, the lead auditor is replaced after seven years, i.e. he will be replaced by a new lead auditor for the audit of the financial statements 2008.

Auditing fees

In 2007, PricewaterhouseCoopers invoiced the Geberit Group approx. TCHF 1,262 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 233 regarding audit-related services, approx. TCHF 1,514 relating to tax consultancy as well as approx. TCHF 683 for other services. In addition to compensation 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 open and regular communication with its shareholders, the capital market and the general public with the CEO, CFO and the 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 at 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 at 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 at <http://www.geberit.com/Geberit/Inet/com/wcmscome.nsf/FormMailinglist>, for example in order to receive ad hoc publications or other further information relating to the company. All published media releases of the Geberit Group from recent years can be downloaded at <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 p. 9 of this annual report.





Polyethylene

This is by far the most frequently used plastic in the world. Polyethylene was discovered in 1898 by the German chemist Hans von Pechmann, but its manufacture was not economically feasible until 1940. Its advantages are manifold: Polyethylene does not impart taste or odor, is highly transparent, easy to process, readily weldable, long-lasting, exceptionally resilient, food-safe and can ultimately be recycled.

Geberit uses polyethylene in the manufacture of concealed cisterns and piping systems, where granulate of different colors is purchased as the main base material.







Chromium

The most important chromium ore is chromite. It is found in lenticular or tabular ore formations, primarily in South Africa, which supplies around 50% of worldwide demand. Other countries where it is mined include India, Kazakhstan and Brazil. Around 15 million tons of marketable chromite ore is mined annually around the globe. Chromium is generally utilized in the steel industry as an alloy metal for tool steel and stainless steel.

At Geberit, chromium is used on the one hand for the chrome-plating of actuator plates, siphons and faucets, but it also plays an important role as an alloy component in piping systems. Stainless steel, which is alloyed with other metals such as nickel, tungsten or titanium, has outstanding properties at high temperatures.



Consolidated Financial Statements

Geberit Group

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Consolidated Balance Sheets

	Note	31.12.2007 MCHF	31.12.2006 MCHF
Assets			
Current assets			
Cash and cash equivalents		450.1	182.4
Trade accounts receivable	6	127.2	115.8
Other accounts receivable and prepaid expenses	7	51.7	52.0
Inventories	8	226.3	199.8
Total current assets		855.3	550.0
Non-current assets			
Property, plant and equipment	9	529.3	533.9
Deferred tax assets	18	48.9	67.3
Financial assets and other non-current assets	10	36.0	34.4
Goodwill and intangible assets	11	828.8	825.1
Total non-current assets		1,443.0	1,460.7
Total assets		2,298.3	2,010.7
Liabilities and Equity			
Current liabilities			
Short-term debt	12/14	2.9	14.7
Trade accounts payable		93.3	102.4
Tax liabilities and tax provisions		78.8	79.3
Other current provisions and liabilities	13	143.2	133.3
Total current liabilities		318.2	329.7
Non-current liabilities			
Long-term debt	14	271.0	308.4
Accrued pension obligation	16	156.9	152.8
Deferred tax liabilities	18	80.1	88.8
Other non-current provisions and liabilities	19	67.7	65.1
Total non-current liabilities		575.7	615.1
Shareholders' equity			
Capital stock		4.2	4.2
Reserves		1,325.9	1,017.1
Cumulative translation adjustments		74.3	44.6
Total shareholders' equity		1,404.4	1,065.9
Minority interest			
Total equity		1,404.4	1,065.9
Total liabilities and equity		2,298.3	2,010.7

The accompanying notes on pages 72 to 109 are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2007			2006		
		Total	Dis-continued operations	Continuing operations	Total	Dis-continued operations	Continuing operations
		MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Sales		2,486.8	(23.1)	2,463.7	2,183.5	(44.5)	2,139.0
Sales deductions	23	382.9	(2.1)	380.8	334.8	(4.8)	330.0
Net sales		2,103.9	(21.0)	2,082.9	1,848.7	(39.7)	1,809.0
Cost of materials		782.9	(5.8)	777.1	634.5	(10.5)	624.0
Personnel expenses		467.4	(5.5)	461.9	442.3	(9.9)	432.4
Depreciation expense	9	75.1	(1.0)	74.1	76.9	(2.1)	74.8
Amortization of goodwill and intangibles	11	9.0	0.0	9.0	10.0	0.0	10.0
Other operating expenses, net	24	215.7	(2.8)	212.9	202.8	(5.4)	197.4
Total operating expenses, net		1,550.1	(15.1)	1,535.0	1,366.5	(27.9)	1,338.6
Operating profit (EBIT)		553.8	(5.9)	547.9	482.2	(11.8)	470.4
Finance costs, net	25	11.4	0.1	11.5	16.3	0.1	16.4
Profit before income tax expenses		542.4	(6.0)	536.4	465.9	(11.9)	454.0
Income tax expenses	26	127.9	(1.3)	126.6	110.9	(3.6)	107.3
Net income from continuing operations		414.5	(4.7)	409.8	355.0	(8.3)	346.7
Net income from discontinued operations		0.0	4.7	4.7	0.0	8.3	8.3
Gain from sale of discontinued operations		48.8		48.8	0.0		0.0
Net income		463.3		463.3	355.0		355.0
– Attributable to shareholders		463.3		463.3	355.0		355.0
– Attributable to minority interest		0.0		0.0	0.0		0.0

Other financial figures		2007	2006
EPS continuing operations (CHF)	22	10.32	8.65
EPS discontinued operations (CHF)	22	1.35	0.21
Total EPS (CHF)	22	11.67	8.86
EPS diluted continuing operations (CHF)	22	10.02	8.39
EPS diluted discontinued operations (CHF)	22	1.29	0.20
Total EPS diluted (CHF)	22	11.31	8.59
Interest expenses, net	25	6.9	12.2
Operating cashflow (EBITDA)	27	637.9	569.1
Net cashflow	27	512.9	454.2
Free cashflow	27	362.7	355.5

The accompanying notes on pages 72 to 109 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

	2007	2006
	MCHF	MCHF
Hedge accounting	2.8	2.6
Actuarial gains/(losses) and adjustments according to IAS 19.58(b)	0.1	(2.0)
Exchange differences on translation of foreign operations	30.7	32.2
Net income directly booked to equity	33.6	32.8
Net income according to income statement	463.3	355.0
Total net income	496.9	387.8
– Attributable to shareholders	496.9	387.8
– Attributable to minority interest	0.0	0.0

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	Hedge accounting	Cum. translation adjustments		
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2005	4.2	347.8	(49.6)	650.4	(7.2)	12.4	0.0	958.0
Total net income 2006				353.0	2.6	32.2		387.8
Dividends				(101.5)				(101.5)
Changes in Group organization								0.0
(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	356.0	(236.2)	901.9	(4.6)	44.6	0.0	1,065.9
Total net income 2007				463.4	2.8	30.7		496.9
Dividends				(159.0)				(159.0)
Changes in Group organization						(1.0)		(1.0)
(Purchase)/Sale of treasury shares		14.8	(11.6)					3.2
Convertible Bond		13.3						13.3
Share participation and option plans		(14.9)						(14.9)
Balance at 31.12.2007	4.2	369.2	(247.8)	1,206.3	(1.8)	74.3	0.0	1,404.4

The accompanying notes on pages 72 to 109 are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2007 MCHF	2006 MCHF
Cash provided by operating activities			
Net income		463.3	355.0
Depreciation and amortization	9/11	84.1	86.9
Finance costs, net	25	11.4	16.3
Income tax expenses	26	127.9	110.9
Other (incl. gain from disposals of subsidiaries and PP&E)		(53.1)	6.5
Operating cashflow before changes in net working capital and taxes		633.6	575.6
Income taxes paid		(126.5)	(123.1)
Changes in net working capital	27	(49.1)	(10.1)
Net cash provided by operating activities		458.0	442.4
Cash from/(used in) investing activities			
Acquisitions of subsidiaries	2	(14.7)	(0.9)
Disposals of subsidiaries and other business units	2	103.2	0.0
Purchase of property, plant & equipment and intangible assets	9/11	(103.5)	(81.3)
Proceeds from sale of property, plant & equipment and intangible assets		13.6	2.6
Other, net		12.7	2.4
Net cash from/(used in) investing activities		11.3	(77.2)
Cash from/(used in) financing activities			
Proceeds from short-term borrowings		0.0	1.6
Repayments of short-term borrowings		0.0	(49.7)
Proceeds from long-term borrowings		30.0	179.4
Repayments of long-term borrowings		(53.4)	(196.9)
Interest paid		(13.1)	(14.7)
Dividends		(159.0)	(101.5)
(Purchase)/Sale of treasury shares		(15.4)	(188.1)
Other, net		(1.7)	(1.1)
Net cash from/(used in) financing activities		(212.6)	(371.0)
Effects of exchange rates on cash		11.0	8.2
Net increase/(decrease in) cash		267.7	2.4
Cash and cash equivalents at beginning of year		182.4	180.0
Cash and cash equivalents at end of year		450.1	182.4

The accompanying notes on pages 72 to 109 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Basis of preparation

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

Sale of the PVC piping business in the UK

Effective as of July 1, 2007, the Geberit Group sold its entire PVC piping business in the UK for MGBP 42.5. The realized non-taxable gain of MCHF 48.8 is disclosed as a separate line item in the income statement 2007. The other sales, EBIT and net income contribution of the discontinued business in 2007 amounted to MCHF 23.1 (PY: MCHF 44.5), MCHF 5.9 (PY: MCHF 11.8) and MCHF 4.7 (PY: MCHF 8.3). To increase transparency, the income statements 2007 and 2006 of the sold entity have been separated from the continuing business (restatement according to IFRS 5). Additional to the cashflow from the sale of the PVC piping business, the cashflow contribution of the discontinued operation in 2007 amounted to MCHF 3.6 (PY: MCHF 9.1) provided by operating activities, MCHF (0.5) (PY: MCHF [1.8]) by investing activities and MCHF 0.1 (PY: MCHF 0.1) by financing activities.

Acquisition of Associated Material Supplies (Proprietary) Limited, South Africa

On January 10, 2007, the Group purchased all shares in Associated Material Supplies (Proprietary) Limited, South Africa, (AMS Ltd.) at a price of MZAR 23.8 (MCHF 4.1) after purchase price adjustments and including transaction costs. AMS Ltd., a distributor in the area of sanitary engineering and technology, has been exclusive importer for Geberit products in Southern Africa until the acquisition. The sales, EBIT and net income contribution of AMS in 2007 amounted to MCHF 12.3, MCHF 0.4 and MCHF 0.2. In connection with the acquisition, MCHF 1.9 was recorded as goodwill.

Cashflows from acquisitions and disposals of subsidiaries and other business units

	2007 MCHF	2006 MCHF
Acquisitions of subsidiaries		
Total purchase consideration, net	(3.8)	
Acquired cash and cash equivalents	0.5	
Deferred payments	1.0	
Deferred payments from previous years	(12.4)	(0.9)
Total according to the statements of cashflows	(14.7)	(0.9)
Disposals of subsidiaries and other business units		
Total disposal consideration, net	118.2	
Disposed cash and cash equivalents	(13.4)	
Deferred payments	(1.6)	
Total according to the statements of cashflows	103.2	

3. Summary of significant accounting policies

Adoption of new or revised accounting standards

As of January 1, 2007, the Group adopted the new standard IFRS 7 – Financial Instruments and the complementary amendment to IAS 1 – Presentation of Financial Statements (Capital disclosures). These standards require new disclosures relating to financial instruments and capital management and do not have any impact on the classification and valuation of the Group's financial instruments.

IFRS 8 – Operating Segments was published in November 2006 and will be effective for accounting periods beginning on or after January 1, 2009. It 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. The Group does not plan an early adoption of the standard.

The revised standard IAS 1 – Presentation of Financial Statements published in the 3rd quarter 2007 was not adopted early by the Group in 2007.

For new or amended IFRS standards announced to be published in 2008, the management does not expect a material impact on the result in the Group's financial statements.

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 the cumulative translation adjustment. 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 as at 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.

If there is any indication for impairment, the actual carrying amount of the asset is compared with its recoverable amount. If the carrying amount is bigger than its estimated recoverable amount, the asset is reduced correspondingly.

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 are not regularly amortized but tested for impairment on an annual basis. Since the Geberit trademark is a major element of the business model of the Geberit Group, it has 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 goodwill and intangible assets

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, the asset is reduced accordingly. 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 11.

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 recognized for non-refundable taxes at source and other earning distribution related taxes on only those available earnings of foreign subsidiaries which are intended to be remitted.

Research and development expenditures

Research and development expenditures are expensed as incurred. The expenditures are not capitalized because the conditions for capitalization have not been met. The 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, independently 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 offered.

The fair value of the options provided in share participation and option plans is determined at the grant date and recorded as personnel expenses over their vesting period. The values are determined using the binomial model, adjusted by the expected employee departure rate.

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 future cash outflows resulting from interest payments and the redemption. The difference to the nominal value is recognized as an equity component, 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 recorded at fair value and subsequently adjusted for fair value changes.

Hedge accounting

Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded 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.

4. Management of financial and credit risks

General

The financial risks are controlled by the central treasury department of the Geberit Group which acts in line with the directives of the treasury policy issued by the Group. Risk management concentrates on recognizing, analyzing and hedging foreign exchange rate, interest rate, liquidity and counterparty risks, with the aim of limiting their effect on cashflow and net income.

As of January 1, 2007, the Group changed the method to measure its interest rate and foreign exchange rate risks and introduced both the value-at-risk method for foreign exchange rate risks and the cashflow-at-risk method for interest rate risks.

Management of counterparty risks from treasury activities

The counterparties for investments in financial instruments must have a rating of at least A+ (S&P) or A1 (Moody's). The Group does not have significant exposure to any individual counterparty. Management believes that the risk of loss from the existing contracts is remote. The recognition of derivatives in the Group's balance sheet is based on the valuation of the respective financial institution (see Note 15).

Investments of cash generally mature within three months and the Group has not incurred any related losses. To avoid a risk concentration, deposits with one counterparty are limited to the amount of MCHF 70 in total. In addition, investments with the same financial institution may not exceed half of the Group's total deposits.

Management of foreign exchange rate risk

Receivables and liabilities as well as planned future cashflows in currencies unequal to the functional currency of a company bear a transaction risk for the period between the initial recognition and the realization of the position because of the uncertain development of foreign exchange rates. In order to manage such risks, the concept of currency cashflow matching is considered the primary hedging strategy. Hereby, the foreign exchange rate risk of cash inflows in a certain currency is neutralized with cash outflows of the same currency.

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

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

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

Foreign exchange rate risk as of December 2007 and 2006:

	2007 MCHF	2006 MCHF
Value-at-risk +/- unrealized gains/losses	3.6	1.3
Equity	1,404.4	1,065.9
(Value-at-risk +/- unrealized gains/losses)/Equity	0.3%	0.1%

Management of interest rate risk

Basically, there are two types of interest rate risks:

- a) the fair market value risk for financial positions bearing fixed interest rates
- b) the interest rate risk for financial positions bearing variable interest rates

The fair market value risk does not have a direct impact on the cashflows and results of the Group. The refinancing risk of positions with fixed interest rates is taken into account with the integration of financial positions bearing fixed interest rates with a maturity under 12 months in the measurement of the interest rate risk.

The interest rate risk is measured using the cashflow-at-risk (CfaR) method for the interest balance (including financial positions bearing fixed interest rates with a maturity under 12 months). By using statistical methods, the effect of probable interest rates changes on the cashflow of a financial position is evaluated. The calculation of the CfaR is based on the same model as the calculation of the value-at-risk regarding the foreign exchange rate risk.

The Group's risk is controlled with the key figure EBITDA/(Finance costs, net, for the coming 12 months + CfaR). Based on an internally determined limit, it is decided if hedging activities have to be taken. The limit is determined annually and amounts to a minimum of 20 for the reporting period.

Interest rate risk as of December 2007 and 2006:

	2007 MCHF	2006 MCHF
EBITDA	637.9	569.1
Finance costs, net + CfaR	6.2	15.9
EBITDA/(Finance costs, net + CfaR)	103x	36x

Combined foreign exchange rate and interest rate risk

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

	2007	2006
	MCHF	MCHF
Combined foreign exchange rate and interest rate risk	9.3	4.6

Management of liquidity risk

Liquid funds (including the committed unused credit lines) must be available in order to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortisation payments as well as capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 676.8 (PY: MCHF 408.9).

Management of credit risk

The Group sells a broad range of products throughout the world, but primarily within continental Europe. Major credit risks mainly result from such selling transactions (debtor risk). Ongoing evaluations of customers' financial situation are performed and, generally, no further collateral is required. Concentrations of debtor risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses. Such losses, in 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. The balance at year-end is not representative because of the low sales volume in December. The average balance of receivables is about twice of the amount at year-end.

Summary

The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed in order to make sure that they meet the requirements of financial markets, changes in the Group organization and regulatory obligations. Regarding the compliance with the defined limits, the management is informed on a regular basis with key figures and reports. At the balance sheet date, the relevant risks, controlled with statistical and other methods, and the corresponding key figures are as follows:

		2007	2006
Type of risk	Key figure		
Interest rate risk	EBITDA/(Finance costs, net + CfaR)	103x	36x
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/Equity	0.3%	0.1%
Liquidity risk	(Deficit)/Excess of liquidity reserve	MCHF 676.8	MCHF 408.9

5. Capital disclosures

The objectives of the Group with regard to the management of the capital structure are the following:

- ensure sufficient liquidity to cover all liabilities
- guarantee an attractive return on equity (ROE) and return on invested capital (ROIC)
- ensure a sufficient debt capacity and credit rating

In order to maintain or change the capital structure, the following measures can be taken:

- share buyback programs
- capital increases
- adjustment of the dividend policy
- incur or repay debt

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

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

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

The periodic calculation and reporting of the key figures to the management ensures that the necessary measures can be taken in a timely manner. The relevant values as of December 2007 and 2006 are outlined below:

	2007 MCHF	2006 MCHF
Gearing		
Debt	273.9	323.1
Liquid funds	450.1	182.4
Net debt	(176.2)	140.7
Equity	1,404.4	1,065.9
Net debt/Equity	(12.5%)	13.2%
Return on equity (ROE)		
Equity (rolling)	1,234.9	992.3
Net income	463.3	355.0
ROE	37.5%	35.8%
Return on invested capital (ROIC)		
Invested capital (rolling)	1,599.5	1,550.9
Net operating profit after taxes (NOPAT)	414.9	344.7
ROIC	25.9%	22.2%

6. Trade accounts receivable

	2007	2006
	MCHF	MCHF
Trade accounts receivable	134.9	123.0
Allowance	(7.7)	(7.2)
Total trade accounts receivable	127.2	115.8

Of trade accounts receivable, MCHF 3.2 was denominated in CHF (PY: MCHF 4.0), MCHF 77.2 in EUR (PY: MCHF 62.3), MCHF 18.7 in USD (PY: MCHF 17.7) and MCHF 7.7 in GBP (PY: MCHF 3.8).

The following table shows the movements of allowances for trade accounts receivable in 2007 and 2006:

Allowances for trade accounts receivable

	2007	2006
	MCHF	MCHF
January 1	7.2	6.6
Additions	2.1	3.3
Used	(1.1)	(1.4)
Reversed	(0.6)	(1.4)
Translation differences	0.1	0.1
December 31	7.7	7.2

Maturity analysis of trade accounts receivable	Carrying amount	Not due	Past due (in days)				
			< 30	< 60	< 90	< 120	> 120
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
As of December 31, 2007	127.2	88.4	29.0	4.1	2.0	0.9	2.8
As of December 31, 2006	115.8	89.9	15.0	5.9	2.1	0.9	2.0

7. Other accounts receivable and prepaid expenses

	2007	2006
	MCHF	MCHF
Income tax refunds receivable	1.8	1.0
Other tax receivables	33.6	28.1
Prepaid expenses and other current assets	16.3	22.9
Total other accounts receivable and prepaid expenses	51.7	52.0

As of January 1, 2007, the Group terminated qualifying insurance policies related to a defined benefit plan in Germany financed by the employer. In 2006, these receivables were reclassified from financial assets to "Prepaid expenses and other current assets". The corresponding amount of MCHF 6.6 as per December 31, 2006, was fully collected in 2007.

8. Inventories

	2007	2006
	MCHF	MCHF
Raw materials, supplies and other inventories	63.9	58.2
Work in progress	30.1	29.5
Finished goods	100.3	88.0
Goods purchased for resale	31.8	23.7
Prepayments to suppliers	0.2	0.4
Total inventories	226.3	199.8

Inventories include allowances for slow-moving and obsolete items of MCHF 26.5 as of December 31, 2007 (PY: MCHF 26.0).

9. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./ advanced payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2007					
Cost at beginning of year	907.2	307.4	534.9	38.1	26.8
Changes in Group organization (see Note 2)	(85.9)	(22.7)	(61.3)	(1.9)	
Additions	100.6	3.6	49.7	7.2	40.1
Disposals	(43.3)	(17.2)	(21.1)	(5.0)	
Transfers	0.0	1.5	29.3	0.9	(31.7)
Translation differences	19.6	5.4	12.8	1.1	0.3
Cost at end of year	898.2	278.0	544.3	40.4	35.5
Accumulated depreciation at beginning of year	373.3	71.3	285.2	16.8	0.0
Changes in Group organization (see Note 2)	(53.9)	(3.4)	(49.7)	(0.8)	
Depreciation expense	75.1	10.0	57.4	7.7	
Impairments	0.0				
Disposals	(36.7)	(11.8)	(19.9)	(5.0)	
Transfers	0.0				
Translation differences	11.1	1.8	8.6	0.7	
Accumulated depreciation at end of year	368.9	67.9	281.6	19.4	0.0
Net carrying amounts at end of year	529.3	210.1	262.7	21.0	35.5
2006					
Cost at beginning of year	867.2	301.2	517.0	36.7	12.3
Changes in Group organization	0.0				
Additions	78.2	3.8	38.9	6.6	28.9
Disposals	(60.7)	(5.4)	(48.7)	(6.2)	(0.4)
Transfers	0.0	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	0.0
Changes in Group organization	0.0				
Depreciation expense	76.9	10.1	59.9	6.9	
Impairments	0.0				
Disposals	(55.7)	(2.2)	(47.3)	(6.2)	
Transfers	0.0	(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	0.0
Net carrying amounts at end of year	533.9	236.1	249.7	21.3	26.8

As of December 31, 2007, buildings were insured at MCHF 445.5 (PY: MCHF 462.1) and equipment at MCHF 928.1 (PY: MCHF 945.6) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,373.6 (PY: MCHF 1,407.7).

As of December 31, 2007, the Group has entered into firm commitments for capital expenditures of MCHF 15.1 (PY: MCHF 6.0).

10. Financial assets and other non-current assets

	2007	2006
	MCHF	MCHF
Prepaid pension asset (see Note 16)	24.6	24.0
Reinsurance policies for pension obligations (see Note 16)	6.8	5.8
Other (see Note 32)	4.6	4.6
Total financial assets and other non-current assets	36.0	34.4

11. Goodwill and intangible assets

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
	MCHF	MCHF	MCHF	MCHF
2007				
Cost at beginning of year	1,236.2	935.7	129.6	170.9
Changes in Group organization (see Note 2)	(15.2)	(16.0)		0.8
Additions	2.9			2.9
Disposals	(0.3)			(0.3)
Translation differences	22.2	20.7	0.9	0.6
Cost at end of year	1,245.8	940.4	130.5	174.9
Accumulated amortization at beginning of year	411.1	228.2	105.9	77.0
Changes in Group organization (see Note 2)	(6.5)	(5.0)		(1.5)
Amortization expense	9.0		3.5	5.5
Impairments	0.0			
Disposals	(0.3)			(0.3)
Translation differences	3.7	3.0	0.3	0.4
Accumulated amortization at end of year	417.0	226.2	109.7	81.1
Net carrying amounts at end of year	828.8	714.2	20.8	93.8
2006				
Cost at beginning of year	1,210.2	914.1	128.7	167.4
Changes in Group organization	0.0			
Additions	3.1			3.1
Disposals	0.0			
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
Changes in Group organization	0.0			
Amortization expense	10.0		3.3	6.7
Impairments	0.0			
Disposals	0.0			
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

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2007, 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 31.12.2007 MCHF	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 %	Discount rate post-tax %
Goodwill from LBO Geberit	298.8	U	3.05	10.02	8.31
Goodwill from Mapress acquisition	383.1	U	3.06	11.13	8.56
Geberit trademarks	84.6	U	3.05	9.81	8.31
Total	766.5				

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 particularly based on decreases both in operating margins and the growth rate beyond the planning periods.

12. Short-term debt

The Group maintains credit lines of MCHF 53.2 (PY: MCHF 49.1) 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, 2007 and 2006, the Group did not have any outstanding drawings on the above-mentioned credit lines.

13. Other current provisions and liabilities

	2007	2006
	MCHF	MCHF
Compensation-related liabilities	49.6	50.2
Accrued interest	1.6	3.2
Customer-related liabilities	50.8	45.5
Other current liabilities	34.1	29.5
Current provisions	7.1	4.9
Total other current provisions and liabilities	143.2	133.3

In 2007, the value added tax (V.A.T) liabilities were reclassified from the position "Tax liabilities and tax provisions" to the position "Other current provisions and liabilities". As of December 31, 2007, their value amounts to MCHF 6.9 (PY: MCHF 6.2).

2007 and 2006 movements of current provisions are shown in the following table:

Current provisions

	2007	2006
	MCHF	MCHF
January 1	4.9	2.3
Transfers	0.0	1.8
Additions	6.0	3.7
Used	(1.9)	(1.7)
Reversed	(2.0)	(1.3)
Translation differences	0.1	0.1
December 31	7.1	4.9

14. Long-term debt

	2007	2006
	MCHF	MCHF
Private Placement	111.8	121.0
Revolving Facility	0.0	18.7
Convertible Bond	146.1	155.8
Other long-term debt	16.0	27.6
Long-term debt	273.9	323.1
Short-term portion of long-term debt	(2.9)	(14.7)
Total long-term debt	271.0	308.4

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, 2007, the fair value of the Private Placement amounted to MCHF 115.4 (PY: MCHF 121.5). 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, 2007, 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 2007 and 2006, the effective interest rate on the Revolving Facility was 2.39% and 1.57%, 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 99.30, i.e. a bond fraction can be converted into 50.35247 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, 2007, 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 2007	3.6
Conversion in Geberit shares	(13.3)
Liability recognized as of December 31, 2007	146.1

Amortization expense includes the amortization of the equity component (interest discount) and of transaction costs. As of December 31, 2007, 2,935 fractions were converted into shares. The effective interest rate of the convertible bond charged to the income statement was 3.44% (PY: 3.56%).

As of December 31, 2007, the fair value of the liability component amounted to MCHF 146.1 (PY: MCHF 158.4). 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, 2007, the Group had MCHF 16.0 of other long-term debt (PY: MCHF 27.6). This debt incurred an effective interest rate of 5.72% (PY: 5.07%).

Currency mix

Of the long-term debt outstanding as of December 31, 2007, MCHF 15.7 was denominated in EUR (PY: MCHF 26.9), MCHF 145.7 in CHF (PY: MCHF 175.2) and MCHF 112.4 in USD (PY: MCHF 121.0).

15. 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 risks and interest rate risks. This policy and the accounting policies for the Group's derivative financial instruments are disclosed in the Notes 3 and 4. At December 31, 2007 and 2006, the following derivative financial instruments were outstanding:

Cross currency interest rate hedge

MUSD 55.0 of the Private Placement (see Note 14) 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	Contract amount (Sale)	Fair value 31.12.2007	Fair value 31.12.2006	USD Interest rate	EUR Interest rate	Calculation method
			MUSD	MEUR	MCHF	MCHF	%	%	
2007									
USD buy/EUR sell	19.12.2012	1.004	55.0	(54.8)	(31.4)	(28.2)	5.54	5.9775	DCF

Forward foreign exchange contracts and foreign exchange options

	Contract amount				Fair value 31.12.	Calculation method
	MEUR	MNOK	MPLN	MCZK	MCHF	
2007						
Forward foreign exchange contracts and						
cross currency swaps	(20)	(48)	(18)	(150)	0.1	Marked-to-Market
Foreign exchange options	(20)				(0.3)	Black-Scholes
Total	(40)	(48)	(18)	(150)	(0.2)	
2006						
Forward foreign exchange contracts and						
cross currency swaps	18				0.1	Marked-to-Market
Total	18				0.1	

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

Interest rate hedges

As of December 31, 2007 and 2006, the Group had no open interest rate hedges.

16. Retirement benefit plans

The Group maintains defined benefit and defined contribution plans for its employees in Switzerland, Germany, Austria and the USA. These plans 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:

	2007		2006	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Service cost	16.5	5.5	15.5	5.2
Interest cost on projected benefit obligation	10.4	6.6	9.4	6.0
Expected return on plan assets	(15.9)		(14.2)	
Contributions of employees	(7.1)		(6.7)	
Net periodic pension cost	3.9	12.1	4.0	11.2

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:

	2007		2006	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Benefit obligation				
At beginning of year	312.5	145.9	282.7	135.9
Service cost	16.5	5.5	15.5	5.2
Interest cost on projected benefit obligation	10.4	6.6	9.4	6.0
Actuarial (gains)/losses	(22.0)	(6.4)	12.5	1.2
Translation differences	(0.1)	4.4	(0.1)	4.5
Benefits paid	(9.2)	(6.7)	(7.5)	(6.9)
Benefit obligation at end of year	308.1	149.3	312.5	145.9
Plan assets at fair value				
At beginning of year	352.8		316.7	
Expected return on plan assets	15.9		14.2	
Contributions of employees	7.1		6.7	
Contributions of employers	7.5		10.8	
Benefits paid	(8.8)		(7.4)	
Actuarial gains/(losses)	(5.6)		12.0	
Translation differences	(0.1)		(0.2)	
Plan assets at fair value at end of year	368.8		352.8	
Funded status at end of year	60.7	(149.3)	40.3	(145.9)
Adjustment according to IAS 19.58 (b)	(36.9)		(17.4)	
Total pension asset/(obligation)	23.8	(149.3)	22.9	(145.9)
The pension asset/(obligation) is composed of:				
Prepaid pension asset (Note 10)	24.6		24.0	
Reinsurance policies for pension obligations (Note 10)	6.8		5.8	
Accrued pension obligations	(7.6)	(149.3)	(6.9)	(145.9)
Total pension asset/(obligation)	23.8	(149.3)	22.9	(145.9)

The plan assets of funded plans of MCHF 368.8 (PY: MCHF 352.8) are composed of assets of MCHF 362.0 (PY: MCHF 347.0) in two independent Swiss trustee pension funds and MCHF 6.8 (PY: MCHF 5.8) in qualifying insurance policies. As of January 1, 2007, the Group terminated qualifying insurance policies related to a defined benefit plan in Germany, financed by the employer. These policies covered the gap between the pension obligation recognized and the actual pension liability in case of an insured event. The corresponding amount of MCHF 6.6 as of December 31, 2006, was fully collected in 2007. These policies are not included in the tables in this note.

The legal situation relating to pension plans in Switzerland strictly 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:

	2007 MCHF	2006 MCHF	2005 MCHF	2004 MCHF
Benefit obligations	(457.4)	(458.4)	(418.6)	(370.3)
Plan assets	368.8	352.8	316.7	276.5
Funded status	(88.6)	(105.6)	(101.9)	(93.8)
Net actuarial (gains) and losses				
on benefit obligations	(28.4)	13.7	24.1	20.5
– of which from changes in actuarial assumptions	(34.6)	1.4	32.6	14.7
– of which from experience adjustments	6.2	12.3	(8.5)	5.8
Experience adjustments on plan assets	5.6	(12.0)	(15.9)	(0.1)
Total actuarial (gains) and losses in current year	(22.8)	1.7	8.2	20.4
Adjustment according to IAS 19.58(b), (gain)/losses	19.5	1.0	2.8	(7.6)
Recorded in equity, current year	(3.3)	2.7	11.0	12.8
Recorded in equity, accumulated	91.6	94.9	92.2	81.2

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

	2007	2006
Equity	39.9	40.6
Bonds and other debt instruments	29.8	30.6
Real estate property	24.7	25.1
Other	5.6	3.7
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 3.9% in 2007 and 8.4% in 2006. As of December 31, 2007, plan assets include MCHF 1.6 (PY: MCHF 2.8) of equity instruments of Geberit AG and MCHF 10.5 (PY: MCHF 10.5) in real estate property used by the Group.

In 2008 the expected employers' contribution to the plan assets amounts to MCHF 7.4.

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

	2007			2006		
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	3.75	5.0	6.0	3.25	4.5	6.0
Annual rate of increase in future compensation levels	2.0	2.5	3.5	2.0	2.5	4.0
Expected rate of future increases in pension benefits	1.0	0–2.0	0.0	1.0	0–2.0	0.0
Expected rate of return on plan assets	4.5			4.5		

The development of medical costs has no influence on the benefit obligations of the Swiss pension plans and the pension plan in the USA. In Germany and Austria, medical costs indirectly influence the determination of benefit obligations through the employer contributions to the medical insurance for employees. However, the impact on the benefit obligations is not material.

The consolidated income statement also includes expenses for defined contribution plans of MCHF 2.3 in 2007 (PY: MCHF 2.0).

17. Participation plans

Share plans

In 2007, the employees could purchase a limited number of shares at a discount of 50% (PY: 40%) compared to the market price ("Employee share plan 2007"). The Geberit management was entitled to draw the previous year's bonus partly or entirely in shares valued at market price ("Management share plans 2007"). For each of these shares the management participants received one option (see part 2: "Option plans"). As part of the "Directors Program 2007" the non-executive members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 50% (PY: 40%). All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2007 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share plan 2007 (ESPP)	2009	1,550	25,734	98.15
Management share plans 2007 (MSPP)	2010	73	23,550	196.30
Directors Program 2007 (DSPP)	2009	7	6,850	98.15

The 56,134 shares required for these plans were held by the Group as treasury shares.

As of December 31, 2007, the Board of Directors, the Geberit Executive Board and employees together owned 1,517,412 (PY: 1,508,360) shares, i.e. 3.6% (PY: 3.6%) of the share capital of Geberit AG.

Option plans

For each of the shares purchased in connection with the “Management share plans 2007” 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 the grant date.

In connection with an additional option plan (“Option plan 2007”), 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 2007:

	End of blocking period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share plans 2007 (MSPP)	2009	2012	73	23,550	196.30
Option plan 2007 type A (MSOP)	2009	2012	51	18,560	211.40
Option plan 2007 type B (MSOP)	2011	2012	51	18,560	221.45
Total				60,670	

The fair value of the options granted in 2007 amounted to CHF 38.99 for MSOP type A (two years blocking period), CHF 35.64 for MSOP type B (four years blocking period) and CHF 40.43 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	Sur-charge	Exercise price	Expected volatility	Expected dividend yield	Contractual period	Risk free interest rate
	CHF	%	CHF	%	%	Years	%
Management share plans 2007 (MSPP)	196.30	0	196.30	24.62	2.25	5	2.520
Option plan 2007 type A (MSOP)	201.31	5	211.40	24.47	2.00	5	2.496
Option plan 2007 type B (MSOP)	201.31	10	221.45	24.47	2.00	5	2.496

¹ The reference share price corresponds to the average share price of the Geberit shares for the period from 11.–24.01.2007 for MSOP and from 8.–21.03.2007 for MSPP, respectively.

The following table summarizes all option plans in place as of December 31, 2007:

End of blocking period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
lapsed	2008–2010	50,915	77.32	50,915	77.32
2008	2009–2011	95,630	99.37	95,630	99.37
2009	2010–2012	75,730	154.50	33,890	94.75
2010	2011	35,660	122.00	35,660	122.00
2011	2012	18,290	221.45		
Total		276,225	121.42	216,095	97.18

The following movements took place in 2007 and 2006:

	MSOP		MSPP		Total 2007		Total 2006	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding January 1	276,480	82.47	51,700	98.09	328,180	84.93	454,560	64.47
Granted options	37,120	216.43	23,550	196.30	60,670	208.61	103,030	120.16
Forfeited options	5,510	107.45			5,510	107.45	40,200	82.17
Exercised options	93,935	56.73	13,180	80.90	107,115	59.70	189,210	55.55
Lapsed options	0		0		0		0	
Outstanding December 31	214,155	116.33	62,070	139.00	276,225	121.42	328,180	84.93
Exercisable at December 31	32,725	74.85	18,190	81.76	50,915	77.32	29,650	59.72

The 276,225 options outstanding represent 0.7% of the share capital of Geberit AG.

The Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2007, had an exercise price between CHF 39.35 and CHF 221.45 and an average remaining contractual life of 2.6 years.

Costs resulting from participation plans amounted to MCHF 3.5 in 2007 (PY: MCHF 2.7), those for option plans to MCHF 2.1 (PY: MCHF 1.8).

18. Deferred tax assets and liabilities

	2007 Total	Movements in 2007				2006 Total
		(Charged)/ credited to income	Changes in Group organization (see Note 2)	(Charged)/ credited to equity	Translation differences	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carry-forwards	9.8	(0.2)				10.0
Accrued pension obligation	6.8	(2.6)		(3.7)	0.4	12.7
Property, plant and equipment	2.7	0.6			(0.1)	2.2
Goodwill and intangible assets	12.3	(6.1)			0.5	17.9
Other	17.3			(7.0)	(0.2)	24.5
Total deferred tax assets	48.9	(8.3)	0.0	(10.7)	0.6	67.3
Deferred tax liabilities						
Inventories	(4.6)	(0.2)			0.1	(4.5)
Property, plant and equipment	(47.3)	2.6	1.4	(0.1)	(0.4)	(50.8)
Prepaid pension asset	(4.5)	(0.6)		0.6		(4.5)
Intangible assets	(13.8)	4.0	(1.0)		(0.2)	(16.6)
Other	(9.9)	2.8		(0.2)	(0.1)	(12.4)
Total deferred tax liabilities	(80.1)	8.6	0.4	0.3	(0.6)	(88.8)

	2006 Total	Movements in 2006				2005 Total
		(Charged)/ credited to income	Changes in Group organization	(Charged)/ credited to equity	Translation 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	0.0	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	0.0	0.3	(0.7)	(98.3)

The reversal and depreciation of deferred taxes (charged)/credited to the income statement in 2007 is mainly a result of the enacted income tax rate reduction in Germany. The reversal of deferred taxes in 2006 was recorded because of the income tax rate reduction in the canton St. Gallen (Switzerland) that became effective as of January 1, 2007.

Deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings which are planned to be remitted to the parent. As of December 31, 2007 and 2006, there were no such retained earnings in the subsidiaries.

The Group recognizes deferred tax assets from loss carry-forwards if 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	2007	Not deferred tax asset	Deferred tax asset	2006	Not deferred tax asset	Deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
1 year	1.9	1.9		0.9	0.9	
2 years	0.1	0.1		2.3	2.3	
3 years	0.1		0.1	0.2	0.1	0.1
4 years	1.2	0.4	0.8	3.3	2.6	0.7
5 years	0.4	0.1	0.3	1.2		1.2
6 years	15.2		15.2	9.3	0.1	9.2
> 6 years	18.1	0.2	17.9	25.3	3.0	22.3
Total	37.0	2.7	34.3	42.5	9.0	33.5

19. Other non-current provisions and liabilities

	2007	2006
	MCHF	MCHF
Provisions for operating risks	18.6	19.7
Accrued grant payments	0.4	0.6
Derivatives (see Note 32)	31.7	28.2
Other non-current liabilities	17.0	16.6
Total other non-current provisions and liabilities	67.7	65.1

Provisions for operating risks mainly include provisions for warranties. 2007 and 2006 movements are shown in the following table. For details with respect to derivatives see Note 15.

Provisions for operating risks

	2007	2006
	MCHF	MCHF
January 1	19.7	15.9
Changes in Group organization (see Note 2)	(0.1)	0.0
Additions	4.8	8.3
Used	(4.0)	(3.4)
Reversed	(1.9)	(1.2)
Translation differences	0.1	0.1
December 31	18.6	19.7

20. Contingencies

The Group is involved in certain legal proceedings arising from 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.

On 28 March 2007 Geberit has received the so-called "Statement of Objections" from the European Community Commission issued in the antitrust case "Bathroom Fittings and Fixtures", which has been pending with the Commission since 2004. The proceedings' subject is alleged price agreements and the exchange of sensitive data among certain manufacturers of sanitary products in six European countries. The affected companies are manufacturers of taps and fittings, shower enclosures and sanitary ceramic, each for residential bathroom applications. Geberit has never been and still is not active on these product markets and does not form part of the core group of manufacturers affected by the Commission's investigations. Even incorrectly allocating single Geberit products to the investigated product markets, the turnover which Geberit has generated with these products in the relevant time period is not material from a Group perspective. From Geberit's point of view the complaints raised against Geberit are not justified. Geberit expects that the pending proceedings will not significantly influence its financial situation or operating results. However, based on the currently available information, a reliable forecast as to the proceedings' outcome cannot be made yet. The Commission's decision is expected to be issued in first half of 2008.

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 no additional environmental costs will 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.

21. Equity

In 2007, dividends of MCHF 159.0 were distributed to the shareholders of Geberit AG (CHF 4.0 per share).

At the ordinary general meeting of Geberit AG on April 26, 2007, the shareholders approved the motion of the Board of Directors regarding the 1:10 stock split. The figures in this annual report (including previous year figures) are adjusted accordingly.

As of December 31, 2007, the Group held a total of 2,028,569 (PY: 2,032,410) treasury shares with a carrying amount of MCHF 247.8 (PY: MCHF 236.2). In 2007, the Group sold a net total of 3,841 treasury shares. Treasury shares are deducted at cost from equity.

For transactions in connection with the participation plans see Note 17.

22. 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.

	2007	2006
Attributable net income according to income statement (MCHF)	463.3	355.0
Thereof net income from continuing operations (MCHF)	409.8	346.7
Thereof net income from discontinued operations (MCHF)	53.5	8.3
Weighted average number of ordinary shares outstanding (thousands)	39,701	40,090
Earnings per share (EPS) from continuing operations (CHF)	10.32	8.65
Earnings per share (EPS) from discontinued operations (CHF)	1.35	0.21
Total earnings per share (CHF)	11.67	8.86

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.

	2007	2006
Attributable net income according to income statement (MCHF)	463.3	355.0
Interest and amortization expenses of Convertible Bond, net (MCHF)	4.7	5.1
Net income to determine diluted earnings per share (MCHF)	468.0	360.1
Thereof net income from continuing operations (MCHF)	414.5	351.8
Thereof net income from discontinued operations (MCHF)	53.5	8.3
Weighted average number of ordinary shares outstanding (thousands)	39,701	40,090
Adjustments for share options (thousands)	97	130
Adjustment for Convertible Bond (thousands)	1,564	1,710
Weighted average number of ordinary shares outstanding (thousands)	41,362	41,930
Diluted earnings per share (EPS) from continuing operations (CHF)	10.02	8.39
Diluted earnings per share (EPS) from discontinued operations (CHF)	1.29	0.20
Total diluted earnings per share (CHF)	11.31	8.59

23. Sales deductions

	2007	2006
	MCHF	MCHF
Early payment discounts	70.4	63.1
Outbound freight costs	74.2	60.7
Customer volume discounts	205.5	181.7
Other	32.8	29.3
Total sales deductions	382.9	334.8

24. Other operating expenses, net

	2007	2006
	MCHF	MCHF
Energy and maintenance expenses	81.2	77.3
Marketing expenses	58.4	49.3
Administration expenses	48.0	44.9
Other operating expenses	48.3	45.0
Other operating income	(20.2)	(13.7)
Total other operating expenses, net	215.7	202.8

Other operating income includes, among others, compensation for postage and packaging, rental income, gain from sale of fixed assets and catering revenues.

In 2007, costs of MCHF 13.3 (PY: MCHF 12.7) 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.

25. Finance costs, net

	2007	2006
	MCHF	MCHF
Interest income	(7.8)	(4.8)
Interest expenses	14.7	17.0
Amortization of deferred financing fees	1.5	1.3
Foreign exchange result, net	2.2	1.5
Other financial income	(0.5)	(0.1)
Other financial expenses	1.3	1.4
Total finance costs, net	11.4	16.3

26. Income tax expenses

	2007	2006
	MCHF	MCHF
Current taxes	128.2	121.6
Deferred taxes	(0.3)	(10.7)
Total income tax expenses	127.9	110.9

The differences between income tax expenses computed at the weighted average applicable rate of the Group of 24.1% (PY: 25.4%) and income tax expenses provided on earnings were as follows:

	2007	2006
	MCHF	MCHF
Income tax expenses, at applicable rate	142.4	118.4
Utilization of loss carry-forwards	(0.3)	(0.3)
Operating losses with no current tax benefit	0.4	1.6
Changes in tax rates	0.5	(8.0)
Non-deductible expenses including goodwill amortization, net	1.7	1.0
Other	(16.8)	(1.8)
Total income tax expenses	127.9	110.9

In 2007, the amount in the position "Changes in tax rates" is a result of the reversal and depreciation of deferred taxes in connection with the enacted income tax rate reduction in Germany. The same position in 2006 mainly contains the reversal of deferred taxes as a result of the income tax rate reduction in the canton St. Gallen (Switzerland) that became effective as of January 1, 2007. The position "Other" of MCHF (16.8) mainly consists of the tax-free gain from the sale of the PVC piping business in the UK.

27. Cashflow figures

Net cashflow is calculated as follows:

	2007	2006
	MCHF	MCHF
EBITDA	637.9	569.1
Finance costs, net	(11.4)	(16.3)
Income tax expenses	(127.9)	(110.9)
Deferred taxes charged/(credited) to net income (see Notes 18 and 26)	(0.3)	(10.7)
Changes in non-current provisions	21.3	26.0
Changes in other non-current assets and liabilities and other	(6.7)	(3.0)
Net cashflow	512.9	454.2

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

Free cashflow is calculated as follows:

	2007	2006
	MCHF	MCHF
Net cashflow	512.9	454.2
Purchase of property, plant and equipment and intangible assets, net	(89.9)	(78.7)
Changes in net working capital	(49.1)	(10.1)
Payments charged to non-current provisions	(11.2)	(9.9)
Free cashflow	362.7	355.5

The reclassification of the value added tax liabilities from the position "Tax provisions and tax liabilities" to the position "Other current provisions and liabilities" (see Note 13) leads to a change of the free cashflow of MCHF (0.4) in 2006.

As per Group definition, the term "Free cashflow" does not include cashflows from divestments or acquisitions of subsidiaries, 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 outflows resulting from pension obligations.

"Net cashflow" and "Free cashflow" are no substitute for figures shown in the consolidated income statements and 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.

28. 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 "Other European markets". The main markets included in the segment "Other markets" are North America, Middle East/Africa and 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 trademarks 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:

	Switzerland	Germany	Italy	Other major European markets	Other European markets	Other markets	Corporate functions	Eliminations	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
2007									
Segment assets	297.7	803.5	83.5	282.1	204.9	122.0	1,632.1	(1,127.5)	2,298.3
Segment liabilities	66.7	302.0	25.0	88.1	45.6	47.1	1,446.9	(1,127.5)	893.9
Capital expenditure	36.7	35.4	5.7	10.6	5.6	7.7	1.8		103.5
Depreciation expense	22.0	28.7	2.7	10.5	5.2	4.6	1.4		75.1
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

Income statement information is as follows:

	Continuing operations							Total	Discon- tinued oper- ations	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
2007										
Intersegment sales	303.8	684.1	42.1	95.1	24.2	8.2				
External sales	285.0	823.2	294.7	509.9	350.7	200.2		2,463.7	23.1	2,486.8
Segment result	147.3	229.1	32.1	51.6	14.6	13.0	60.2	547.9	5.9	553.8
Finance costs, net								11.5	(0.1)	11.4
Income tax expenses								126.6	1.3	127.9
Gain from sale of discontinued operations									48.8	48.8
Net income								409.8	53.5	463.3
2006										
Intersegment sales	268.2	555.6	30.5	92.4	15.3	7.7				
External sales	252.6	747.8	265.2	429.5	259.7	184.2		2,139.0	44.5	2,183.5
Segment result	125.1	214.9	27.2	42.3	3.4	2.3	55.2	470.4	11.8	482.2
Finance costs, net								16.4	(0.1)	16.3
Income tax expenses								107.3	3.6	110.9
Net income								346.7	8.3	355.0

29. Related party transactions

In 2007 and 2006, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2007	2006
	MCHF	MCHF
Salary, bonus and other compensation	5.6	4.7
Granted options (14,210 in 2007 and 23,200 in 2006)	0.6	0.5
Total	6.2	5.2

2007 and 2006 amounts include all elements according to article 663b^{bis} and article 663c Swiss Code of Obligation. Further information regarding compensations and investments are disclosed in the notes of the financial statements of Geberit AG.

In 2007 and 2006, there were no further material related party transactions.

30. Foreign exchange rates

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

	Currency		2007		2006	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.6561	1.6412	1.6073	1.5722
United Kingdom	GBP	1	2.2547	2.4056	2.3978	2.3075
USA	USD	1	1.1257	1.1998	1.2194	1.2539
Poland	PLN	100	46.2190	43.3360	42.0200	40.3660
China	CNY	100	15.4120	15.7220	15.6010	15.6880
Denmark	DKK	100	22.2110	22.0420	21.5560	21.0940
Australia	AUD	1	0.9890	1.0076	0.9660	0.9395
Czech Republic	CZK	100	6.2380	5.8960	5.8360	5.6010
Hungary	HUF	100	0.6570	0.6530	0.6380	0.5860
Norway	NOK	100	20.7840	20.5530	19.4700	19.4980
Sweden	SEK	100	17.5720	17.7650	17.7770	17.0220
Singapore	SGD	1	0.7833	0.79715	0.7954	0.7885
Slovakia	SKK	100	4.9420	4.8580	4.6430	4.2610
South Africa	ZAR	100	16.5190	17.0150		

31. Subsequent events

These financial statements were released by the Board of Directors on February 26, 2008.

The management of Geberit AG has decided to initiate a share buyback program in 2008.

Shares amounting to a total of maximum 5% of the share capital recorded in the Commercial Register will be repurchased via a separate trading line, less withholding tax, and be retired by means of a capital reduction. Based on the closing price of Geberit registered shares on January 16, 2008 (CHF 129.20), the value of the shares to be bought back is approximately MCHF 270.

32. 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 31.12.2007	At amortized cost	At cost	At fair value
	MCHF	MCHF	MCHF	MCHF
Financial assets				
Cash and cash equivalents	450.1	450.1		
Receivables	178.9	178.9		
Other non-derivative financial instruments	4.5	2.8		1.7
Derivative financial assets	0.1			0.1
Financial liabilities				
Short-term debt	2.9	2.9		
Trade accounts payable	93.3	93.3		
Private Placement	111.8	111.8		
Revolving Facility	0.0			
Convertible Bond	146.1	146.1		
Other long-term debt	13.1	13.1		
Derivative financial liabilities	31.7			31.7
Aggregated by measurement category in accordance with IAS 39				
Loans and receivables	631.8	631.8		
Held-to-maturity investments	0.0			
Available-for-sale financial assets	0.0			
Financial assets at fair value	1.8			1.8
Financial liabilities at amortized cost	367.2	367.2		
Financial liabilities at fair value	31.7			31.7

	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	0.0			
Available-for-sale financial assets	0.0			
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

Maturity analysis of financial liabilities

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

	Carrying amount 31.12.07 MCHF	Maturity				
		2008 MCHF	2009 MCHF	2010 MCHF	2011 MCHF	2012 and later MCHF
Short-term debt	2.9	3.1				
Trade accounts payable	93.3	93.3				
Private Placement	111.8	6.0	45.4	4.1	4.1	77.2
Revolving Facility	0.0					
Convertible Bond	146.1	1.6	1.6	156.9		
Other long-term debt	13.1	1.0	2.8	2.2	1.6	9.3
Derivative financial liabilities	31.7	38.5	5.4	5.4	5.4	96.1
Derivative financial assets	(0.1)	60.8				
Total	398.8	204.3	55.2	168.6	11.1	182.6

	Carrying amount 31.12.06 MCHF	Maturity				
		2007 MCHF	2008 MCHF	2009 MCHF	2010 MCHF	2011 and later MCHF
Short-term debt	14.7	15.5				
Trade accounts payable	102.4	102.4				
Private Placement	121.0	6.5	6.5	49.2	4.4	88.0
Revolving Facility	18.7	20.0				
Convertible Bond	155.8	1.7	1.7	1.7	171.5	
Other long-term debt	12.9	0.6	2.4	2.1	1.4	9.0
Derivative financial liabilities	28.2	5.3	5.3	5.3	5.3	98.6
Derivative financial assets	(0.1)	28.9				
Total	453.6	180.9	15.9	58.3	182.6	195.6

33. Group companies as of December 31, 2007

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, Matrei	100	□
Belgium		
Geberit N.V., Machelen	100	△
Channel Islands		
Geberit Finance Ltd., Jersey	100	○
Geberit Reinsurance Ltd., Guernsey	100	○
China		
Geberit Flushing Technology Co. Ltd., Daishan	100	□
Geberit Plumbing Technology Co. Ltd., Shanghai	100	□
Geberit Shanghai Trading Co. Ltd., Shanghai	100	△
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	○
Geberit Management GmbH, Pfullendorf	100	○

Germany	Owner-ship in %	Activity
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, Langenfeld	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	□
Geberit prodaja d.o.o., Ruše	100	△
South Africa		
Geberit Southern Africa (Pty.) Ltd., Sandton	100	△
Spain		
Geberit S.A., Barcelona	100	△
Sweden		
Geberit AB, Malmö	100	△
Turkey		
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100	△
United Kingdom		
Geberit Sales 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 68 to 109) of Geberit Group for the year ended 31 December 2007.

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, 26 February 2008

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Financial Statements

Geberit AG

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Financial Statements

Balance Sheets

	31.12.2007	31.12.2006
	MCHF	MCHF
Current assets		
Cash and cash equivalents	0.2	0.0
Treasury shares	179.1	179.1
Accounts receivable		
– Third parties	3.8	3.1
– Group companies	160.6	22.4
Total current assets	343.7	204.6
Non-current assets		
Investments	956.4	956.4
Intangible assets: deferred financing costs Convertible Bond	1.4	2.1
Total non-current assets	957.8	958.5
Total assets	1,301.5	1,163.1
Current liabilities		
– Third parties	1.9	1.9
– Group companies	4.1	2.8
Total current liabilities	6.0	4.7
Non-current liability: Convertible Bond	155.3	169.8
Shareholders' equity		
Capital stock	4.2	4.2
Legal reserves		
– General reserve, share premium	15.1	1.0
– Reserve for treasury shares	247.8	239.8
Free reserves	564.3	432.1
Retained earnings	308.8	311.5
Total shareholders' equity	1,140.2	988.6
Total liabilities and shareholders' equity	1,301.5	1,163.1

Income Statements

	2007	2006
	MCHF	MCHF
Income		
Dividends from Group companies	300.0	310.0
Financial income	3.3	2.0
Other operating income	0.3	0.2
Total income	303.6	312.2
Expenses		
Administrative expenses	2.6	2.2
Financial expenses	2.4	2.5
Total expenses	5.0	4.7
Net income	298.6	307.5

Notes to the Financial Statements

1. Notes (in accordance with Articles 663b and 663c of the Swiss Code of Obligations)

1.1 Guarantees, assets pledged in favour of third parties

	31.12.2007	31.12.2006
	MCHF	MCHF
Guarantee Revolving Facility	400.0	400.0
Guarantees in connection with Private Placement (MUSD 100)	112.6	121.9

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 50.35247 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 99.30 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:	2,000,000 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 33).

1.4 Share capital

The share capital of Geberit AG consists of 41,747,731 ordinary shares with a par value of CHF 0.10 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, 2006	2,032,410			
Purchases	159,993	218.12	172.50	153.77
Sales	-163,834	220.16	195.44	142.04
Balance at December 31, 2007	2,028,569			
Number of treasury shares held by Geberit AG	1,391,000			

The Board of Directors of Geberit AG approved a share buyback program of up to MCHF 200.0 in January 2006. The buyback program was closed by January 31, 2007. Under this program, the company repurchased shares for MCHF 179.1. 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

	31.12.2007 MCHF	31.12.2006 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 2,000,000 new registered shares with a par value of CHF 0.10 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 at the conditions according to section 1.2 in these notes to the financial statements. As of December 31, 2007, 147,731 shares have been issued in connection with this conditional capital increase. The usage of the conditional capital is not subject to any time limit.

1.7 Remuneration, loans and shareholdings of members of the Board of Directors and of the Group Executive Board

	G. F. Kelm Chairman	K. Feller Vice Chairman	R. Hanslin	R. Heberlein	H. Hess	K. Weisshaar	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Remuneration of the Board of Directors							
Accrued remuneration ¹			26,667	10,000	26,667		63,334
Shares ²	338,918	253,315	124,037	167,712	133,484	131,025	1,148,491
Expenses	10,000	10,000	10,000	10,000	10,000	10,000	60,000
Expenditure on pensions							
– Contributions to social insurance	18,485	13,904	10,094	7,756	0	9,495	59,734
– Withholding tax						44,822	44,822
Total	367,403	277,219	170,798	195,468	170,151	195,342	1,376,381
							CHF
Remuneration to former members of the Board of Directors							
Accrued remuneration ³							-36,667
Shares ²							62,892
Contributions to social insurance							4,062
Total							30,287

¹ Directors fee, booked in 2007 but not yet paid as per December 31, 2007.

² Remuneration is in the form of registered shares in the company with a par value of CHF 0.10 each, 2-year blocking period, valued at CHF 174.70, made up of CHF 196.30 (market value at grant date) less CHF 21.60 (tax benefit for blocking period). The number of shares allocated is calculated on the base fee divided by the net price of CHF 98.15 (CHF 196.30 less 50 % discount). The description of the program can be seen in Note 17 "Participation plans" of the Consolidated Financial Statements.

³ Reversal of the provision booked in 2006.

	A. Baehny CEO CHF	Total CHF
Remuneration of the Group Executive Board		
Cash/deposits		
– Fixed salary	736,801	1,977,612
– Variable salary (bonus) ¹	69,408	702,287
Shares/options		
– Shares (instead of bonus) ^{1,2}	566,912	1,056,368
– Discount on purchase of shares (ESPP) ³		14,232
– Call options MSOP A ⁴	56,150	152,073
– Call options MSOP B ⁵	51,316	138,980
– Call options MSPP ⁶	139,076	259,150
Non-cash benefits		
– Private share of company vehicle ⁷	8,160	25,704
Expenditure on pensions		
– Pension plans and social insurance	155,728	502,937
– Contribution health/accident insurance	2,249	9,416
Total⁸	1,785,800	4,838,759

¹ The bonus may be paid, either in whole or in part, in cash and/or in shares (without discount), whereby, if shares are purchased, an additional incentive is granted in the form of one option per share (Management Share Participation Program – MSPP). The total amount of the bonus is calculated as the sum of the lines “Variable salary” and “Shares (instead of bonus)”. The description of the program can be seen in Note 17 “Participation plans” of the Consolidated Financial Statements.

² Registered shares in the company with a par value of CHF 0.10 each, 3-year tax benefit for blocking period, valued at CHF 164.80, made up of CHF 196.30 (market value at grant date) less CHF 31.50 (tax benefit for blocking period).

³ Managers who did not join the company until after September 30, 2006, are not eligible to participate in the MSPP program. In place of the management program, they are eligible to participate in the employee program ESPP. The description of the program can be seen in Note 17 “Participation plans” of the Consolidated Financial Statements.

⁴ Call options A on registered shares in the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Program (MSOP); 1 option entitles to purchase of 1 registered share at an exercise price of CHF 211.40; definitive acquisition of the option (“vesting”) dependent on various conditions, 2-year blocking period, market value of CHF 38.99 using the binomial method.

⁵ Call options B on registered shares in the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Program (MSOP); 1 option entitles to purchase of 1 registered share at an exercise price of CHF 221.45; definitive acquisition of the option (“vesting”) dependent on various conditions, 4-year blocking period, market value of CHF 35.64 using the binomial method.

⁶ Call options on registered shares in the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Program (MSPP); 1 option entitles to purchase of 1 registered share at an exercise price of CHF 196.30; definitive acquisition of the option (“vesting”) dependent on various conditions, 2-year blocking period, market value of CHF 40.43 using the binomial method.

⁷ Valuation in accordance with the guidelines of the Swiss Federal Tax Administration FTA (0.8% of the purchase cost per month).

⁸ Immaterial payments (below CHF 500) are not included in the total. Overall, these payments do not exceed CHF 2,000 per member of the Group Executive Board.

The parameters taken into consideration in the option valuation model are set out in Note 17 “Participation plans” of the Consolidated Financial Statements.

	Maturity	Average Exercise price in CHF	G. F. Kelm Chairman	K. Feller Vice Chairman	R. Hanslin	R. Heberlein	H. Hess	K. Weisshaar	Total
Shareholdings Board of Directors									
Shares			652,770	29,440	362,840	71,290	2,680	6,120	1,125,140
Share of voting rights			1.56%	< 0.1%	0.87%	0.17%	< 0.1%	< 0.1%	2.70%
Call options¹									
End of blocking period:									
lapsed	2008–2010	82.80			8,270				8,270
2008	2009–2011	103.92	5,010		6,600				11,610
2009	2010–2012	94.75			2,720				2,720
2010	2011	122.00			2,400				2,400
Total options			5,010		19,990				25,000
Potential share of voting rights			< 0.1%		< 0.1%				< 0.1%

¹ Purchase ratio 1 share for 1 option

	Maturity	Average Exercise price in CHF	A. Baehny CEO	R. Iff CFO	B. Kuhlin	M. Reinhard	Total
Shareholdings Group Executive Board							
Shares			20,720	18,505	205	2,280	41,710
Share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.10%
Call options¹							
End of blocking period:							
lapsed	2008–2010	90.10	8,160				8,160
2008	2009–2011	103.92	9,240	4,710	770	2,570	16,520
2009	2010–2012	167.48	7,880	4,570		3,650	16,870
2010	2011	122.00	2,650	1,570		1,570	5,790
2011	2012	221.45	1,440	830	770	860	3,900
Total options			29,370	11,680	1,540	8,650	51,240
Potential share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.12%

¹ Purchase ratio 1 share for 1 option

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 3% of the total share capital:

	31.12.2007	31.12.2006
Geberit AG, Rapperswil-Jona	4.86%	4.89%

Proposal for the appropriation of available earnings

Proposal by the Board of Directors to the General Meeting

	2007 CHF	2006 CHF
Available earnings		
Net income	298,613,251	307,540,361
Balance brought forward	10,139,308	3,961,627
Total available earnings	308,752,559	311,501,988
Transfer to free reserves	90,000,000	140,000,000
Proposed/Paid dividend	209,855,001	161,362,680
Balance to be carried forward	8,897,558	10,139,308
Total appropriation of available earnings	308,752,559	311,501,988
Transfer of the share premium resulting from conversion to free reserves	14,329,259	174,826

Dividend payments

The Board of Directors proposes a dividend payment of CHF 5.20 per share (prior year: CHF 4.00 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 2007

The general meeting of April 26, 2007, decided to carry out a 1:10 stock split. The split was implemented on May 8, 2007.

Subsequent events

The management of Geberit AG has decided to initiate a share buyback program in 2008. Shares amounting to a total of maximum 5% of the share capital recorded in the Commercial Register will be repurchased via a separate trading line, less withholding tax, and be retired by means of a capital reduction. Based on the closing price of Geberit registered shares on January 16, 2008 (CHF 129.20), the value of the shares to be bought back is approximately MCHF 270.

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 114 to 121) of Geberit AG for the year ended 31 December 2007.

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, 26 February 2008

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Zinc

This bluish-white, brittle metal was already known in antiquity as an alloy component for manufacturing brass. Zinc itself, however, was first discovered as a discrete metal in the 14th century in India. Zinc ore is mainly found in China, Peru, Australia, Canada, the USA, Mexico and South Africa.

Zinc is extracted mainly from zinc sulfide ore, which is transformed into zinc oxide in an open-air roasting process and then processed further. Geberit uses zinc in actuator plates. Among other things, the metal is used for corrosion protection in GIS profiles, Kombifix and Duofix frames and piping systems.







Bauxite

Nearly all bauxite being mined, namely around 95% of world production, is used in the manufacture of aluminum. In the Hall/Héroult procedure named for its two discoverers, it is dissolved in molten cryolite in order to obtain the aluminum by smelting. The most important source countries are Australia, the USA, Jamaica, Brazil, Guinea, China, Russia and Surinam. Because bauxite deposits are usually found near the surface, it is easy to mine.

Aluminum is the third most important metal for Geberit's production, where it is used for Mepla pipes.



Geberit Key Figures

		2007	2006
Sales	MCHF	2,486.8	2,183.5
Change on previous year	%	+13.9	+13.6
Operating profit (EBIT)	MCHF	553.8	482.2
Margin	%	22.3	22.1
Net income	MCHF	463.3	355.0
Margin	%	18.6	16.3
Operating cashflow (EBITDA)	MCHF	637.9	569.1
Margin	%	25.7	26.1
Free cashflow	MCHF	362.7	355.5
Margin	%	14.6	16.3
Finance costs, net	MCHF	11.4	16.3
Research and development expenses	MCHF	48.1	44.3
In % of sales	%	1.9	2.0
Earnings per share*	CHF	11.67	8.86
Earnings per share, adjusted**	CHF	11.67	8.86
Capital expenditure	MCHF	103.5	81.3
Number of employees	31.12.	5,344	5,269
Annual average		5,360	5,199
Sales per employee	TCHF	464.0	420.0
		31.12.2007	31.12.2006
Total assets	MCHF	2,298.3	2,010.7
Cash and cash equivalents	MCHF	450.1	182.4
Net working capital	MCHF	168.7	131.9
Property, plant and equipment	MCHF	529.3	533.9
Goodwill and intangible assets	MCHF	828.8	825.1
Corporate debt	MCHF	273.9	323.1
Equity	MCHF	1,404.4	1,065.9
Equity ratio	%	61.1	53.0
Gearing	%	-12.5	13.2

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

** Adjusted for amortization of goodwill

	2005	2004	2003	2002	2001	2000	1999	1998
	1,922.9	1,906.8	1,403.9	1,273.0	1,165.1	1,208.5	1,190.7	1,032.2
	+0.8	+35.8	+10.3	+9.3	-3.6	+1.5	+15.4	+7.9
	366.9	305.5	206.4	186.3	157.1	189.7	176.4	140.4
	19.1	16.0	14.7	14.6	13.5	15.7	14.8	13.6
	262.5	194.4	147.0	118.1	92.1	104.4	54.3	37.4
	13.7	10.2	10.5	9.3	7.9	8.6	4.6	3.6
	455.9	453.4	329.8	295.7	261.7	297.5	303.5	255.7
	23.7	23.8	23.5	23.2	22.5	24.6	25.5	24.8
	290.2	273.4	206.0	200.1	142.8	117.2	108.0	114.0
	15.1	14.3	14.7	15.7	12.3	9.7	9.1	11.0
	17.2	30.0	23.4	23.0	29.1	37.4	37.9	59.4
	43.5	43.4	35.7	30.1	34.1	30.5	29.1	28.8
	2.3	2.3	2.5	2.4	2.9	2.5	2.4	2.7
	6.41	4.73	3.63	2.92	2.30	2.57	1.33	0.81
	6.47	6.04	4.37	3.64	3.01	3.52	3.28	3.37
	79.5	87.8	69.8	59.6	76.6	66.9	78.1	67.5
	5,162	5,516	4,412	4,436	4,144	4,240	4,309	3,788
	5,237	5,469	4,419	4,307	4,189	4,267	4,258	3,822
	367.2	348.7	317.7	295.6	278.1	283.2	279.6	270.1
	31.12.2005	31.12.2004	31.12.2003	31.12.2002	31.12.2001	31.12.2000	31.12.1999	31.12.1998
	1,946.6	1,937.1	1,507.8	1,500.2	1,445.1	1,444.7	1,546.2	1,468.6
	180.0	81.6	181.3	137.5	101.5	64.4	126.3	99.0
	120.8	130.9	77.6	85.0	86.4	96.4	72.1	59.8
	528.3	538.8	490.9	492.0	492.3	490.7	516.9	456.2
	812.4	878.8	469.7	510.3	512.0	546.3	581.0	618.6
	393.4	535.3	297.2	432.0	505.3	560.1	642.8	801.7
	958.0	816.8	739.0	630.2	546.8	492.5	492.2	274.3
	49.2	42.2	49.0	42.0	37.8	34.1	31.8	18.7
	22.3	55.5	15.7	46.7	73.8	100.6	104.9	256.2

Text: Geberit AG, Rapperswil-Jona, sustainserv, Zurich and Boston, pepr Peter Eberhard Public Relations, Oetwil am See; Concept and design: S&W Werbeagentur AG bsw, Baden; Prepress: Köpfli & Partner AG, Neuenhof; Photos Geberit Management: Ben Huggler, Lucerne; Photos cover and pages 1/4/5/16/17/62/63/126/127: © Corbis-Specter; photos pages 6/7: © Prisma; Photos pages 18/19/124/125: © Keystone; Photos pages 64/65: © Pat Wettstein, Baden.

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Geberit Products



Actuator plate



Touch-free urinal flushing device



Sanitary flushing



Installation system



Bath drain



Inliner circulation Mepla & Mapress



Installation element for wall-hung WC



Balena shower toilet



Mapress carbon steel pressfittings



Filling valve



S-bend



Sound absorbing drainage system



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