

Annual Report 2008

 **GEBERIT**

Financial Highlights

		2008	2007
Sales	MCHF	2,455.1	2,486.8
Change on previous year	%	-1.3	+13.9
Operating profit (EBIT)	MCHF	563.4	553.8
Margin	%	22.9	22.3
Net income	MCHF	466.3	463.3
Margin	%	19.0	18.6
Operating cashflow (EBITDA)	MCHF	649.1	637.9
Margin	%	26.4	25.7
Free cashflow	MCHF	407.9	362.7
Margin	%	16.6	14.6
Finance costs, net	MCHF	-5.4	11.4
Research and development expenses	MCHF	46.0	48.1
In % of sales	%	1.9	1.9
Earnings per share	CHF	11.90	11.67
Capital expenditure	MCHF	152.5	103.5
Number of employees	31.12.	5,697	5,344
Annual average		5,684	5,360
Sales per employee	TCHF	431.9	464.0
		31.12. 2008	31.12. 2007
Total assets	MCHF	2,054.1	2,298.3
Liquid funds and marketable securities	MCHF	302.6	450.1
Net working capital	MCHF	156.5	168.7
Property, plant and equipment	MCHF	555.5	529.3
Goodwill and intangible assets	MCHF	756.2	828.8
Corporate debt	MCHF	152.3	273.9
Equity	MCHF	1,311.9	1,404.4
Equity ratio	%	63.9	61.1
Gearing	%	-11.5	-12.5

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In use around the world, even under difficult conditions

Regardless of whether in normal use or in extreme cold, heat, humidity or severe drought: Geberit products perform their work reliably every day, all over the world. Given special climatic conditions, customized on-site consultation becomes particularly important. In addition to high quality, durability and easy installation, Geberit products are designed for economical use of water in combination with the highest possible level of hygiene and optimized acoustic characteristics.

In this report, we show you a series of Geberit reference objects in which our products function reliably even under difficult conditions.

Geberit products are also to be found in lighthouses all over the world. The example shown on the cover page is a symbol of constancy, but not, however, a Geberit reference object.



Günter F. Kelm (left), Albert M. Baehny

To our Shareholders

Ladies and gentlemen

In 2008, the Geberit Group once again provided convincing results in a difficult economic environment. Consolidated sales totaled CHF 2,455.1 million, amounting to a decline of 1.3%. In local currency and adjusted for disinvestment effects, by contrast, a growth of 3.2% was achieved. Operating profit (EBIT) climbed by 1.7% to CHF 563.4 million. At 22.9%, the EBIT margin reached the highest level in the history of the company. Even net income rose slightly, despite a positive extraordinary effect in 2007 amounting to just under CHF 50 million, by 0.6% to CHF 466.3 million. The Group has a very sound and healthy financial base. The equity ratio rose to a respectable 63.9%.

Geberit was not entirely able to avoid the economic turbulence of 2008, although the Group was nonetheless able to hold its own very well on the market. One reason for this was the company's wide geographical spread. Losses in larger markets were compensated for by growth in medium-sized and smaller markets. In addition, a series of important products, primarily in the sanitary systems sector, were introduced successfully on the market in the spring of 2008. Thanks to strict cost management and processes which had already been optimized in previous years, the Group was once again able to grow profitably. Major investments were made in 2008 in expansion, modernization and optimization in order to be ready to meet future challenges. To underline its position as a company operating sustaina-

bly, Geberit joined the UN Global Compact in October 2008, thus voluntarily committing itself to the promotion of objectives with respect to environmental protection, employment, human rights and the prevention of corruption. This complements and deepens the existing reporting in accordance with the guidelines of the Global Reporting Initiative, through which employees, customers, suppliers, shareholders and other interested parties receive information about sustainable corporate management at Geberit.

The Board of Directors would like the shareholders to participate in the positive business development. It will therefore propose a slightly increased dividend distribution of CHF 5.40 at the General Meeting.

Klaus Weisshaar, a member of the Board of Directors of many years' standing, will be retiring from the supervisory body at the 2009 General Meeting having reached the age limit specified by the articles of incorporation. The Board of Directors expresses its very sincere thanks for his successful efforts for the Geberit Group since the Initial Public Offering in 1999. A proposal will be submitted to the General Meeting to elect Susanne Ruoff and Robert F. Spoerry to the Board of Directors as new members, which means that the Board of Directors would then be comprised of seven members.

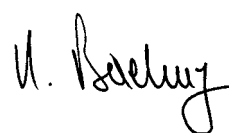
We credit the gratifying results of the past year to the outstanding commitment, the high motivation and the skills of our employees in 40 countries. We owe them

our thanks and recognition 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, for which we are greatly appreciative, 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.

2009 will be a very demanding year. We are nonetheless convinced that we are well-equipped for the coming challenges and that we will emerge strengthened from this difficult global economic phase. With our experienced and highly motivated managers and employees, a series of promising new products, our effective, efficient and market-oriented organization and the faithful cooperation we have with our market partners, we look to the future with confidence.



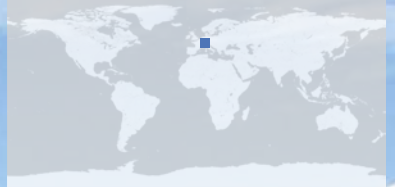
Günter F. Kelm
Chairman of the Board



Albert M. Baehny
Chief Executive Officer (CEO)



New Monte Rosa Cabin, Zermatt, Switzerland



45°57'13"N / 7°48'51"E

Average annual humidity	30 %
Average annual temperature	-1.1 °C
Average daily precipitation	1.5 mm
Altitude above sea level	2,884 m

The new Monte Rosa Cabin between the Gorner and Grenz glaciers is a joint project of the ETH Zurich and the Swiss Alpine Club (SAC), and a milestone of building construction in the High Alps. Following its opening in the fall of 2009, the building will also set new standards in energy independence thanks to thermal solar collectors and a photovoltaic system together with integrated energy management. The sanitary installations in this innovative and demanding environment are from Geberit.



Share price development January 1 until December 31, 2008



Investor Information

Share price performance in the year under review

The Geberit AG share sustained its position comparatively well in the trading year in a very demanding business climate. With an initial price of CHF 155.50 at the beginning of the year and a strong start in 2008, the pleasing development continued through the first half of the year, reaching a value of just under CHF 180 in June. The main factor behind this was impressive progress in operating business activities. The increasing uncertainty on the share markets resulting from the worldwide economic crisis also affected the Geberit share in the second half of 2008, with the price dropping to CHF 113.10 by the end of the year. This represents a fall of 27.3% during 2008. By comparison, the Swiss Performance Index (SPI) fell 34.0%. Over the last five years, the average annual increase in the value of the Geberit share was 13.2% (SPI: +2.9%). The Geberit Group's market capitalization reached CHF 4,471 million as of the end of 2008.

The Geberit shares are listed on the Swiss Exchange Europe, London, but may also be traded in the over-the-counter markets on the Frankfurt, Stuttgart and Berlin stock exchanges.

At the end of 2008, the free float as defined by SIX was 90.6%.

Geberit AG concluded its share buyback program, started in January 2008, in September 2008, earlier than planned. Overall, and as originally envisaged, 2,080,090

registered shares, equal to CHF 311,350,522, and corresponding to 4.84% of the share capital issued as of December 31, 2008, were repurchased. The share buyback program was conducted via a second trading line, set up especially for this purpose. The average purchase price per share was CHF 149.68. Geberit AG plans to propose to the General Meeting on April 30, 2009, a capital reduction in the scope of the shares repurchased under this program and to cancel the shares.

Distribution

The Board of Directors of Geberit AG will propose a dividend of CHF 5.40 at the General Meeting on April 30, 2009, corresponding to an increase of 3.8%. As such, the shareholder-friendly dividend policy will be continued. The net income distribution rate of 45.2% is at the upper end of the 30–50% range as defined by Geberit's stock exchange listing.

Distribution (CHF per share)*

	2008	2007	2006	2005	2004
Dividend	5.40	5.20	4.00	2.50	2.20
Total	5.40	5.20	4.00	2.50	2.20

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

Subject to the shareholders' approval, the dividend will be paid on May 6, 2009.

Share price development June 22, 1999 (IPO), until December 31, 2008



— Geberit Share
— Swiss Performance Index (SPI)

(Source: Bloomberg)
Based on the 1:10 stock split implemented on May 8, 2007

Time schedule

2009	
Interim report first quarter	April 29
General meeting	April 30
Dividend payment	May 6
Half-year results	August 11
Interim report third quarter	October 29

2010	
First information 2009	January 12
Media and analysts' conference	March 11
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 announcements. 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 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, 2008)

Registered shareholders	19,196
Capital stock (CHF)	4,300,385
Number of registered shares of CHF 0.10 each	43,003,852
Registered shares	28,230,589
Treasury stock:	
– Treasury shares	573,850
– Share buyback programs	3,471,090
Total treasury stock	4,044,940
Stock exchange	SWX Europe, London
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Reuters	GEBN.VX

Key figures (CHF per share)	2008	2007
Net income	11.90	11.67
Net cashflow	14.67	12.92
Equity	33.47	35.37
Distribution	5.40	5.20



Upper row from left to right:

Dr Robert Heberlein

Hartmut Reuter

Klaus Weisshaar

Lower row from left to right:

Hans Hess

Günter F. Kelm

Randolf Hanslin

Board of Directors

Günter F. Kelm (1940), Chairman
Hans Hess (1955), Vice Chairman
Randolf Hanslin (1942)
Dr Robert Heberlein (1941)
Hartmut Reuter (1957)
Klaus Weisshaar (1938)

The terms of office for Randolf Hanslin, Dr Robert Heberlein, Hans Hess and Klaus Weisshaar will expire at the General Meeting on April 30, 2009. Klaus Weisshaar is retiring from the Board of Directors after reaching the age limit specified in the articles of incorporation. Hans Hess is standing for a further two years, Randolf Hanslin and Dr Robert Heberlein for a further three years.

A proposal will be submitted to the General Meeting to elect Susanne Ruoff and Robert F. Spoerry to the Board of Directors.

The Board of Directors of Geberit AG consists of a maximum of seven members, each with a maximum term of office of three years; the age limit prescribed by the articles of incorporation is 70. Reelection is on an individual basis and is staggered.

Personnel Committee

Hans Hess (Chairman), Dr Robert Heberlein,
Günter F. Kelm

Audit Committee

Hartmut Reuter (Chairman), Randolf Hanslin,
Günter F. Kelm



From left to right:

Bernd Kuhlin

Dr Michael Reinhard

Albert M. Baehny

Roland Iff

Group Executive Board

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

Roland Iff (1961), Finance (CFO)

Bernd Kuhlin (1959), Sales

Dr Michael Reinhard (1956), Products

The Group Executive Board is responsible for operative 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 operative management structure of Geberit is divided into four divisions:

- CEO division
- Sales
- Products
- Finance

The assignment of distinct responsibilities minimizes the number of interfaces. A strong second management level supports the Group Executive Board. To meet the challenges of increasing internationalization, the highest operative management level of the Geberit Group will consist of five instead of the previous four members, effective January 1, 2009. Under the management of

CEO Albert M. Baehny, responsibility for sales will be split into the two new Group Divisions European Sales and International Sales. The Geberit Group is thereby aiming at ensuring even more consistent exploitation of growth potential. The Board of Directors of Geberit AG has appointed William J. Christensen as Head of the new Group Division International Sales, effective January 1, 2009.

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

Management Structure

January 1, 2009

Board of Directors

Chairman: Günter F. Kelm, **Vice Chairman:** Hans Hess

Chief Executive Officer

Albert M. Baehny

Communications

R. Sidler

Marketing

A. M. Baehny a. i.

Human Ressources

R. Held

Strategic Planning

Dr C. Buhl

Environment / Sustainability

R. Högger

Sales Europe

Bernd Kuhlin

Germany

Dr K. Spachmann

Italy

G. Castiglioni

Switzerland

Dr H. P. Tinner

Austria

C. Steinberg

Netherlands

M. Portengen

Belgium

P. Forier

Nordic countries

L. Risager

Industry

T. Sarrazin

Shower toilet

A. Mosbacher

Expansion Markets Europe

F. Reimann

France

V. Deflandre

Great Britain

M. Larden

Poland

A. Dobrut

Czech Republic

J. Hornicek

Hungary

T. Rubóczky

Adriatic region

M. Medved

Slovakia

V. Sedlacko

Spain

D. Mayolas

Portugal

J. Seabra

Sales International

William J. Christensen

North America

A. Nowak

Far East / Pacific

M. Schumacher

China

C. Kober

Singapore

E. Foo

Australia

C. Stauber

Middle East / Africa (GISA)

P. Waespi

Products

Dr Michael Reinhard

Quality

Dr M. Reinhard a. i.

Purchasing

A. 't Gilde

Logistics

G. Hailfinger

Technology / Innovation

Dr J. Keck

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

M. Heierli

Design and Application Engineering

E. Schibig

Production Sanitary Systems

H. Kirsch

Production Pfullendorf (DE)

R. Lernbecher

Production Lichtenstein (DE)

T. Schweikart / H. Müller

Production Weilheim (DE)

H. Kirsch

Production Ruše (SI)

M. Urbančič

Production Matrei (AT)

J. Rapp

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

C. Steiger

Production Plants USA

A. Nowak

Finance

Roland Iff

Controlling

W. Müller

Treasury

T. Wenger

Internal Audit

R. Iff a. i.

Information Technology

E. van den Berg

Legal Services

Dr A. Riebel

Service, Finance and Holding Companies

W. Frei / J. Haas



**“Namaste” ocean yacht,
Antalya, southern Turkey**



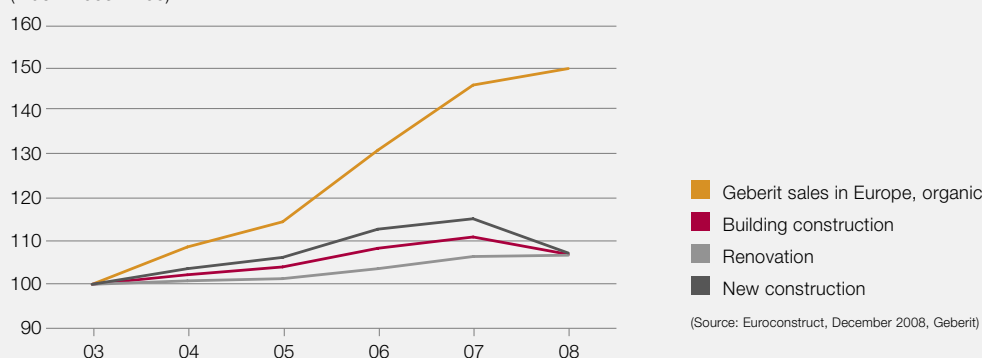
36°53'04" N / 30°42'09" E	
Average annual humidity	64 %
Average annual temperature	18.1 °C
Average daily precipitation	2.9 mm
Altitude above sea level	0 m

The Turkish super yacht “Namaste” was built by TSMY Yachting Ltd. Sti. in Antalya, Southern Turkey.

The privately owned yacht is 40 meters long, 8.6 meters wide and weighs 190,000 kg. With its twin engines putting out 2,400 horsepower, it can reach speeds of 25 knots. The bedroom and the four guest beds offer space for the two owners and their eight guests. Geberit supplied the dream yacht with piping systems and reliable sanitary technology for several bathrooms and toilets.

Building construction activities and Geberit sales in Europe 2003–2008

(Index: 2003 = 100)



Business and Financial Review

Despite increasingly difficult general conditions, the Geberit Group reported a convincing close to 2008. Sales for the Group, with their wide geographical spread, showed renewed growth on a comparative basis. The successful introduction of an array of new products, a consistent cost management and continued process optimization made possible outstanding results at the high level of previous years. Despite increased competition, Geberit was thus able to strengthen its position as leading sanitary technology manufacturer.

More difficult economic environment

The economic weakness in certain markets already experienced at the beginning of 2008 increased in the second half of the year throughout practically all of the world's regions. Only a few countries in Eastern Europe and Asia were able to escape this negative trend to at least a partial extent. In many places the construction industry was one of the most severely affected sectors.

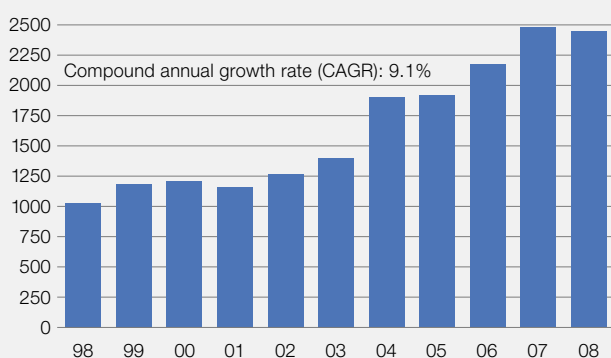
After slight growth in the prior year, the building industry in **Europe** recorded a marked decline for the first time in many years, according to estimates published by Euroconstruct in December 2008. The renovation market, where Geberit traditionally generates about 70% of its sales, had a stabilizing effect. New residential construction, by contrast, experienced a complete collapse

in many European markets. Geberit was nevertheless successful in achieving positive growth in this difficult environment. In doing so, the company has once again decidedly outperformed the industry environment.

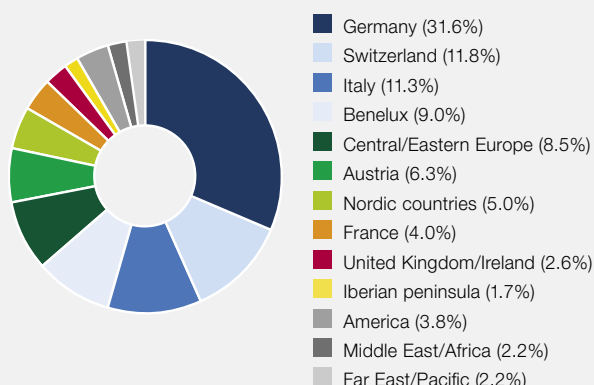
In the **USA**, the growth of gross domestic product (GDP) dropped to 1.3% from 2.0% for 2007. Construction investment fell by 3.6% in comparison with the prior year, to USD 1,054 billion. The construction industry showed a mixed picture. Whereas private residential construction reported an extremely negative development (-22.3%), commercial construction, the area of greatest relevance for Geberit, fell only slightly, by 0.8%.

Economic growth in **Asia** slackened, particularly in the fourth quarter. GDP grew by 6.3% in the year under review (excluding Japan). With GDP development of +9.2%, China was once again the driving force for regional growth. According to industry estimates, Chinese construction investments increased in the double-digit range, although momentum slowed towards the end of the year, as did the economy as a whole.

Group sales development 1998–2008
(in CHF million)



2008 sales by markets



Renewed growth on a comparative basis

The Geberit Group generated sales of CHF 2,455.1 million in 2008 (prior year CHF 2,486.8 million). This represents a decrease of 1.3% in Swiss Francs and an increase of 2.3% after currency adjustments. In organic terms, the decline amounted to 0.4% in Swiss Francs. Adjustment for disinvestment activities and in local currency resulted in growth of 3.2%.

The organic decline in sales of 0.4% was influenced by foreign currency effects. The 0.4% increase in sales volumes and the positive price effects of 2.8% were not sufficient to compensate entirely for the negative currency effect of 3.6%.

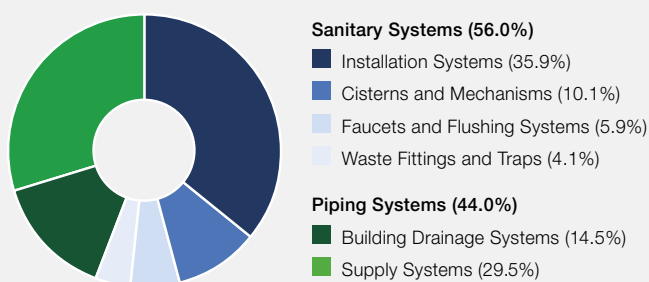
Despite the slight slowdown in sales growth in 2008, medium-term sales trend remain very pleasing. Over the last ten years, average total growth was 9.1%; for the last five years it was as much as 11.8%.

Wide geographical spread

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

Individual markets experienced very different developments over the course of the year. Sales in the European region increased by 2.6%. Growth was favorable in the United Kingdom/Ireland (+24.5%), Central/Eastern Europe (+12.9%), the Benelux countries (+9.9%), France (+8.5%), Austria (+6.6%) and the Nordic countries (+6.0%). Switzerland (+2.9%) also performed favorably. On the other hand, sales in the two major markets Germany (-2.5%) and Italy (-2.7%) declined. A decline of 9.3% was reported for the Iberian peninsula. Double-digit growth rates were maintained in the Far East/Pacific (+20.4%) and Middle East/Africa (+19.0%) regions. America ended the year on a positive note (+0.8%) despite a difficult environment. With this wide geographical base, the Geberit Group has laid the foundation for long-term successful growth in the future.

2008 sales by product areas and product lines



Above-average growth in sanitary systems

Sales for the **Sanitary Systems** product area increased by 0.6% to CHF 1,375.0 million. The increase was as much as 4.0% in local currency. The contribution of Sanitary Systems to total sales increased to 56.0%, as compared to 55.0% for 2007.

Installation Systems, with a 35.9% share of total sales the most important product line, also posted the greatest amount of growth among all of the different lines, with +4.9% in local currency. Drywall elements and actuator plates achieved outstanding growth. The launching of an array of new products on the market had a positive effect in the year under review. The **Cisterns and Mechanisms** product line grew by 3.4%. The contribution to total sales increased slightly, to 10.1%. The main factor responsible for this was the very satisfactory development in shower toilets resulting from the increasing internationalization of business activities. Sales of filling valves and flushing valves also showed a slight increase. On the other hand, the continuing shift from exposed to concealed solutions (part of the Installation Systems product line) had a sales-reducing influence. The **Faucets and Flushing Systems** product line, with a contribution to Group sales of 5.9%, grew by 3.9%. This product line suffered the most markedly from the crisis in the US construction market. Extremely positive, on the other hand, was the effect felt by sales developments with urinal flush controls. At -1.9%, **Waste Fittings and Traps** were the only sanitary systems prod-

uct line that experienced a decline. The contribution to total sales fell slightly, to 4.1%. These products suffered primarily from the above-mentioned weakness in the US construction sector.

The **Piping Systems** product area recorded a decline in sales of 3.5%, to CHF 1,080.1 million. In local currencies and adjusted for the effects of the sale of PVC activities in the UK in mid-2007, this resulted however in an increase in sales of 2.3%. The contribution to total sales sank from 45.0% in 2007 to 44.0%.

The **Building Drainage Systems** product line recorded an increase of 2.8% in local currencies and adjusted by the sale of the PVC business. The contribution to total sales was 14.5%. As in the prior year, growth was distributed widely across the entire product range. The **Supply Systems** product line failed to achieve the prior year's above-average growth. It was however able to increase by 2.1% in local currencies and achieved a contribution to total sales of 29.5%.

Markedly negative foreign currency influences

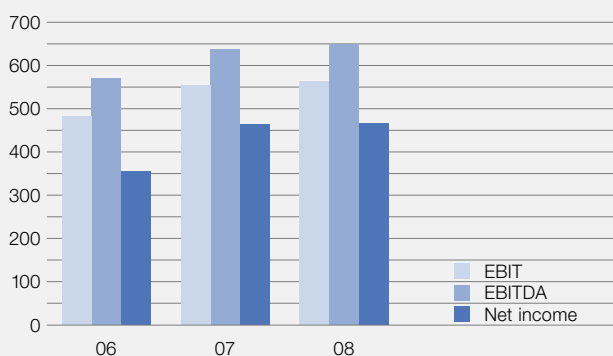
The Swiss Franc proved itself to be very strong in comparison with all of the Group's other main currencies during the year under review. Considerable currency losses resulted from the Euro, from the regions in which invoicing is in US-Dollars and from the British Pound. Positive foreign currency effects resulted from business activities in the Polish Zloty. Accumulated currency effects narrowed sales by 3.6%.

In 2008, Geberit generated 69% of its sales in the Euro zone. 5% of all sales were invoiced 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 225 million, thereof approximately CHF 45 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. The year 2007 was therefore adjusted by this amount to present the organic sales development.

EBIT, EBITDA, Net income 2006–2008
(in CHF million)



Profitability at record levels

In 2008, the Geberit Group was once again able to exceed excellent prior year results and to achieve new record profitability levels. Responsibility for this achievement can be credited to product mix effects, consequent cost management and a slight decline in raw material prices, coupled with sales levels slightly below those of the prior year. This increase in earnings occurred even though 2007 was positively influenced by an extraordinary effect.

The operating cashflow (EBITDA) rose by 1.8% against the prior year to CHF 649.1 million. The EBITDA margin was 26.4% (2007: 25.7%), thus achieving a new record value. Over the last ten years, the average EBITDA growth of 9.8% markedly exceeded the corresponding rise in sales of 9.1%. Operating profit (EBIT) grew by 1.7% to CHF 563.4 million. The EBIT margin was 22.9% (2007: 22.3%).

Net income rose by 0.6% to CHF 466.3 million. The return on sales thus amounted to 19.0% (2007: 18.6%). Earnings per share of CHF 11.90 were generated (+2.0% against 2007).

Operating expenses under control

Customer bonuses and cash discounts fell by 1.6% to CHF 276.1 million as a result of slowed sales growth. At 11.2% in contrast to 11.3% for the prior year, the share of total sales declined slightly for the first time in many years.

Total operating expenses in 2008 were CHF 1,615.6 million (2007: CHF 1,652.5 million), 2.2% less than in the prior year. As a percentage of sales, operating expenses declined once again slightly, from 66.5% in 2007 to 65.8%. This decrease was mainly due to considerably lower costs of materials, pronounced cost awareness throughout the Group and further optimized processes. In contrast to 2007, all expenditure items profited from extremely positive foreign currency effects. Also to be taken into account for the comparison with the prior year are the expenses included in the 2007 accounts for the UK business that was sold. The cost of materials was reduced by 5.7%, to CHF 738.5 million; at 30.1% of sales, this figure was considerably lower than the 2007 level of 31.5%. The year was also characterized by the volatile and unpredictable development of raw material prices for both metals and plastics. The prices for many materials fell substantially in the second half of the year, although they continued to remain at a historically high level. This positive effect of this decrease will however be reflected in the income statement for the first half of 2009. Personnel expenses fell by 1.5% to CHF 460.2 million, which corresponds to 18.7% of sales (2007:

18.8%). Depreciation was characterized by increased investment activities. They rose by 4.5% to CHF 78.5 million. The amortization of intangible assets fell from CHF 9.0 million to CHF 7.2 million. Other operating expenses increased by 4.1% to CHF 331.2 million. The main reasons for this were intensified marketing activities following important product introductions in the year under review and preparation work for the launching of new products in 2009. Furthermore, this item also includes extraordinary income from the sale of property amounting to CHF 5.4 million.

Net income reaches new record high

In the year under review, Geberit generated net income of CHF 466.3 million (2007: CHF 463.3 million). This represents an increase of 0.6%.

The financial result showed a marked improvement over the prior year. Following a fall of CHF 11.4 million in 2007, a positive financial result of CHF 5.4 million was recorded for 2008. The reasons for this development were substantial foreign currency gains and reduced interest expense with simultaneously higher income from investments.

Tax expenses were reduced considerably from CHF 127.9 million to CHF 102.5 million due to changed tax conditions in Germany and at the Headquarters in Switzerland. The tax rate fell from 23.6% to 18.0%.

When making the comparison with the prior year, account must also be taken of the fact that the net income for 2007 includes a book profit of CHF 48.8 million (after tax) from the sale of the UK PVC piping business effective July 1, 2007.

Cashflow increased once again

The net cashflow for 2008 of CHF 574.9 million exceeded the prior year figure by 12.1%, thanks to higher operating cashflow (EBITDA), the improved financial result and lower taxes. Based on this increase and on the positive effects arising from net working capital and despite investments in property, plant and equipment that were markedly greater than even those made during 2007, free cashflow was able to be increased by another 12.5% compared to the already impressive prior year, to CHF 407.9 million. The free cashflow was used to make distributions to shareholders of CHF 206.9 million and to repurchase shares in the amount of CHF 311.4 million.

Financial base further strengthened

Thanks to the greater free cashflow, the Geberit Group further strengthened its balance sheet structure as of the end of the year under review. Debt was reduced by CHF 121.6 million to CHF 152.3 million. The reduction is to be explained mainly by the exercise of conversion rights in connection with the convertible bond. The liquidity situation is very comfortable. In addition to liquid funds and marketable securities of CHF 302.6 million, the Group had access to undrawn operating credit facilities of CHF 450.4 million. At the end of 2008, the Group showed a positive net cash level of CHF 150.3 million (prior year CHF 176.2 million).

Debt (in CHF million)

	12/08	12/07	12/06
Long-term debt	112.1	271.0	308.4
Total debt	152.3	273.9	323.1
Liquid funds and marketable securities	302.6	450.1	182.4
Net debt	-150.3	-176.2	140.7

The equity ratio achieved a solid 63.9% at the end of the year (prior year 61.1%). In terms of average equity, the return on equity for the year under review was 34.9%. Because of the higher annual average equity, this figure was slightly less than the 37.5% level of the prior year. As a result of the net cash level mentioned, gearing (net debt/equity) was -11.5% (2007: -12.5%).

As of December 31, 2008, the Geberit Group held 4,044,940 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 taken concerning the utilization of the repurchased shares. 2,080,090 originated from the share buyback program which was completed in September 2008. Geberit AG plans to propose at the General Meeting of 2009 a capital reduction in the scope of the shares repurchased under this program in 2008 and to cancel the shares. The remaining number of treasury shares of approximately 574,000 is mainly earmarked for share participation plans.

Total assets fell from CHF 2,298.3 million at the end of the prior year to CHF 2,054.1 million at the end of 2008. Foreign currency effects resulting from the strong Swiss Franc contributed to this change to a considerable extent. Net working capital declined by CHF 12.2 million to CHF 156.5 million. Goodwill and intangible assets fell to CHF 756.2 million (prior year CHF 828.8 million), property, plant and equipment increased from CHF 529.3 million in the prior year to CHF 555.5 million.

Invested operating capital comprising net working capital, property, plant and equipment as well as goodwill and intangible assets amounted to CHF 1,468.2 million (2007: CHF 1,526.8 million). The return on operating assets, expressed as the ratio of operating profit before amortization (EBITA) to average invested operating capital, rose from 35.2% to 36.2%.

Substantially higher investments

In 2008, investments in property, plant and equipment and intangible assets amounted to CHF 152.5 million, a rise of CHF 49.0 million or 47.3% more than in 2007. As a percentage of sales, the investment ratio in the year under review was 6.2%.

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

	2008	2007	2006	2005	2004
	152.5	103.5	81.3	79.5	87.8
In % of sales	6.2	4.2	3.7	4.1	4.6

In 2008, the bulk of investments – around 68% or CHF 104.4 million – was required for expanding infrastructure. CHF 22.2 million was used for the procurement of tools and equipment for newly developed products. 17% of total investments was used for the ongoing renewal of property, plant and equipment, 15% resulting from rationalization investments.

Considerable amounts were used for the expansion of the logistics center in Pullendorf (DE), for a new building for the Mepla production site in Givisiez (CH), for the procurement of tools and molds for new products, primarily in the piping systems area as well as for various efficiency-enhancing projects at a number of production sites. In addition, new construction of the Asia Headquarters in Shanghai (CN) was begun in the fourth quarter of 2008. The project includes a modern production and logistics infrastructure, new office space, a training center and a development and testing laboratory.

Sustainable foundations for growth

Sustainability broadly anchored

For years, Geberit has been a leading example of the fact that economic growth can be combined with environmentally friendly and social policies and that this balance simultaneously represents the basis for long-term successful business activities. Attention was increasingly centered on the subject of sustainability in the industry during the year under review. A global trend exists towards sustainable construction ("Green Buildings"), which creates new challenges for contractors, planners and sanitary specialists. Thanks to its proactive development efforts, Geberit is already in a position to offer a range of water-saving, low-noise and durable products as concrete solutions. The company is facing the challenges of the future, in particular the customers' need for support when planning sanitary solutions which meet sustainable construction standards. Geberit is working intensively to extend its leading know-how further in these areas.

In October 2008, Geberit officially joined the UN Global Compact of the United Nations, a joint initiative between companies from around the world, UN agencies and groups representing labor interests and civil society. The UN Global Compact is intended to promote the social commitment of business companies. It is structured around ten principles relating to the areas of human rights, labor practices, environmental protection and combating corruption. As the sustainability leader for

the industry and as a company which has long committed itself to a fair and respectful treatment of human beings, society and the environment, membership was thus a logical step for Geberit to take. Participation in the UN Global Compact merges seamlessly with the sustainability strategy as underlined in 2007 in the most recent Sustainability Report. For its reporting, Geberit implements the guidelines of the Global Reporting Initiative (GRI) at application level A. The GRI report is released simultaneously with the publication of the Annual Report in the Internet. Comments are included on current data for 2008 for all GRI performance indicators. The report also contains the first regular progress report (Communication on Progress, COP), annual reporting as prescribed by the UN Global Compact. This enables Geberit to present its performance record in terms of sustainability in a comprehensive and transparent manner. The formal anchoring of the subject of sustainability is reinforced by the Geberit Code of Conduct and the Code of Conduct for suppliers. Both were introduced in 2007 and implemented widely during the year under review through training, sensitization and agreements with suppliers. In addition, a comprehensive system for the control and management of all of the risks linked to business 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.

Geberit is well-positioned in the ever more important segment of Sustainability Indices and funds. At the end of 2008, just under 10% of the Geberit shares were held by sustainability-oriented investors. The Geberit share is a component of the Dow Jones Sustainability Index (DJSI STOXX) for many years and on FTSE4Good Index (Europe/Global) since 2007. On the basis of its strategy and its performance record, Geberit wishes to continue to grow and play a significant role in the investment segments of "Sustainability" and "Water".

Efficient research and development for long-term success

The "commitment to innovation" is an important pillar of the Geberit strategy. This innovation strength, which is above-average in the context of the industry, helps 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 46.0 million or 1.9% of its sales in the future of its products. In comparison with prior year figures, expenditures decreased by 4.4%, although they remained at a high level. Significant advance efforts were made towards the introductions of new products in the piping systems sector scheduled for 2009. In addition, investments were made in the further development of the shower toilet product range. 19 patents were filed in the past year; in the last five years the figure was just under 90.

R&D expenditure (in CHF million)

	2008	2007	2006	2005	2004
	46.0	48.1	44.3	43.5	43.4
In % of sales	1.9	1.9	2.0	2.3	2.3

All new product developments at Geberit undergo a structured innovation and development process. This process ensures that the creative potential of ideas is used to the optimum and that the development activities focus on the needs of the market. In order to support its internationalization efforts, the company maintains R&D competence centers of its own in China and the USA. The focus of all new product developments is on the customer benefit and the systems 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.

Technologies are increasingly being utilized in development which considerably reduce both the development times and costs of new products. The speedy availability of models and sample parts is thus particularly important. The prototype construction department uses a "Rapid Prototyping" process on the basis of computer-aided design (CAD) for this purpose. This permits prototypes to be generated in just a few hours and thus makes it possible to test and optimize various versions within a short time. For example, this way the design decision and the selection of the manufacturing process for the new generation of actuator plates were able to be pushed up by several weeks.

The year under review was notable mainly for the market introduction of products in the sanitary systems area. The most important launch was a toilet installation system

with a concealed cistern capable of installation completely without tools and, in the same context, a series of new actuator plates in a high-quality design capable to a certain extent of individual adaptation by the end user. The innovative bathtub drain assembly PushControl, which was awarded prizes for its outstanding design, combines various new-style product attributes with advantages for both the plumber and the user. The newly introduced products were rounded off by attractively shaped shower channels as well as by a comprehensive expansion of the range of piping systems for heating installations.

A series of new products will be launched in 2009, predominantly in the piping systems area. The new plug-in system for drinking water and heating distributions offers the plumber everything he needs for simple, rapid and at the same time secure installation. Even more economical work sequences and visible safety will be made available to the craftsman thanks to the new generation of metal pressfittings. Beginning in 2009, an acoustically optimized polypropylene plug-in connection system compatible with the existing Geberit systems will be offered in the area of waste water disposal. The expansion of the shower toilets range is increasingly oriented to end customers as the target group. Geberit is offering a complete shower toilet product range under the new name of "Geberit AquaClean" – from an adaptable seat to a complete system, as a solution that is either exposed or concealed. Beginning in 2010, a new law will go into effect in California which limits the permissible lead content in faucets. In response to this, the company's US subsidiary

Chicago Faucets is the first major manufacturer of commercial faucets in North America to bring a product line with lead-free faucets to the market. This will mean that in the USA, too, Geberit will be living up to its reputation as not only the leading company with respect to technology, but also in terms of sustainability. The new introductions will be rounded off by a comprehensive urinal product line with newly developed cover and actuator plates, controls, valves and urinal installation elements and by a markedly optimized fire protection sleeve for all of the Geberit waste water system.

Optimum 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 2008, around 30,000 customers were provided with education and further training in Geberit systems and software tools in the 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 40,000 customers came into contact with Geberit know-how and products during the past year. In addition to this, the introduction of a series of important products during the year under review offered an opportunity for updating customer contacts. Market Germany, for example, carried out a Geberit Cistern Tour during two weeks in the spring of 2008. Over 900 events and around 38,000 customer discussions were held on this occasion. Working in two-person teams, 200 Geberit employees explained the various newly launched products to interested parties. The responses showed that the company was once again successful in convincing wholesalers and plumbers of the product quality and competency of Geberit. As a gratifying side effect of the measure, the company also

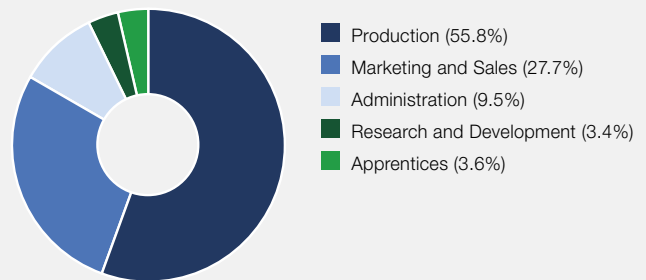
succeeded in mobilizing various Geberit office staff employees for the sales effort and to strengthen teamwork in the sales teams.

In addition, the numerous trade fairs attended by Geberit in 2008 served as a platform for maintaining customer contacts and communicating innovation strength. The most important of these were “Batibouw” in Brussels (BE), “Mostra Convegno” in Milan (IT), “MosBuild” in Moscow (RU), “VSK” in Utrecht (NL), “Wohnen & Interieur” in Vienna (AT), “SHK” in Essen (DE) and the “Kitchen & Bath Industry Show” in Chicago (USA).

The activities of the Group focus on market and customer orientation as the central factor for success. The positive responses from the markets in the last year confirm that the effort for implementing the requirements and expectations of the customers in concrete product-market strategies was pursued successfully. The major introductions of new products in the year under review once again offered an opportunity for further optimization of interdepartmental cooperation between the central departments and the local sales companies. Joint market cultivation campaigns have led to a clear enhancement of marketing efficiency. This takes account of the internationalization of business and of the need to exploit synergies.

Geberit measures customer satisfaction in accordance with the needs of the regional markets. In the past year, for example, a customer survey was carried out among wholesalers, planners and craftsmen in the US market in order to determine developments since the most recent larger study in 2007. Generally speaking, all of the customer satisfaction indicators show positive development. The success of the implemented measures is already apparent. Additional potential for improvement exists above all with respect to product availability and the implementation of customer requirements in new products or product features. Those surveyed declared themselves to be less satisfied with the service quality of the so-called representative offices – the sales channels for part of the product range in the US – than they had been in the previous study. Significant progress was made in terms of brand recognition, particularly also in comparison with the competition. The results of the current study have confirmed the correctness of the path taken up by Geberit’s US subsidiary. The importance of the remedial measures introduced at the time were corroborated.

Employees 2008 by business processes
(as of December 31)



Geberit as attractive employer

Geberit has a long tradition as an excellent company and product brand, although less widely recognized is its positioning as an employer brand. This brand dimension is however also very important in a market which is becoming ever more competitive in the search for the right employees for Geberit on the one hand and for retaining them on the other. A concept was therefore formulated during the year under review for addressing the question of how the excellent prerequisites of the sustainable and innovative corporate culture can be better used for positioning the company as a trustworthy and attractive employer. Individual interviews with 60 employees in various positions and ranging from newcomers to employees with many years of service identified success factors and areas requiring action for the structuring of the Geberit employer brand. The measures that were formulated will be implemented in 2009 and the image in this area will be professionalized further.

Competent and motivated employees

As of the end of 2008, the Geberit Group had a total of 5,697 employees worldwide, 353 people or 6.6% more than in 2007. An increase in directly productive personnel at various plants was responsible for the rise on the one hand, primarily in China and Slovenia. On the other hand, the market presence in smaller Geberit markets – e.g. in South Africa or in the Adriatic region – and in countries without representation of their own was built up. Based on the average number of employees of 5,684, sales per employee amounted to TCHF 431.9, or 6.9% less than in the previous year.

Employees by countries
(as of December 31)

	2008	Share in %	2007	Share in %
Germany	2,232	39	2,054	38
Switzerland	1,034	18	1,066	20
China	722	13	633	12
Austria	456	8	456	9
USA	267	5	253	5
Slovenia	240	4	200	4
Italy	105	2	100	2
United Kingdom	77	1	69	1
Others	564	10	513	9
Total	5,697	100	5,344	100

In the breakdown of employees by business process, the main increase was in production, from 54.8% to 55.8%, which was offset primarily by administration employees (down from 10.2% to 9.5%). Although the absolute figures increased slightly, the percentages for marketing and

sales (from 27.8% to 27.7%) and for research and development (from 3.6% to 3.4%) declined somewhat. The percentage of apprentices remained at the level of the previous year (3.6%).

Geberit promotes attractive working conditions. Equality of opportunity and equal pay for men and women are a matter of course. The proportion of women among permanent employees at the end of 2008 was 28% (prior year 31%); in upper management it was 6% (prior year 6%). The entire workforce has the opportunity of taking part in share participation plans at attractive conditions (see also Consolidated Financial Statements of the Geberit Group, Note 18 [participation plans]). Great emphasis is placed on health and safety at the workplace. In 2008, the absenteeism rate was again very low at 2.5% (prior year 2.4%), with only 0.1% the result of work accidents (prior year 0.1%) and the remaining 2.4% (prior year 2.3%) caused by illness. Geberit reached a milestone in this area in China in 2008 when both sites there – as the Group's very first sites anywhere – were certified with respect to work safety and health protection in accordance with OHSAS 18001.

After the Geberit Code of Conduct was launched in 2007 in 14 different languages, Geberit found new ways of communicating its content to the employees in 2008. In order to ensure that it could be understood and practiced in everyday working life by every employee, four short animatics have been available on DVD since July 2008 which address the topics of sexual harassment,

workplace bullying, bribery and IT misuse. The films encourage the employees to confront their own behavior and highlight behavioral patterns in gray areas. The short films manage without resorting to the spoken word and can thus be used without difficulty in other countries as part of standardized introduction programs or internal training courses. By the end of 2008, superiors and their employees had viewed the films and held discussions together throughout the Group. A feedback sheet provided the superiors with the opportunity of informing the Group responsables of the results of the training, along with both positive and critical responses. The implementation of the Code of Conduct will be checked by a personnel and social reporting system which was systematically expanded in 2008. The results for 2008 will as well be incorporated into the GRI Report.

The commitment and competence of the employees are decisive for Geberit's success. After a comprehensive dialog was held in 2007 with all of the employees in connection with the "Living Geberit" workshops, in 2008, the emphasis was on evaluating the results and implementing measures at local level. In addition to the positive feedback concerning the process itself, and a multitude of valuable encounters and experiences, one major realization was that the numerous innovations were not being communicated to the employees with sufficient effectiveness. To correct this, one of several immediate measures taken was the development of a film which used three concrete examples to demonstrate how

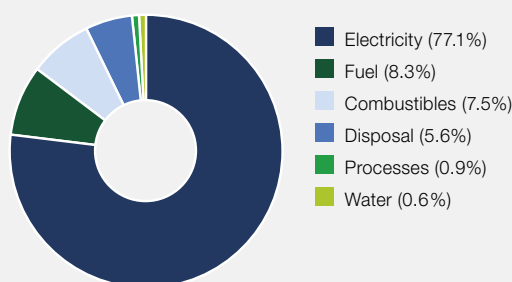
work on new products, production processes or research methods is being done every day at Geberit. Also planned for 2009 is the next systematic employee survey, which is carried out regularly at longer intervals.

Training and further education is a topic of central importance for Geberit. In 2008, employees attended internal and external training and further education events for around 19 hours on average (prior year 15 hours). In addition to general professional further education at various levels, emphasis is also placed on individually targeted programs for promoting employee advancement. The "Potentials Management" program was expanded in the year under review. It pursues the goal of increasing in-house promotions to management positions in the future. The main objective is to prepare the participants for the next career moves. This program provides an ideal complement to external recruiting.

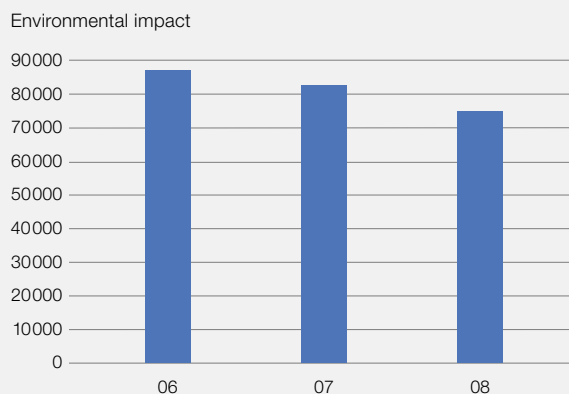
The Human Resources Marketing concept that was first developed in 2007 was implemented in the year under review. Already, around 2% of all Geberit employees have participated in "Job Flash" and thus gained insights into other areas of the company. Thanks to the excellent feedback received, the program will be expanded further. Its intention is to contribute to an increase of mutual understanding between different areas. In addition, 2008 also saw the relaunching of the "Welcome to Geberit" program. In addition to their job familiarization activities, all new employees go through an introductory program tailored to their function during

their first three months on the job. This is intended to provide them with wide-ranging insights into the workings of the Geberit Group. At the same time, the newcomers receive the support of a mentor for three to six months to enable them to settle in comfortably at Geberit. Emphasis is also on a positive general environment for the further education of the apprentices (203 in all, prior year 190). These young people can contribute, for example, to Geberit's social commitment and enhance not only their professional but also their social competence while doing so (see in this connection the Ecuador project on pages 45-47).

Distribution environmental impact 2008



Development absolute environmental impact 2006–2008



Environmentally friendly products and production

As part of its corporate strategy, Geberit has long emphasized environmentally friendly products and energy-efficient and resource-efficient production. The continuous improvement of its environmental performance is an important goal in this connection, both in product development and with respect to internal environmental management, which is implemented in monitored processes. Information concerning more than 30 GRI indicators was included in the GRI Report for the year under review. The greatest leverage effect was achieved through the development of water-saving, low-noise and durable products. The economical use of water is a topic of central interest, particularly in Australia and in Asian markets such as China and Singapore. Water-saving Geberit products can make a daily contribution here to solving these problems. As of 2008, the entire dual flush and flush-stop “fleet of cisterns” from Geberit – produced since 1998 and still in operation today – succeeded in saving over 7,400 million cubic meters of water compared with traditional flushing systems. That is twice as much as all of the households in Germany use in a year.

The basis for such products is a systematic innovation process in which the environmental potential is analyzed at an early stage in the development process as part of Ecodesign workshops and optimized accordingly. Product life cycle assessments provide detailed principles for identifying effective levers in the new and further development of individual products. Ultimately, this active approach also pays off in making it possible to comply

in advance with increased statutory requirements. Thus, for example Geberit products made by Chicago Faucets in the US market are already optimally tailored to the strict limit values in California for lead content in piping systems and water faucets that will go into effect in 2010.

New goals for production are continually being set and monitored by internal environmental management as part of the corporate eco-balance. As of 2008, in addition to all production sites, now larger-sized sales companies are also being included in the analysis, which is why the comparison values for the previous year had to be adjusted. Group-wide, the absolute environmental impact decreased in 2008 by 8.2% (prior year: reduction 4.6%). In comparison: At the same time, sales after currency adjustments throughout the Group rose by 2.3%. Despite a lower absolute value of 107.3 GWh (prior year 112.4 GWh) resulting from various energy saving measures, electricity consumption still accounts for the greatest environmental impact. Consumption of fuels at 17.9 GWh (prior year 17.1 GWh) and consumption of combustibles at 44.9 GWh (prior year 44.3 GWh) increased slightly by contrast, thus resulting in the most significant environmental impact after electricity consumption. Waste disposal at a level of 11,600 metric tons (prior year 10,983 metric tons) was the fourth largest environmental impact of the year under review, for which 83.3% (prior year 79.7%) flowed into external recycling processes. Improvement measures in all of these areas support the central strategy of reducing greenhouse gases.

In 2008, 6 GWh or approximately 5% of electricity consumption was replaced as planned for the first time by certified “green electricity” of “naturemade basic” and “naturemade star” quality. This contributed to the reduction of absolute greenhouse gas emissions amounting to the equivalent of 77,548 metric tons of CO₂ (prior year 82,718 metric tons). In view of the goal of reducing relative greenhouse gas emissions by 15% by 2009 in comparison with the base year of 2006, this means that Geberit is well on course. Internal water consumption was further reduced by a considerable amount. The total was 138,843 cubic meters (prior year 155,115 cubic meters). Water consumption per value added unit sank by 12.0%. Reductions in environmental impact require above all proactive planning, as for example by means of the optimization of energy efficiency that was applied in the planning stages of the new building in Shanghai (CN).

The environmental certification of the production sites continued to be pursued as planned. The three sites in the US and both sites in China were certified for the first time in accordance with ISO 14001. This means that the significant milestone has been achieved, according to which all of the sites worldwide have received uniform environmental certification. This is an important basis for further improvements and for Group-wide learning processes for the handling of resources and risks. The training is not limited to individual representatives at the respective sites.

Geberit supports the sensitization of all employees for the promotion of environmentally friendly behavior. It was for this reason that the CO₂ Monitor was launched at the end of 2008, a climate project which calls upon the employees to practice voluntary climate protection in their everyday lives. With the aid of an easy-to-operate Internet platform, CO₂ emissions and the results of concrete measures can be calculated. Employees in Germany, Austria and Switzerland were introduced to the problems involved during road shows. Over 350 employees are already actively participating in the platform.

High standards for Geberit and its suppliers

Entirely in accord with the UN Global Compact, Geberit applies high criteria in its ethical standards. The Code of Conduct provides a guideline for conduct with integrity in the social environment. As an active member of the international organization Transparency, Geberit is committed to the high standards of combating corruption and checks these regularly. Guidelines against corruption are the subject of extensive, multimedia-supported internal training. The company is committed to fair competition throughout the world. Price agreements, other forms of cartels or other competition-distorting activities are rejected. Geberit incurred no significant fines in 2008 resulting from violations of legal requirements. The commitment to the high standards with respect to environmental protection, working conditions and fair business practices is also expected from the suppliers. The Code of Conduct developed for suppliers was signed for the first time in December 2007. 191 suppliers had signed it by the end of 2008, among them 40 of the European Top 50 suppliers and 12 Asian suppliers. This means that approximately 60% of the procurement value of the Geberit Group is provided by suppliers who have signed the Code of Conduct. The long-term goal is to work exclusively with suppliers who have signed the Code. Centralized audit planning is part of additional monitoring systems. The supplier and materials portfolio will be divided up into risk categories on the basis of risk analyses and periodically checked. New suppliers undergo a multistage inspection process before a contract is concluded.

Social commitment with a focus

With its vision, Geberit wishes to improve quality of life through its products. This principle is therefore also central to the company's social commitment. In doing so, Geberit orients itself to the UN Millennium goal of global access to clean drinking water and basic sanitary facilities as an important guideline. With "Respecting Water", a platform it launched in 2008 (presented on the Internet portal www.respectingwater.com), the company has created a framework for social aid projects around the globe. Several projects are planned for the next few years, particularly for the support of people in developing countries. In addition to the aid projects which have since been completed in Cambodia and Indonesia, the company also focused on an aid project in Ecuador involving a state school with around 1,000 students as part of the United Nations "International Year of Sanitation" (see also pages 45-47). The goal was to secure access to clean water in as pragmatic manner as possible and to make possible the establishment of sanitary facilities. The company did not simply make money and materials available. Geberit employees planned, managed and coordinated the project on site. They were supported by Geberit apprentices.

Through its support of the Pangaea project led by the adventurer Mike Horn (see pages 39-44), Geberit is also setting up a connection between the various aid projects and taking up new paths for the imparting of knowledge to young people.

In the year under review, Geberit made donations and contributions totaling CHF 2.6 million (prior year CHF 2.0 million). All donations and related commitments were neutral from a party political point of view. Geberit made no donations to parties or politicians and did not involve itself in political lobbying.

Sale of the PVC piping business in the UK in 2007

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) in 2007. This business accounted for sales of CHF 23.1 million in the first half of 2007.

Furthermore, the Büchler Werkzeugbau AG subsidiary was sold to a member of the Büchler management. The de-consolidation took place at the end of August 2008. Büchler reported a high single millions sales figure for 2007, largely to customers outside the Geberit Group. The disposal had no material impact on the financial statements of the Group.

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 among other things in 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. Generally speaking, future investments will increasingly be made in the form of long-term-oriented measures to improve the organic growth of individual markets/regions or products. Basically, 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 be able to embrace the anticipated growth, substantially higher amounts are currently being invested in property, plant and equipment. Following investments totaling CHF 152.5 million in the year under review, an amount of around CHF 130 million is again budgeted for 2009 for the expansion of production and logistics capacities and for the introduction of new products.

Clear strategy

The Geberit vision is to achieve a sustained 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 the 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 competencies 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, 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 2009

The global economic crisis and the related lack of visibility for the near future make forecasts for 2009 very difficult. Nonetheless, overall economic trends can be recognized. The decline in the building construction industry will continue. Construction volumes will regress significantly in most of the geographical markets that are important to Geberit; no recovery can be realistically expected before 2011. New housing construction will be the most severely affected by the crisis, but the remaining sectors – including the renovation business – will however also not be able to fully escape the downward trend.

Regionally speaking, a significant contraction is expected in Europe for 2009, according to industry forecasts, particularly in residential construction, but also to a lesser extent in commercial construction. The reasons for this lie with the surplus of new apartments in some markets, with the increasing difficulties private individuals will face in obtaining financing commitments from the banks, and with the general hesitation of potential buyers in anticipation of additionally falling prices. The countries most affected by the crisis will be Spain, the United Kingdom and Ireland and, to a lesser extent, Italy, the Nordic countries, France and the Netherlands. National stimulus programs could provide a certain amount of relief on the construction markets, but Geberit's sales will not yet be able to profit from these in 2009 due to their delayed effect.

In North America, the crisis has spread from private residential construction to commercial building activities. From today's point of view, the market least affected by this slump appears to be the one for the renovation of schools and hospitals, which is where Geberit achieves around 70% of its US sales.

In the Region Far East/Pacific, geographically broad-based, continued growth is expected for the construction sector, although with markedly lower growth rates than was the case in previous years. The Chinese government has already enacted a comprehensive program for stimulating the economy as a whole and the construction industry in particular.

In the Middle East Region, a substantial slump in construction activity is expected in Dubai which will to some extent be compensated for by growth in Abu Dhabi and Qatar.

Raw materials prices have undergone very volatile developments in the past years, with the trend being generally upward. A recovery started in the second half of 2008. We anticipate continued volatile price movements in the coming year. At the same time, the high vulnerability to overall economic developments makes reliable forecasts regarding raw material price developments very difficult.

From today's point of view, we do not consider it appropriate to issue quantitative prognoses for Geberit in 2009. Even in this demanding environment, Management is convinced that the Geberit Group has a good position for the coming challenges and that it will emerge strengthened from this difficult global economic phase. With our experienced and highly motivated managers and employees, a series of promising new products for 2009 and other product ideas for the later future, our effective, efficient and market-oriented organization and the established, faithful cooperation we have with our market partners in both commerce and trade, as well as our very sound financial base, we look to the future with confidence.

A photograph of a sailboat on the ocean during sunset. The sailboat's white hull is visible on the left, featuring the 'GEBERIT' logo in blue and black. The boat's rigging and masts are silhouetted against the sky. The sea is dark blue, and the horizon is a bright orange line where the sun is setting. The sky is a mix of blue and orange hues with some clouds.

Geberit and Pangaea

Partnership for social and sustainable
engagement

Geberit and Pangaea

Pangaea and Mike Horn – that means much more to Geberit than a simple sponsorship. It is a part of the commitment to sustainability. In addition to social-aid projects around the world in the area of basic sanitary services and hygiene, valuable educational and training work on the subject of water will also be contributed as part of the efforts.



The adventurer Mike Horn

Born 1966 in Johannesburg/South Africa, today resident in Switzerland.

Since 1991 different expeditions.

Examples:

- Amazon Expedition, unmotorized traverse of the South American continent
- Latitude Zero, the circumvolution of the world around the equator

2001: Laureus World Alternative Sportsman of the Year Award



The world as the greatest challenge of all

Researcher Mike Horn is practically a living legend in the field of extreme sports. He has attracted the attention of the entire world as an adventurer with his grand, spectacular expeditions. But his primary motivation has not been simply the excitement of it all, not even at the start of his career 16 years ago: instead he has carried out his projects in the conviction and the belief that he could make a difference in our world. He sees tomorrow's future in the young people of today and that is the reason he wishes to support them.

The Pangaea Expedition

Mike Horn is on a four-year expedition around the world by the name of Pangaea, which will take him to both the North Pole and the South Pole

and to all seven continents. He will be making multiple stops during his journey and wants to pass along his knowledge to young adults at the different locations through a variety of projects. Therefore the boat Pangaea accompanies him as expedition platform.

Geberit is helping Mike Horn with his enterprise and accompanying him on his trip. Over the next four years, several social-aid projects involving our core business of sanitary technology will be implemented along the Pangaea route – wherever possible, own apprentices will be actively helping, too. Mike Horn is also inviting young people from all over the world to accompany him for part of his journey and to carry out a variety of projects under the banner of “explore – learn – act”.



Mike Horn showing young adults the beauty of the Antarctic.





International roadshows

Geberit has held events for clients and media representatives in various European cities as well as New York leading up to the actual Pangaea expedition. On the occasion of these encounters on the expedition ship Pangaea, the guests met Mike Horn and learned more about the project.



A journalist from Hamburg talking with Mike Horn.



The guests of Geberit Spain and Mike Horn.



The sails of the Pangaea are hoisted for an exciting journey.



London was also one stop of the roadshows.



Geberit meets Mike Horn in Hamburg.



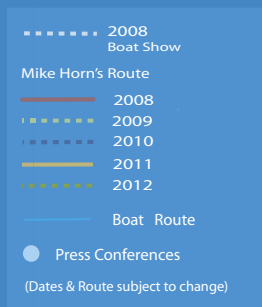
Albert M. Baehny explaining in the occasion of the ship's baptism in Monaco why Geberit is getting involved.



Mike Horn fascinates all listeners with his adventures.



Pangaea drops anchor in New York before starting on the expedition to South America.



There are many reasons for Geberit's commitment to the project Pangaea from Mike Horn. The three most important are:

1. Our confidence in Mike Horn and his team

Mike Horn and his team have gained our confidence as a result of the expertise, know-how, experience and knowledge that they have gained over many years and have put to the test under extraordinary and extreme conditions.

2. Water and hygiene

Water is our subject. More than 40% of the world's population today has neither clean drinking water nor sanitary facilities. Geberit wants to use this initiative to contribute to the building or renovation of sanitary systems in schools and other institutions along

the Pangaea route, and thus also to improve the lives of many children.

3. Education and training

We want to educate people around the globe in the efficient handling of fresh water, instruct them in the installation of sanitary systems as well as school them in the subject of hygiene. We also want to include our own employees in these activities.

Geberit is proud to be part of Pangaea and to contribute to projects which will improve the everyday lives of many people who previously had to do without clean water and hygiene.





Social-aid project Ecuador

An example of the social projects that will be implemented over the coming years as part of Pangaea is the Colegio Pomasqui project started by Geberit in 2008. This school is located on the northern edge of Quito, the million-inhabitant capital of Ecuador, at an altitude of around 2,600 meters above sea level in a dry valley with a steppe-like climate. Securing the supply of clean drinking water is one of the greatest challenges Quito faces for the future, because on the one hand more and more fresh water reservoirs are melting away with the glaciers, while on the other hand there are no waste water treatment plants anywhere in the entire northern part of Ecuador.

Situation before Geberit's commitment

The Colegio Pomasqui is a public school for around 1,000 pupils located in the center of Pomasqui. It had basic sanitary services with five toilets for girls and seven for boys. This, however, was by far insufficient to meet the needs of the rapidly growing numbers of pupils. Waste water flowed untreated into the Monjas River, which years ago was the Pomasqui's main watercourse. Around ten liters of drinking water were used for each flush.

respecting
water



Geberit's activities

Geberit realized together with the foundation Sembres forward-thinking and eco-efficient solutions in the area of sanitary installations. The areas of particular focus included water savings, water recycling and water treatment. In addition, special emphasis was placed on sensitizing people to environmental aspects.

Expansion of the sanitary installations at Colegio Pomasqui

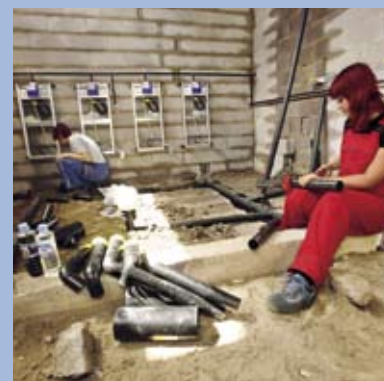
- Construction of a new restroom building with solar-powered hot water
- Installation of sufficient toilets, urinals and washbasins for daily hygiene
- Construction of a reed sewage plant to purify waste water and protect drinking-water resources

Sensitization, education and further training

- Education and continued training of the pupils in the daily usage of the new sanitary installations, including hygiene education in cooperation with local health inspection officials
- Compilation and printing of information materials and information boards
- Integration in existing environmental educational trail



The local population is involved in the work.



Geberit apprentices from all professional areas were actively sharing in the work.



Geberit apprentices concentrating on their work.



The Geberit team in front of the Colegio Pomasqui.

Geberit apprentices shared the work

In the social-aid projects, our apprentices found themselves suddenly becoming involved in a very different way. Geberit apprentices from all professional areas and from various countries were actively sharing in the work of the social-aid projects in accordance with their abilities and willingness. Following careful recruitment and preparation for their work activities, the young people gathered exciting experiences in living and working in-country for approximately two weeks in a group consisting of ten co-workers.

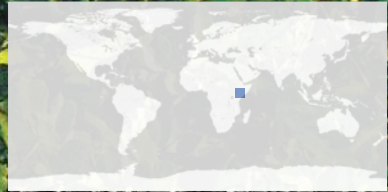
Learning new things

Geberit wants to sensitize the young professionals and enable them to interact with other people, work in different places around the world and to cope effectively with different life situations. Geberit also considers this to be a commitment to sustainability: supporting and promoting the further individual development of the employees – particularly the apprentices.





Camp Mara Bushtops, Masai Mara Reserve, Kenya



1°58'25" N / 35°43'85" E

Average annual humidity 60%

Average annual temperature 16.75 °C

Average daily precipitation 1.7 mm

Altitude above sea level 1,800 m

The Swiss travel company Kuoni's Mara Bushtops Camp is the most luxurious bush camp in Kenya. It is situated on a breathtaking slope surrounded by the 60,000 hectares of the Mara Siana Wildlife Nature Conservation Area. Each of 12 spacious luxury tents has a 100-square-meter observation deck with telescope, a sunken, heated outdoor bath with inside and outside showers, large luxury beds, à la carte restaurant, lounge with fireplace, butler service, swimming pool with panorama view, wine cellar, Internet access, etc.

However, great importance has been attached not only to the high level of luxury, but also to ecological aspects, for example through a solar heating system and a bio sewage plant. The omnipresent sand and temperature fluctuations from day to night are the most important arguments for Geberit products, which are easy to install and offer maximum freedom from maintenance.

Corporate Governance

1. Group structure and shareholders

Group structure

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

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

The Group's consolidated subsidiaries are listed in the Notes to the Consolidated Financial Statements, Note 34. The scope of consolidation does not include any listed companies.

Significant shareholders

Shareholders holding in excess of a certain percentage of the share capital must be disclosed under the Federal Act governing the Swiss Stock Exchange.

Geberit AG announced on January 25, 2008, that it holds shares in the company amounting to a 5.04% share of voting rights, thus exceeding the threshold level of 5%. On December 31, 2008, Geberit AG held 9.41%

MFS Investment Management & Subsidiaries, Boston, announced on February 28, 2008, that it holds shares in Geberit AG corresponding to a 3.43% share of voting rights.

On March 3, 2008, Capital Group Companies, Inc. & Subsidiaries, Los Angeles, announced that it holds shares in Geberit AG corresponding to a 4.6452% share of voting rights. Capital Group Companies, Inc. & Subsidiaries crossed the 5% threshold on March 13, 2008, with a 5.05% share of 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 4.3
Conditional capital:	MCHF 0.2
Authorized capital:	–

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

Conditional and authorized capital details

For conditional capital details, please refer to the Financial Statements of Geberit AG, page 121, 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, 2008, 1,403,852 shares had been issued from conditional capital.

As of December 31, 2008, the Geberit Group had no authorized capital.

Changes in capital

Geberit AG's changes in capital were as follows:

	31.12.2008	31.12.2007	31.12.2006
	MCHF	MCHF	MCHF
Share capital	4.3	4.2	4.2
Reserves	1,041.5	827.2	672.9
Available earnings	308.3	308.8	311.5

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2008 (consolidated statements of equity and Note 22 [equity]), to the information in the Financial Statements of Geberit AG (pages 116-128) as well as to the 2006 figures in the 2007 Annual Report (Geberit Group's Consolidated Financial Statements: consolidated statements of equity, Note 21 [equity]; Financial Statements of Geberit AG: pages 112-122).

Shares, participation and profit-sharing certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 4,300,385. It is divided into 43,003,852 registered shares with a par value of CHF 0.10 each. Each share carries one vote at 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 15 [long-term debt]) and in the Notes to the Financial Statements of Geberit AG (pages 119-120).

No options were issued to any external parties. As regards options issued to employees, reference is made to Note 18 ("option plans") in the Consolidated Financial Statements of the Geberit Group.

3. Board of Directors

Members of the Board of Directors

On December 31, 2008, the Board of Directors was composed of six members.

Günter F. Kelm (1940)



Chairman Board of Directors since 2005
Non-executive, independent member of the Board of Directors since 2005, elected until 2010
German citizen, resident in Kreuzlingen (CH)
Member of the Board of Directors, Metall Zug AG, Zug; member of the Board of Directors, V-Zug AG, Zug; Chairman of the Board of Directors, Belimed AG, Zug

Having passed the university entrance 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.

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 the 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 Group Division Products 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)
Counsel in the law firm Lenz & Staehelin, Zurich
Member of the Board of Directors, Gurit Holding AG, Wattwil; member of the Board of Directors, Coltène 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 was a partner of this office from 1977 to 2008; today he is Counsel there. He is principally involved in corporate law, tax law and succession planning.

Hans Hess (1955)



Vice Chairman Board of Directors since 2008
Non-executive, independent member 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 & De-Massari, 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 an 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.

Hartmut Reuter (1957)



Non-executive, independent member of the Board of Directors since 2008, elected until 2011
German citizen
Resident in Nürensdorf (CH)
CEO of the Rieter Group, Winterthur

After graduating in industrial engineering from Darmstadt (DE) University of Technology, Hartmut Reuter joined the Bosch Group in Stuttgart in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units. Prior to joining Rieter he was Director in Planning and Controlling at Bosch headquarters. At Rieter, Hartmut Reuter has played a major role in corporate strategy and management as head of the Corporate Center. In this position, he gained extensive knowledge of the group and the worldwide industrial activities of its divisions. Hartmut Reuter has been CEO of the Rieter Group since 2002.

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, Siepmann-Werke, Warstein

Klaus Weisshaar holds a degree 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 a 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 terms of office for Randolph Hanslin, Dr Robert Heberlein, Hans Hess and Klaus Weisshaar are set to expire at the General Meeting on April 30, 2009. Klaus Weisshaar is retiring from the Board of Directors having

reached the age limit specified in the articles of incorporation. Hans Hess will be available to serve on the Board for two more years; Randolph Hanslin and Dr Robert Heberlein each for an additional three.

A proposal will be submitted to the General Meeting to elect Susanne Ruoff and Robert F. Spoerry to the Board of Directors.

Kurt E. Feller retired from the Board of Directors on the occasion of the 2008 General Meeting.

Internal organizational structure

The organization of the Board of Directors is based on the "Organization Regulations of the Board of Directors of Geberit AG" (see also pages 57-58 "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, Hans Hess that of Vice Chairman.

The Board of Directors meets whenever business so requires, usually six times every year for one day each (2008: 7 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 Hans Hess (Chairman), Dr Robert Heberlein and Günter F. Kelm. The committee meets at least twice every year for a half day each (2008: four 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 regulations of the Personnel Committee.

– Audit Committee

The Audit Committee is composed of Hartmut Reuter (Chairman), Randolph Hanslin and Günter F. Kelm. It meets at least twice every year for a half day each

(2008: two 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 regulations 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 Regulations, 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 (as from January 1, 2009: four 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 Regulations of the Board of Directors regulate 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 Regulations 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 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 seven ordinary meetings. Partially, decisions were 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, the 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. See Notes to the Consolidated Financial Statements (pages 82-85) 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 Ariesheim (CH)

Albert M. Baehny graduated with a degree in biology from the University of Fribourg (CH). In 1979, he started his career in the research department of Serono-Hypolab. His further career comprised various marketing, sales, strategic planning and global management positions with Dow Chemicals Europe (1981-1993), Ciba-Geigy/Ciba SC (1994-2000), Vantico (2000-2001) and Wacker Chemie (2001-2002). For more than 20 years, Albert M. Baehny gathered relevant knowledge and expertise with global business responsibility. Before joining Geberit, he was Senior Vice President of Wacker 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) since 2005, refer also to pages 12/13, Management Structure.

Roland Iff (1961)



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

Roland Iff studied economics at the University of St. Gallen and graduated with the degree of lic.oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich and at the company's 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 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. Beginning in October 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Division Finance (CFO) of the Geberit Group since 2005, refer also to pages 12/13, Management Structure.

Bernd Kuhlin (1959)



Member of the Group Executive Board
from 2006, with Geberit since 2006
German citizen
Resident in Schindellegi (CH)
Head of Group Division Sales
(as from January 1, 2009: Sales Europe)

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 (as from January 1, 2009: Sales Europe) since 2006, refer also to pages 12/13, Management Structure.

Dr Michael Reinhard (1956)



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

Dr Michael Reinhard studied mechanical engineering at the Technical University Darmstadt (DE) 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 since 2005. He has been Head of the Group Division Products since 2006, refer also to pages 12/13, Management Structure.

Management contracts

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

5. Compensations, shareholdings and loans

Contents and method of determining 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 18 [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 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. 60 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 company 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 pages 122-125.

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.

Quorums required by the articles of incorporation

The rules relating to 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 for the performance of a special audit are exempt from this rule. Shareholders representing shares with a par value of TCHF 4 can demand inclusion of items on 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 cut-off date for inscription into the share register that is authoritative with respect to the right to participate and vote.

7. Changes of control and 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. Mr. René Rausenberger took over responsibility as lead auditor for the 2008 financial statements.

Auditing fees

In 2008, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,280 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 TCHF 45 regarding audit-related services, TCHF 1,776 relating to tax consultancy and support as well as TCHF 609 for other services (above all business consulting). In addition to compensation for current tax consultancy services, the tax consultancy and support amount also included special expenses for consultancy fees relating to intragroup 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 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 announcements 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 page 7 of this Annual Report.





**Princess Elisabeth,
Dronning Maud Land,
East Antarctica**



71°57'00" S / 23°20'00" E	
Average annual humidity	5 %
Average annual temperature	-40°C
Average daily precipitation	0.15 mm
Altitude above sea level	1,314 m

The Belgian "Princess Elisabeth" research station in Antarctica, a "green revolution" in the eternal ice, produces almost no greenhouse gas emissions. Beginning in September 2009, the station will be run exclusively using renewable energies such as wind power, solar energy, thermal energy and photovoltaics. There are also plans to use the body heat of the up to 20 scientists who will live at the station during the Antarctic summer. An ingenious waste water system uses bioreactors and filter systems so that 75 percent of the water consumption can be processed in-house.

Geberit Belgium has been entrusted with the development of the sanitary technology for this rough climate, 200 kilometers off the coast. Trouble-free function at outside temperatures of down to minus 50 degrees and wind speeds of 125 kilometers per hour has to be ensured.

Consolidated Financial Statements

Geberit Group

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Consolidated Balance Sheets

	Note	31.12.2008 MCHF	31.12.2007 MCHF
Assets			
Current assets			
Cash and cash equivalents		197.4	450.1
Marketable securities	6	105.2	0.0
Trade accounts receivable	7	105.7	127.2
Other accounts receivable and prepaid expenses	8	67.0	51.7
Inventories	9	207.1	226.3
Total current assets		682.4	855.3
Non-current assets			
Property, plant and equipment	10	555.5	529.3
Deferred tax assets	19	41.0	48.9
Financial assets and other non-current assets	11	19.0	36.0
Goodwill and intangible assets	12	756.2	828.8
Total non-current assets		1,371.7	1,443.0
Total assets		2,054.1	2,298.3
Liabilities and equity			
Current liabilities			
Short-term debt	13/15	40.2	2.9
Trade accounts payable		84.4	93.3
Tax liabilities and tax provisions		78.8	78.8
Other current provisions and liabilities	14	138.9	143.2
Total current liabilities		342.3	318.2
Non-current liabilities			
Long-term debt	15	112.1	271.0
Accrued pension obligation	17	155.3	156.9
Deferred tax liabilities	19	69.4	80.1
Other non-current provisions and liabilities	20	63.1	67.7
Total non-current liabilities		399.9	575.7
Shareholders' equity			
Capital stock		4.3	4.2
Reserves		1,364.4	1,325.9
Cumulative translation adjustments		(56.8)	74.3
Total equity		1,311.9	1,404.4
Total liabilities and equity		2,054.1	2,298.3

The accompanying notes on pages 74 to 112 are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2008	2007		
		Total	Total	Dis-continued operations	Continuing operations
		MCHF	MCHF	MCHF	MCHF
Sales		2,455.1	2,486.8	(23.1)	2,463.7
Cash discounts and customer bonuses	24	276.1	280.5	(2.1)	278.4
Revenue from sales		2,179.0	2,206.3	(21.0)	2,185.3
Cost of materials		738.5	782.9	(5.8)	777.1
Personnel expenses		460.2	467.4	(5.5)	461.9
Depreciation expense	10	78.5	75.1	(1.0)	74.1
Amortization of goodwill and intangibles	12	7.2	9.0	0.0	9.0
Other operating expenses, net	25	331.2	318.1	(2.8)	315.3
Total operating expenses, net		1,615.6	1,652.5	(15.1)	1,637.4
Operating profit (EBIT)		563.4	553.8	(5.9)	547.9
Finance costs, net	26	(5.4)	11.4	0.1	11.5
Profit before income tax expenses		568.8	542.4	(6.0)	536.4
Income tax expenses	27	102.5	127.9	(1.3)	126.6
Net income from continuing operations		466.3	414.5	(4.7)	409.8
Net income from discontinued operations		0.0	0.0	4.7	4.7
Gain from sale of discontinued operations		0.0	48.8		48.8
Net income		466.3	463.3		463.3
– Attributable to shareholders		466.3	463.3		463.3

Other financial figures		2008	2007
EPS continuing operations (CHF)	23	11.90	10.32
EPS discontinued operations (CHF)	23	0.0	1.35
Total EPS (CHF)	23	11.90	11.67
EPS diluted continuing operations (CHF)	23	11.86	10.02
EPS diluted discontinued operations (CHF)	23	0.0	1.29
Total EPS diluted (CHF)	23	11.86	11.31

The accompanying notes on pages 74 to 112 are an integral part of the consolidated financial statements.

Statements of Comprehensive Income

	2008		2007	
	MCHF	MCHF	MCHF	MCHF
a) Net income according to the income statement		466.3		463.3
b) Cumulative translation adjustments	(131.1)		30.7	
Reclassification to the income statement	0.0		(1.0)	
Total cumulative translation adjustments, net of tax		(131.1)		29.7
c) Cashflow hedge accounting	0.2		4.7	
Reclassification to the income statement	0.0		0.0	
Taxes	(0.1)		(1.9)	
Total cashflow hedge accounting, net of tax		0.1		2.8
d) Actuarial adjustments of pension plans	(39.4)		3.3	
Taxes	4.8		(3.2)	
Total actuarial adjustments of pension plans, net of tax		(34.6)		0.1
e) Total comprehensive income of the current year		300.7		495.9
Attributable to shareholders		300.7		495.9

Consolidated Statements of Changes in Equity

	Attributable to shareholders							Minority interest	Total equity
	Ordinary shares	Capital in excess of par	Treasury shares	Retained earnings	Pension plans (IAS 19)	Hedge accounting	Cum. translation adjustments		
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF		
Balance at 31.12.2006	4.2	356.0	(236.2)	971.5	(69.6)	(4.6)	44.6	0.0	1,065.9
Total comprehensive income 2007				463.3	0.1	2.8	29.7		495.9
Dividends				(159.0)					(159.0)
(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)	1,275.8	(69.5)	(1.8)	74.3	0.0	1,404.4
Total comprehensive income 2008				466.3	(34.6)	0.1	(131.1)		300.7
Dividends				(206.9)					(206.9)
(Purchase)/Sale									
of treasury shares		4.6	(306.1)						(301.5)
Convertible Bond	0.1	103.7		14.3					118.1
Share participation and option plans		(2.9)							(2.9)
Balance at 31.12.2008	4.3	474.6	(553.9)	1,549.5	(104.1)	(1.7)	(56.8)	0.0	1,311.9

The accompanying notes on pages 74 to 112 are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2008 MCHF	2007 MCHF
Cash provided by operating activities			
Net income		466.3	463.3
Depreciation and amortization	10/12	85.7	84.1
Finance costs, net	26	(5.4)	11.4
Income tax expenses	27	102.5	127.9
Other (incl. gain from disposals of subsidiaries and PP&E)		16.0	(53.1)
Operating cashflow before changes in net working capital and taxes		665.1	633.6
Income taxes paid		(100.1)	(126.5)
Changes in net working capital	28	(10.0)	(49.1)
Net cash provided by operating activities		555.0	458.0
Cash from/(used in) investing activities			
Acquisitions of subsidiaries	2	(0.1)	(14.7)
Disposals of subsidiaries and other business units	2	3.5	103.2
Purchase of property, plant & equipment and intangible assets	10/12	(152.5)	(103.5)
Proceeds from sale of property, plant & equipment and intangible assets		5.7	13.6
Marketable securities, net		(112.1)	0.0
Interest received		9.9	8.4
Other, net		3.3	4.3
Net cash from/(used in) investing activities		(242.3)	11.3
Cash from/(used in) financing activities			
Proceeds from long-term borrowings		40.0	30.0
Repayments of long-term borrowings		(43.3)	(53.4)
Interest paid		(10.8)	(13.1)
Dividends		(206.9)	(159.0)
(Purchase)/Sale of treasury shares		(309.5)	(15.4)
Other, net		(1.2)	(1.7)
Net cash from/(used in) financing activities		(531.7)	(212.6)
Effects of exchange rates on cash		(33.7)	11.0
Net increase/(decrease in) cash		(252.7)	267.7
Cash and cash equivalents at beginning of year		450.1	182.4
Cash and cash equivalents at end of year		197.4	450.1

The accompanying notes on pages 74 to 112 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, cisterns & mechanisms, faucets & flushing systems 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. Worldwide all products are sold through the wholesaler channel. Geberit sells its products in 111 countries. In 41 countries the Group is present with its own sales employees.

The consolidated financial statements include Geberit AG and the companies which it controls (“the Group” or “Geberit”). When existing, 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.

In accordance with the requirements of IAS 18, the Group reclassified the outbound freight costs and some minor cost positions, which formerly have been part of “Sales deductions”, to “Other operating expenses, net”. In accordance with IAS 8, this mistake was also corrected for the previous year. At the same time, the position “Sales deductions” was renamed to “Cash discounts and customer bonuses” and decreased by MCHF 100.7 (PY: MCHF 102.4). The positions “Other operating expenses, net” and “Revenue from sales” have increased accordingly.

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

2008:

The Geberit Group has sold its Büchler Werkzeugbau AG subsidiary to a member of the Büchler management. The de-consolidation took place at the end of August 2008. Büchler reported a high single millions sales figure for 2007, largely to customers outside the Geberit Group. The disposal has no material impact on the financial statements of the Group.

2007:

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. Sales, EBIT and net income contribution of the discontinued business in 2007 amounted to MCHF 23.1, MCHF 5.9 and MCHF 4.7. To increase transparency, the income statement 2007 of the sold business has been separated from the one of the continuing business (restatement according to IFRS 5). In addition 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 provided by operating activities, MCHF (0.5) by investing activities and 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, a goodwill of MCHF 1.9 was recorded.

Cashflows from acquisitions and disposals of subsidiaries and other business units

	2008 MCHF	2007 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	(0.1)	(12.4)
Total according to the statements of cashflows	(0.1)	(14.7)
Disposals of subsidiaries and other business units		
Total disposal consideration, net	3.4	118.2
Disposed cash and cash equivalents	(0.1)	(13.4)
Deferred payments	(1.4)	(1.6)
Deferred payments from previous years	1.6	
Total according to the statements of cashflows	3.5	103.2

3. Summary of significant accounting policies

Adoption of new or revised IFRS standards and interpretations by the Group in 2008

Standard/Interpretation	Effectiveness	Relevance for Geberit
IAS 1 – Presentation of financial statements	Jan 09	The revised standard published in the 3 rd quarter 2007 requires a statement of comprehensive income. The standard has an impact on the presentation of the consolidated financial statements.
IFRIC 14 – The limit on a defined benefit assets, minimum funding requirements and their interaction (IAS 19)	Jan 08	IFRIC 14 defines the recognition and measurement of assets from defined benefit plans. Geberit analyzed the effects of the interpretation as of January 1 st , 2007. Since the impact on total assets and equity is immaterial, the Group did not make an adjustment of its financial statements.
IFRIC 11 – Group and treasury share transactions (IFRS 2)	Mar 07	No (material) effect on the consolidated financial statements
IFRIC 13 – Customer loyalty programmes	Jul 08	No (material) effect on the consolidated financial statements
IFRIC 12 – Service concession arrangements	Jan 08	No (material) effect on the consolidated financial statements
IAS 39 + IFRS 7 – Reclassification of Financial Assets	Jul 08	No (material) effect on the consolidated financial statements

Adoption of new or revised IFRS standards and interpretations by the Group in 2009

Standard/Interpretation	Effectiveness	Relevance for Geberit	Planned adoption
IFRS 2 – Share-based payments	Jan 09	No (material) effect on the consolidated financial statements	Jan 09
IFRS 3 – Business Combinations	Jul 09	Acquisition-related costs (i.e. fees for lawyers, auditors, etc.) have to be recognized as expenses in the income statement. Furthermore, contingent considerations (i.e. earn-out models) must be recognized as acquisitions costs and subsequently measured at fair value through profit or loss.	Jul 09
IFRS 8 – Operating Segments	Jan 09	The definition and disclosure of operating segments has to result from the internal management reporting instead of the analysis of a segment's risks and returns. In 2009, Geberit will adjust its segment reporting accordingly and make the disclosure on the basis of the internal management reporting.	Jan 09
IAS 23 – Borrowing costs	Jan 09	The capitalization of borrowing costs of qualified assets is mandatory if the costs are directly attributable. Today's option to capitalize or expense borrowing costs will cease. Because of the current financing situation the Group does not expect a material impact on the consolidated financial statements.	Jan 09
IAS 27 – Consolidated and separate financial statements	Jul 09	The amendment requires recording all movements of minorities within equity as long as there is no change in control. From such transactions neither goodwill nor any gains or losses will result. Furthermore, the standard defines the recognition and measurement of subsidiaries in case of the loss of control. Because Geberit currently only owns 100% subsidiaries, the amendment of IAS 27 has no impact.	Jul 09
IAS 32 – Financial instruments/ Puttable instruments	Jan 09	No (material) effect on the consolidated financial statements	Jan 09
Annual improvements of IFRS standards and interpretations	Jan 09	No (material) effect on the consolidated financial statements	Jan 09

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 short-term, highly liquid financial investments with maturities of three months or less as at their acquisition date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments.

Marketable securities

Marketable securities are principally traded in liquid markets. Marketable securities with a remaining time to maturity of 4–12 months or which are purchased with the purpose of selling them in the near time have to be measured at their fair value through the income statement (quoted market price).

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), molds (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 costs to sell if the requirements of IFRS 5 are met.

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 intangible assets and goodwill

Intangible assets with an indefinite useful life and goodwill are tested for impairment at each reporting date. In this process, 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 correspondingly. 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 intangibles with an indefinite useful life and goodwill, 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 12.

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 fair value. If the fair value cannot be determined, such investments are stated at cost, with adequate provision for permanent diminution in value. Investments in fully consolidated subsidiaries are measured at fair value through the income statement at the date when control is lost.

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.

Revenue from sales

Revenue from sales is recognized when risks and rewards are transferred to the customer. This normally corresponds to the shipment of goods. Revenue from sales includes the invoiced net amounts after deduction of rebates shown in the invoice. Subsequently granted customer bonuses and cash discounts are deducted accordingly.

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 carryforwards 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. The Group recognizes the funded status of independently funded defined benefit plans in its consolidated balance sheets. In the case of a positive funded status, the surplus is determined and recognized according to IAS 19.58 and IFRIC 14.

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 its fair value.

The recognition and measurement of marketable securities is described in the separate section “Marketable securities” of this note.

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. Risk assessment and management

General

The Geberit Group runs a risk management system which has been approved by the Board of Directors. The policy defines a structured process according to which the business risks are systematically managed. In this process, risks are identified, analysed concerning the likelihood of occurrence and magnitude, evaluated and risk control measurements are determined. Each member of the management is responsible for the implementation of the risk management measures in his area of responsibility. The Audit Committee and the Board of Directors are periodically informed about the major changes in the risk assessment and about risk management action taken. The permanent observation and control of the risks is a management objective. For risks concerning the accounting and financial reporting, a risk assessment is performed. The Geberit internal control system framework for the financial reporting defines control measures, which reduce the related risks.

The financial risks are observed under the control of the chief financial officer 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, commodity price and counterparty risks, with the aim of limiting their effect on cashflow and net income. The Group measures its risks with the value-at-risk method for foreign exchange rate risks and the cashflow-at-risk method for interest rate risks.

Management of counterparty risks from treasury activities

The counterparties for investments in financial instruments must have a rating of at least A+ (S&P) or A1 (Moody's). In consideration of the fact that in the current market environment the rating of a bank can change very quickly it can not be ruled out that there could be a temporary relationship with banks which does not comply with our rating requirements. In such a case Treasury will reduce the exposure with such a bank to a minimum avoiding extraordinary transaction costs if possible. 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 16).

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% (PY: 0.5%) of equity for the reporting period.

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

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

Foreign exchange rate risk as of December 2008 and 2007:

	2008 MCHF	2007 MCHF
Value-at-risk +/- unrealized gains/losses	8.5	3.6
Equity	1,311.9	1,404.4
(Value-at-risk +/- unrealized gains/losses)/Equity	0.6%	0.3%

The increase of the value-at-risk (VaR) compared to previous year and therewith the negative deviation from the target value is a result of the raising volatilities at the FX markets. Management considers the additional risk arising from this minor deviation as not material and decided with regard to the current market situation not to enter into any additional hedge transactions.

Management of interest rate risk

Basically, there are two types of interest rate risks:

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

The fair market value risk does not have a direct impact on the cashflows and results of the Group. 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 (PY: 20).

Interest rate risk as of December 2008 and 2007:

	2008	2007
	MCHF	MCHF
EBITDA	649.1	637.9
Finance costs, net + CfaR	3.7	6.2
EBITDA/(Finance costs, net + CfaR)	175x	103x

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.

	2008	2007
	MCHF	MCHF
Combined foreign exchange rate and interest rate risk	17.7	9.3

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 465.8 (PY: MCHF 676.8).

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.

Management of commodity price risk

The Group is exposed to commodity price risks especially in connection with products whose manufacturing requires raw materials like plastics, nickel, copper, aluminium and steel. In order to reduce the volatility of the Group's net income, prices are generally fixed directly in the supplier's contracts for one quarter. If this fixation is not possible, and in individual cases only, the Group uses financial hedging instruments (i.e. forward contracts, swaps, options) in order to limit the purchasing price risk on commodities for the next 12 months. The accounting treatment of these financial instruments is explained in Note 3 "Summary of significant accounting policies".

In 2008, such hedging measurements only had been taken for nickel. If the nickel price had been 10% higher/lower at the balance sheet date, the net income of the Group would have changed because of the valuation of these hedging instruments by about MCHF +/- 0.3.

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:

		2008	2007
Type of risk	Key figure		
Interest rate risk	EBITDA/(Finance costs, net + CfaR)	175x	103x
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/Equity	0.6%	0.3%
Liquidity risk	(Deficit)/Excess of liquidity reserve	MCHF 465.8	MCHF 676.8

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 2008 and 2007 are outlined below:

	2008 MCHF	2007 MCHF
Gearing		
Debt	152.3	273.9
Liquid funds and marketable securities	302.6	450.1
Net debt	(150.3)	(176.2)
Equity	1,311.9	1,404.4
Net debt/Equity	(11.5%)	(12.5%)
Return on equity (ROE)		
Equity (rolling)	1,335.6	1,234.9
Net income	466.3	463.3
ROE	34.9%	37.5%
Return on invested capital (ROIC)		
Invested capital (rolling)	1,575.3	1,599.5
Net operating profit after taxes (NOPAT)	444.8	414.9
ROIC	28.2%	25.9%

6. Marketable securities

In 2008, the Group invested in several federal government bonds (mainly Germany) which all fall due in 2009. As of December 31, 2008, the fair value of the bonds amounted to MCHF 105.2 (PY: MCHF 0.0).

7. Trade accounts receivable

	2008 MCHF	2007 MCHF
Trade accounts receivable	113.6	134.9
Allowance	(7.9)	(7.7)
Total trade accounts receivable	105.7	127.2

Of trade accounts receivable, MCHF 2.6 was denominated in CHF (PY: MCHF 3.2), MCHF 63.5 in EUR (PY: MCHF 77.2), MCHF 16.6 in USD (PY: MCHF 18.7) and MCHF 4.7 in GBP (PY: MCHF 7.7).

The following table shows the movements of allowances for trade accounts receivable in 2008 and 2007:

Allowances for trade accounts receivable	2008	2007
	MCHF	MCHF
January 1	7.7	7.2
Additions	4.9	2.1
Used	(1.3)	(1.1)
Reversed	(2.3)	(0.6)
Translation differences	(1.1)	0.1
December 31	7.9	7.7

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, 2008	105.7	78.2	18.1	3.1	1.7	0.7	3.9
As of December 31, 2007	127.2	88.4	29.0	4.1	2.0	0.9	2.8

8. Other accounts receivable and prepaid expenses

	2008	2007
	MCHF	MCHF
Income tax refunds receivable	2.0	1.8
Other tax receivables	46.5	33.6
Prepaid expenses and other current assets	18.5	16.3
Total other accounts receivable and prepaid expenses	67.0	51.7

9. Inventories

	2008	2007
	MCHF	MCHF
Raw materials, supplies and other inventories	67.7	63.9
Work in progress	34.1	30.1
Finished goods	84.5	100.3
Goods purchased for resale	20.6	31.8
Prepayments to suppliers	0.2	0.2
Total inventories	207.1	226.3

Inventories include allowances for slow-moving and obsolete items of MCHF 27.0 as of December 31, 2008 (PY: MCHF 26.5).

10. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./ advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2008					
Cost at beginning of year	898.2	278.0	544.3	40.4	35.5
Changes in Group organization (see Note 2)	(13.3)		(12.4)	(0.4)	(0.5)
Additions	150.4	12.1	57.6	5.4	75.3
Disposals	(37.1)	(8.0)	(22.6)	(6.5)	
Transfers	0.0	12.2	22.0	1.3	(35.5)
Translation differences	(77.1)	(20.0)	(48.8)	(4.3)	(4.0)
Cost at end of year	921.1	274.3	540.1	35.9	70.8
Accumulated depreciation at beginning of year	368.9	67.9	281.6	19.4	0.0
Changes in Group organization (see Note 2)	(9.7)		(9.3)	(0.4)	
Depreciation expense	78.5	9.4	61.4	7.7	
Impairments	0.0				
Disposals	(32.8)	(4.3)	(22.0)	(6.5)	
Transfers	0.0				
Translation differences	(39.3)	(6.2)	(30.2)	(2.9)	
Accumulated depreciation at end of year	365.6	66.8	281.5	17.3	0.0
Net carrying amounts at end of year	555.5	207.5	258.6	18.6	70.8
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

As of December 31, 2008, buildings were insured at MCHF 439.1 (PY: MCHF 445.5) and equipment at MCHF 888.1 (PY: MCHF 928.1) against fire which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,327.2 (PY: MCHF 1,373.6).

As of December 31, 2008, the Group has entered into firm commitments for capital expenditures of MCHF 28.6 (PY: MCHF 15.1).

11. Financial assets and other non-current assets

	2008	2007
	MCHF	MCHF
Prepaid pension asset (see Note 17)	0.0	24.6
Reinsurance policies for pension obligations (see Note 17)	7.4	6.8
Other (see Note 33)	11.6	4.6
Total financial assets and other non-current assets	19.0	36.0

12. Goodwill and intangible assets

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
	MCHF	MCHF	MCHF	MCHF
2008				
Cost at beginning of year	1,245.8	940.4	130.5	174.9
Changes in Group organization (see Note 2)	(0.2)			(0.2)
Additions	2.1			2.1
Disposals	(2.0)			(2.0)
Translation differences	(84.5)	(76.4)	(3.0)	(5.1)
Cost at end of year	1,161.2	864.0	127.5	169.7
Accumulated amortization at beginning of year	417.0	226.2	109.7	81.1
Changes in Group organization (see Note 2)	(0.2)			(0.2)
Amortization expense	7.2		3.4	3.8
Impairments	0.0			
Disposals	(2.0)			(2.0)
Translation differences	(17.0)	(11.4)	(1.3)	(4.3)
Accumulated amortization at end of year	405.0	214.8	111.8	78.4
Net carrying amounts at end of year	756.2	649.2	15.7	91.3
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

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2008, 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 31.12.2008 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	276.7	U	2.95	8.41	7.67
Goodwill from Mapress acquisition	351.0	U	2.87	9.89	7.82
Geberit trademarks	84.6	U	2.95	8.40	7.67
Total	712.3				

From today's perspective, management believes that a possible and reasonable change of one of the crucial parameters (see Note 3) used to calculate the recoverable 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.

13. Short-term debt

The Group maintains credit lines of MCHF 50.4 (PY: MCHF 53.2) 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, 2008 and 2007, the Group did not have any outstanding drawings on the above-mentioned credit lines.

14. Other current provisions and liabilities

	2008 MCHF	2007 MCHF
Compensation-related liabilities	43.4	49.6
Accrued interest	1.7	1.6
Customer-related liabilities	49.1	50.8
Other current liabilities	39.8	34.1
Current provisions	4.9	7.1
Total other current provisions and liabilities	138.9	143.2

2008 and 2007 movements of current provisions are shown in the following table:

Current provisions

	2008 MCHF	2007 MCHF
January 1	7.1	4.9
Additions	3.0	6.0
Used	(2.1)	(1.9)
Reversed	(2.6)	(2.0)
Translation differences	(0.5)	0.1
December 31	4.9	7.1

15. Long-term debt

	2008 MCHF	2007 MCHF
Private Placement	105.3	111.8
Revolving Facility	0.0	0.0
Convertible Bond	29.6	146.1
Other long-term debt	17.4	16.0
Long-term debt	152.3	273.9
Short-term portion of long-term debt	(40.2)	(2.9)
Total long-term debt	112.1	271.0

Private Placement

In December 2002, the Group raised MUSD 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 (MUSD 35.0), which carries a coupon of 5.0% and is due on December 19, 2009, and (ii) a series B (MUSD 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, 2008, the fair value of the Private Placement amounted to MCHF 112.5 (PY: MCHF 115.4). 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, 2008, 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 2008 and 2007, the effective interest rate on the Revolving Facility was 2.62% and 2.39%, 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. At the date of issue, the conversion price was CHF 99.30, i.e. a bond fraction could be converted into 50.35247 shares. On May 6, 2008, the conversion price was reduced from CHF 99.30 to CHF 98.91 and the number of shares for each fraction increased to 50.55101 according to paragraph 6a. iv) of the conversion conditions ("extraordinary dividends"). 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, 2008, 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 2008	1.6
Conversion in Geberit shares	(118.1)
Liability recognized as of December 31, 2008	29.6

Amortization expense includes the amortization of the equity component (interest discount) and of transaction costs. As of December 31, 2008, 27,879 fractions were converted into 1,403,852 shares. The effective interest rate of the convertible bond charged to the income statement was 3.58% (PY: 3.44%).

As of December 31, 2008, the fair value of the liability component amounted to MCHF 30.0 (PY: MCHF 146.1). 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, 2008, the Group had MCHF 17.4 of other long-term debt (PY: MCHF 16.0). This debt incurred an effective interest rate of 5.24% (PY: 5.72%).

Currency mix

Of the long-term debt outstanding as of December 31, 2008, MCHF 17.1 was denominated in EUR (PY: MCHF 15.7). MCHF 29.5 in CHF (PY: MCHF 145.7) and MCHF 105.7 in USD (PY: MCHF 112.4).

16. Derivative financial instruments

Where necessary under the treasury policy, the Group enters into derivative financial instruments to hedge its exposure to foreign currency exchange rate risks, interest rate risks and commodity price risks. This policy and the accounting policies for the Group's derivative financial instruments are disclosed in Notes 3 and 4. At December 31, 2008 and 2007, the following derivative financial instruments were outstanding:

Cross currency interest rate hedge

MUSD 55.0 of the Private Placement (see Note 15) 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 31.12.2008	Fair value 31.12.2007	USD Interest rate	EUR Interest rate	Calculation method
			MUSD	MEUR	MCHF	MCHF	%	%	
2008 / 2007									
USD buy/EUR sell	19.12.2012	1.004	55.0	(54.8)	(25.9)	(31.4)	5.54	5.9775	DCF

Forward foreign exchange contracts and foreign exchange options

	Contract amount				Fair value 31.12.	Calculation method
	MEUR	MDKK	MPLN	MCZK	MCHF	
2008						
Forward foreign exchange contracts	(40)	(27)			3.2	Marked-to-Market
Foreign exchange options	(20)				2.0	Black-Scholes
Total	(60)	(27)			5.2	
2007						
Forward foreign exchange contracts	(20)	(48)	(18)	(150)	0.1	Marked-to-Market
Foreign exchange options	(20)				(0.3)	Black-Scholes
Total	(40)	(48)	(18)	(150)	(0.2)	

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

Interest rate hedges

As of December 31, 2008 and 2007, the Group had no outstanding interest rate hedges.

Commodity price hedging instruments

As of December 31, 2008, the following hedging instruments were outstanding (as of December 31, 2007, there were no outstanding commodity price hedging instruments):

	Contract volume	Fair value 31.12.	Calculation method
		MCHF	
2008			
Swap contract (nickel)	255 t	(2.0)	Marked-to-Market
Total		(2.0)	

The change in fair value of the instruments is booked to cost of materials.

17. 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:

	2008		2007	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Service cost	14.6	5.4	16.5	5.5
Interest cost on projected benefit obligation	11.8	7.0	10.4	6.6
Expected return on plan assets	(16.6)		(15.9)	
Contributions of employees	(7.4)		(7.1)	
Net periodic pension cost	2.4	12.4	3.9	12.1

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:

	2008		2007	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Benefit obligation				
At beginning of year	308.1	149.3	312.5	145.9
Service cost	14.6	5.4	16.5	5.5
Interest cost on projected benefit obligation	11.8	7.0	10.4	6.6
Actuarial (gains)/losses	16.3	(16.5)	(22.0)	(6.4)
Translation differences	(0.7)	(15.1)	(0.1)	4.4
Benefits paid	(9.3)	(8.7)	(9.2)	(6.7)
Benefit obligation at end of year	340.8	121.4	308.1	149.3
Plan assets at fair value				
At beginning of year	368.8		352.8	
Expected return on plan assets	16.6		15.9	
Contributions of employees	7.4		7.1	
Contributions of employers	7.7		7.5	
Benefits paid	(9.1)		(8.8)	
Actuarial gains/(losses)	(76.5)		(5.6)	
Translation differences	(0.6)		(0.1)	
Plan assets at fair value at end of year	314.3		368.8	
Funded status at end of year	(26.5)	(121.4)	60.7	(149.3)
Adjustment according to IAS 19.58 (b)	0.0	0.0	(36.9)	0.0
Total pension asset/(obligation)	(26.5)	(121.4)	23.8	(149.3)
The pension asset/(obligation) is composed of:				
Prepaid pension asset (Note 11)	0.0		24.6	
Reinsurance policies for pension obligations (Note 11)	7.4		6.8	
Accrued pension obligations	(33.9)	(121.4)	(7.6)	(149.3)
Total pension asset/(obligation)	(26.5)	(121.4)	23.8	(149.3)

The plan assets of funded plans of MCHF 314.3 (PY: MCHF 368.8) are composed of assets of MCHF 306.9 (PY: MCHF 362.0) in two independent Swiss trustee pension funds and MCHF 7.4 (PY: MCHF 6.8) in qualifying insurance policies.

The legal situation relating to pension plans in Switzerland strictly limits the Group's control over the surplus in the Swiss pension fund. In the case of material underfundings, recapitalization measures have to be taken in which also beneficiaries can be obliged to participate. As of December 31, 2008, no such material statutory underfundings existed for Swiss pension plans.

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

	2008	2007	2006	2005	2004
	MCHF	MCHF	MCHF	MCHF	MCHF
Benefit obligations	(462.2)	(457.4)	(458.4)	(418.6)	(370.3)
Plan assets	314.3	368.8	352.8	316.7	276.5
Funded status	(147.9)	(88.6)	(105.6)	(101.9)	(93.8)
Net actuarial (gains) and losses					
on benefit obligations	(0.2)	(28.4)	13.7	24.1	20.5
– of which from changes in actuarial assumptions	(6.5)	(34.6)	1.4	32.6	14.7
– of which from experience adjustments	6.3	6.2	12.3	(8.5)	5.8
Experience adjustments on plan assets	76.5	5.6	(12.0)	(15.9)	(0.1)
Total actuarial (gains) and losses in current year	76.3	(22.8)	1.7	8.2	20.4
Adjustment according to IAS 19.58, (gain)/losses	(36.9)	19.5	1.0	2.8	(7.6)
Recorded in equity, current year	39.4	(3.3)	2.7	11.0	12.8
Recorded in equity, accumulated	131.0	91.6	94.9	92.2	81.2

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

	2008	2007
Equity	24.2	39.9
Bonds and other debt instruments	35.0	29.8
Real estate property	26.5	24.7
Other	14.3	5.6
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 -17.4% in 2008 and 3.9% in 2007. As of December 31, 2008, plan assets include MCHF 0.9 (PY: MCHF 1.6) of equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.5) in real estate property used by the Group.

In 2009, the expected employers' contribution to the plan assets amounts to MCHF 6.8.

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

	2008			2007		
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	3.5	6.25	6.0	3.75	5.0	6.0
Annual rate of increase in future compensation levels	2.0	2.5	3.2	2.0	2.5	3.5
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 2.2 in 2008 (PY: MCHF 2.3).

18. Participation plans

Share plans

In 2008, the employees could purchase a limited number of shares at a discount of 50% (PY: 50%) compared to the market price ("Employee share plan 2008"). The Geberit management was entitled to draw the previous year's bonus partly or entirely in shares valued at market price ("Management share plans 2008"). For each of these shares the management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2008" the members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 50% (PY: 50%). All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2008 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share plan 2008 (ESPP)	2010	1,511	34,331	146.60
Management share plans 2008 (MSPP)	2011	73	30,063	146.60
Directors program 2008 (DSPP)	2010	6	9,603	146.60

The 73,997 shares required for these plans were held by the Group as treasury shares.

As of December 31, 2008, the Board of Directors, the Geberit Executive Board and employees together owned 1,490,876 (PY: 1,517,412) shares, i.e. 3.5% (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 2008” 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 2008”), 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 2008:

	End of blocking period	Maturity	Number of partici- pants	Number of options allocated	Exercise price CHF
Management share plans 2008 (MSPP)	2010	2013	73	30,063	146.60
Option plan 2008 type A (MSOP)	2010	2013	63	39,170	142.00
Option plan 2008 type B (MSOP)	2012	2013	63	39,170	148.80
Total				108,403	

The fair value of the options granted in 2008 amounted to CHF 21.95 for MSOP type A (two years blocking period), CHF 20.07 for MSOP type B (four years blocking period) and CHF 25.18 for MSPP (two years blocking period) at the corresponding granting date. The fair value was determined using the binomial model for “American Style Call Options”.

The calculation model was based on the following parameters:

	Reference share price ¹ CHF	Sur- charge %	Exercise price CHF	Expected volatility %	Expected Ø dividend yield %	Con- tractual period Years	Risk free interest rate %
Management share plans 2008 (MSPP)	146.60	0	146.60	25.84	3.80	5	2.370
Option plan 2008 type A (MSOP)	135.26	5	142.00	25.76	3.10	5	2.419
Option plan 2008 type B (MSOP)	135.26	10	148.80	25.76	3.10	5	2.419

¹ The reference share price corresponds to the average share price of the Geberit shares for the period from 10. to 23.1.2008 for MSOP and from 6. to 19.3.2008 for MSPP, respectively.

The following table summarizes all option plans in place as of December 31, 2008:

End of blocking period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Lapsed	2009–2011	83,620	100.50	41,590	81.65
2009	2010–2012	67,890	153.77	30,860	94.75
2010	2011–2013	96,916	136.84		
2011	2012	16,310	221.45		
2012	2013	36,045	148.80		
Total		300,781	136.58	72,450	87.23

The following movements took place in 2008 and 2007:

	MSOP		MSPP		Total 2008		Total 2007	
	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	214,155	116.33	62,070	139.00	276,225	121.42	328,180	84.93
Granted options	78,340	145.40	30,063	146.60	108,403	145.73	60,670	208.61
Forfeited options	20,980	137.07	3,982	180.61	24,962	144.02	5,510	107.45
Exercised options	48,485	75.75	10,400	95.27	58,885	79.20	107,115	59.70
Lapsed options	0		0		0		0	
Outstanding December 31	223,030	133.41	77,751	145.66	300,781	136.58	276,225	121.42
Exercisable at December 31	29,040	79.54	12,550	86.52	41,590	81.65	50,915	77.32

The 300,781 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, 2008, had an exercise price between CHF 66.35 and CHF 221.45 and an average remaining contractual life of 2.7 years.

Costs resulting from participation plans amounted to MCHF 3.6 in 2008 (PY: MCHF 3.5), those for option plans to MCHF 2.4 (PY: MCHF 2.1).

19. Deferred tax assets and liabilities

	2008 Total	Movements in 2008				2007 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 carryforwards	10.4	2.7			(2.1)	9.8
Accrued pension obligation	4.3	(1.8)		(0.4)	(0.3)	6.8
Property, plant and equipment	2.0	(0.5)			(0.2)	2.7
Goodwill and intangible assets	9.5	(1.8)			(1.0)	12.3
Other	14.8	1.1		(2.8)	(0.8)	17.3
Total deferred tax assets	41.0	(0.3)	0.0	(3.2)	(4.4)	48.9
Deferred tax liabilities						
Inventories	(5.5)	(1.0)			0.1	(4.6)
Property, plant and equipment	(44.1)	0.6	0.6		2.0	(47.3)
Prepaid pension asset	0.0	(0.4)		4.9		(4.5)
Intangible assets	(11.3)	1.7			0.8	(13.8)
Other	(8.5)	0.7		0.4	0.3	(9.9)
Total deferred tax liabilities	(69.4)	1.6	0.6	5.3	3.2	(80.1)
	2007 Total	Movements in 2007				2006 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 carryforwards	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)

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.

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, 2008 and 2007, there were no such retained earnings in the subsidiaries.

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

Maturity	2008	No deferred tax asset	Deferred tax asset	2007	No deferred tax asset	Deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
1 year	0.1	0.1		1.9	1.9	
2 years	0.1		0.1	0.1	0.1	
3 years	1.1		1.1	0.1		0.1
4 years	1.4	0.1	1.3	1.2	0.4	0.8
5 years	0.3		0.3	0.4	0.1	0.3
6 years	10.0	0.3	9.7	15.2		15.2
> 6 years	24.5	2.7	21.8	18.1	0.2	17.9
Total	37.5	3.2	34.3	37.0	2.7	34.3

20. Other non-current provisions and liabilities

	2008	2007
	MCHF	MCHF
Provisions for operating risks	18.7	18.6
Accrued grant payments	0.4	0.4
Derivatives (see Note 33)	27.9	31.7
Other non-current liabilities	16.1	17.0
Total other non-current provisions and liabilities	63.1	67.7

Provisions for operating risks mainly include provisions for warranties. 2008 and 2007 movements are shown in the following table. For details with respect to derivatives see Note 16.

Provisions for operating risks

	2008	2007
	MCHF	MCHF
January 1	18.6	19.7
Changes in Group organization (see Note 2)	(0.1)	(0.1)
Additions	4.9	4.8
Used	(2.2)	(4.0)
Reversed	(1.0)	(1.9)
Translation differences	(1.5)	0.1
December 31	18.7	18.6

21. 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.

In connection with the antitrust case "Bathroom Fittings and Fixtures" from the European Community Commission which has been pending since 2004, Geberit was asked in April 2008 to submit certain sales information. From Geberit's point of view the complaints raised against Geberit are not justified. Geberit still expects that the pending proceedings will not significantly influence the Group's 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 2009. As at December 31, 2008, no provision for a possible fine out of this antitrust case was recognized.

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 ongoing significant reorganizations 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.

22. Equity

In 2008, dividends of MCHF 206.9 were distributed to the shareholders of Geberit AG (CHF 5.20 per share).

As of December 31, 2008, the Group held a total of 4,044,940 (PY: 2,028,569) treasury shares with a carrying amount of MCHF 553.9 (PY: MCHF 247.8). In 2008, the Group purchased a net total of 2,016,371 treasury shares. Treasury shares are deducted at cost from equity.

Geberit AG has concluded its share buyback program, started in January 2008. Overall, and as originally envisaged, 2,080,090 registered shares, equal to MCHF 311.4 and corresponding to 4.84% of the share capital issued as at December 31, 2008, were repurchased. The share buyback program was conducted via a second trading line, set up on the SWX Europe especially for this purpose. The average purchase price per share was CHF 149.68. Geberit AG plans to propose to the General Meeting on April 30, 2009, a capital reduction in the scope of the shares repurchased and to cancel the shares.

For transactions in connection with the participation plans see Note 18.

23. 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.

	2008	2007
Attributable net income according to income statement (MCHF)	466.3	463.3
Thereof net income from continuing operations (MCHF)	466.3	409.8
Thereof net income from discontinued operations (MCHF)	0.0	53.5
Weighted average number of ordinary shares outstanding (thousands)	39,191	39,701
Earnings per share (EPS) from continuing operations (CHF)	11.90	10.32
Earnings per share (EPS) from discontinued operations (CHF)	0.0	1.35
Total earnings per share (CHF)	11.90	11.67

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.

	2008	2007
Attributable net income according to income statement (MCHF)	466.3	463.3
Interest and amortization expenses of Convertible Bond, net (MCHF)	2.2	4.7
Net income to determine diluted earnings per share (MCHF)	468.5	468.0
Thereof net income from continuing operations (MCHF)	468.5	414.5
Thereof net income from discontinued operations (MCHF)	0.0	53.5
Weighted average number of ordinary shares outstanding (thousands)	39,191	39,701
Adjustments for share options (thousands)	13	97
Adjustment for Convertible Bond (thousands)	309	1,564
Weighted average number of ordinary shares outstanding (thousands)	39,513	41,362
Diluted earnings per share (EPS) from continuing operations (CHF)	11.86	10.02
Diluted earnings per share (EPS) from discontinued operations (CHF)	0.0	1.29
Total diluted earnings per share (CHF)	11.86	11.31

24. Cash discounts and customer bonuses

	2008	2007
	MCHF	MCHF
Cash discounts	69.1	70.4
Customer bonuses	207.0	210.1
Total cash discounts and customer bonuses	276.1	280.5

In 2008, outbound freight costs and duties and the position "Other" were reclassified to "Other operating expenses, net" (see Note 1 and Note 25). Furthermore, MCHF 4.6 were reclassified in 2007 from the position "Other" to "Customer bonuses". At the same time, Note 24 was renamed from "Sales deductions" to "Cash discounts and customer bonuses".

25. Other operating expenses, net

	2008	2007
	MCHF	MCHF
Outbound freight costs and duties	75.8	74.2
Energy and maintenance expenses	81.3	81.2
Marketing expenses	66.5	58.4
Administration expenses	45.8	48.0
Other operating expenses	75.0	76.5
Other operating income	(13.2)	(20.2)
Total other operating expenses, net	331.2	318.1

In 2008, outbound freight costs and duties and the position "Other" of Note 24 were reclassified to "Other operating expenses, net" (see Note 1). The figures in 2007 were adjusted accordingly. The position "Other operating expenses" increased by MCHF 28.2 in 2007.

Other operating income includes, among others, rental income, gains from sales of fixed assets and catering revenues.

In 2008, costs of MCHF 16.0 (PY: MCHF 13.3) 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.

26. Finance costs, net

	2008	2007
	MCHF	MCHF
Interest income	(10.1)	(7.8)
Interest expenses	12.3	14.7
Amortization of deferred financing fees	1.0	1.5
Foreign exchange result, net	(10.1)	2.2
Other financial income	(0.3)	(0.5)
Other financial expenses	1.8	1.3
Total finance costs, net	(5.4)	11.4

27. Income tax expenses

	2008	2007
	MCHF	MCHF
Current taxes	103.8	128.2
Deferred taxes	(1.3)	(0.3)
Total income tax expenses	102.5	127.9

The differences between income tax expenses computed at the weighted average applicable tax rate of the Group of 19.0% (PY: 24.1%) and the effective income tax expenses provided on earnings were as follows:

	2008	2007
	MCHF	MCHF
Income tax expenses, at applicable rate	108.0	142.4
Utilization of not capitalized loss carryforwards	(0.5)	(0.3)
Operating losses with no current tax benefit	1.5	0.4
Changes in future tax rates	(3.2)	0.5
Non-deductible expenses including goodwill amortization, net	1.7	1.7
Other	(5.0)	(16.8)
Total income tax expenses	102.5	127.9

The main reason for the decline of the weighted average tax rate of 5.1% is the reduction of the income tax rate in Germany.

In 2008, the amount in the position "Changes in future tax rates" mainly contains the reduction in deferred taxes as a result of the income tax rate reduction in the canton St. Gallen (Switzerland) that becomes effective in 2009. The amount in 2007 is a result of the reversal and depreciation of deferred taxes in connection with the enacted income tax rate reduction in Germany. The position "Other" in 2007 of MCHF (16.8) mainly contains the correction of the tax-free gain from the sale of the PVC piping business in the UK.

28. Cashflow figures

Net cashflow is calculated as follows:

	2008	2007
	MCHF	MCHF
EBITDA	649.1	637.9
Finance costs, net	5.4	(11.4)
Income tax expenses	(102.5)	(127.9)
Deferred taxes charged/(credited) to net income (see Notes 19 and 27)	(1.3)	(0.3)
Changes in non-current provisions	28.2	21.3
Changes in other non-current assets and liabilities and other	(4.0)	(6.7)
Net cashflow	574.9	512.9

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:

	2008	2007
	MCHF	MCHF
Net cashflow	574.9	512.9
Purchase of property, plant and equipment and intangible assets, net	(146.8)	(89.9)
Changes in net working capital	(10.0)	(49.1)
Payments charged to non-current provisions	(10.2)	(11.2)
Free cashflow	407.9	362.7

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.

29. Segment information

The Group consists of a single business segment: the design, manufacturing and sale of sanitary products for the residential and commercial construction industry and for the renovation market. The segment information is therefore provided by geographical criterias.

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
2008									
Segment assets	300.4	761.6	76.6	235.7	178.8	148.2	1,411.2	(1,058.4)	2,054.1
Segment liabilities	92.4	263.2	25.9	79.3	41.2	56.9	1,241.7	(1,058.4)	742.2
Capital expenditure	43.5	64.3	5.0	15.0	9.7	13.5	1.5		152.5
Depreciation expense	20.8	33.4	2.8	10.4	4.9	4.7	1.5		78.5
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

Income statement information is as follows:

	Continuing operations							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
2008									
Intersegment sales	329.2	724.7	46.5	87.9	22.7	10.6			
External sales	293.3	777.7	278.1	534.8	370.5	200.7		2,455.1	2,455.1
Revenue from sales	263.4	651.7	255.7	481.9	332.7	193.6		2,179.0	2,179.0
Segment result	151.9	233.9	29.6	43.9	16.1	13.4	74.6	563.4	563.4
Finance costs, net								(5.4)	(5.4)
Income tax expenses								102.5	102.5
Net income								466.3	466.3
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
Revenue from sales	255.9	686.4	271.4	465.4	314.1	192.1		2,185.3	21.0 2,206.3
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

30. Related party transactions

In 2008 and 2007, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2008	2007
	MCHF	MCHF
Salary, bonus and other compensation	5.3	5.6
Granted options (24,144 in 2008 and 14,210 in 2007)	0.5	0.6
Total	5.8	6.2

2008 and 2007 amounts include all elements according to article 663b^{bis} and article 663c of the Swiss Code of Obligation. Further information regarding compensations and investments of the Group management are disclosed in the notes of the financial statements of Geberit AG.

In 2008 and 2007, there were no further material related party transactions.

31. Foreign exchange rates

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

			2008		2007	
	Currency		Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.4913	1.5898	1.6561	1.6412
United Kingdom	GBP	1	1.5293	2.0214	2.2547	2.4056
USA	USD	1	1.0576	1.0808	1.1257	1.1998
Poland	PLN	100	35.7500	45.5490	46.2190	43.3360
China	CNY	100	15.4950	15.6530	15.4120	15.7220
Denmark	DKK	100	20.0100	21.3360	22.2110	22.0420
Australia	AUD	1	0.7319	0.9204	0.9890	1.0076
Czech Republic	CZK	100	5.6030	6.3830	6.2380	5.8960
Hungary	HUF	100	0.5580	0.6360	0.6570	0.6530
Norway	NOK	100	15.0650	19.3790	20.7840	20.5530
Sweden	SEK	100	13.6760	16.5900	17.5720	17.7650
Singapore	SGD	1	0.7344	0.7632	0.7833	0.79715
Slovakia	SKK	100	4.9460	5.0580	4.9420	4.8580
South Africa	ZAR	100	11.3650	13.2540	16.5190	17.0150

32. Subsequent events

These financial statements were released by the Board of Directors on March 5, 2009.

33. 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 31.12.2008	At amortized cost	At cost	At fair value
	MCHF	MCHF	MCHF	MCHF
Financial assets				
Cash and cash equivalents	197.4	197.4		
Marketable securities	105.2			105.2
Receivables	172.7	172.7		
Other non-derivative financial instruments	6.4	4.9		1.5
Derivative financial assets	5.2			5.2
Financial liabilities				
Short-term debt	3.1	3.1		
Trade accounts payable	84.4	84.4		
Private Placement	105.3	105.3		
Revolving Facility	0.0			
Convertible Bond	29.6	29.6		
Other long-term debt	14.3	14.3		
Derivative financial liabilities	27.9			27.9
Aggregated by measurement category in accordance with IAS 39				
Loans and receivables	375.0	375.0		
Held-to-maturity investments				
Available-for-sale financial assets				
Financial assets at fair value	111.9			111.9
Financial liabilities at amortized cost	236.7	236.7		
Financial liabilities at fair value	27.9			27.9

	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

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 31.12.08 MCHF	Maturity				
		2009 MCHF	2010 MCHF	2011 MCHF	2012 MCHF	2013 and later MCHF
Short-term debt	3.1	3.5				
Trade accounts payable	84.4	84.4				
Private Placement	105.3	42.7	3.8	3.8	72.6	
Revolving Facility	0.0					
Convertible Bond	29.6	0.3	30.9			
Other long-term debt	14.3	0.8	2.9	2.3	2.0	9.2
Derivative financial liabilities	27.9	6.6	4.9	4.9	86.6	
Derivative financial assets	(5.2)	65.1				
Total	259.4	203.4	42.5	11.0	161.2	9.2
	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

34. Group companies as of December 31, 2008

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 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	○
Geberit Vertriebs GmbH, Pfullendorf	100	△

Germany	Owner-ship in %	Activity
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., Lisbon	100	△
Singapore		
Geberit South East Asia Pte. Ltd., Singapore	100	△
Slovakia		
Geberit Slovensko s.r.o., Bratislava	100	△
Slovenia		
Geberit Sanitarna tehnika d.o.o., Ruše	100	□
Geberit prodaja d.o.o., Ruše	100	△
South Africa		
Geberit Southern Africa (Pty.) Ltd., Sandton	100	△
Spain		
Geberit S.A., Barcelona	100	△
Sweden		
Geberit AB, Malmö	100	△
Turkey		
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100	△
United Kingdom		
Geberit Sales Ltd., Warwick	100	△
USA		
Duffin Manufacturing Co., Elyria	100	□/△
The Chicago Faucet Company, Des Plaines	100	□/△

○ Services, holding functions

△ Distribution

□ Production

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

Report of the statutory auditors on the consolidated financial statements

As statutory auditors, we have audited the consolidated financial statements of Geberit AG, which comprise the balance sheet, income statement, cash flow statement, statement of comprehensive income, statement of changes in equity and notes (pages 70 to 112), for the year ended December 31, 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

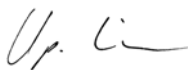
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



René Rausenberger
Audit expert
Auditor in charge



Hanspeter Stricker
Audit expert

Zurich, March 5, 2009

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Financial Statements

Geberit AG

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Financial Statements

Balance Sheets

	31.12.2008	31.12.2007
	MCHF	MCHF
Current assets		
Cash and cash equivalents	0.0	0.2
Treasury shares	392.6	179.1
Accounts receivable		
– Third parties	5.3	3.8
– Group companies	37.4	160.6
Total current assets	435.3	343.7
Non-current assets		
Investments	956.4	956.4
Intangible assets: deferred financing costs Convertible Bond	0.1	1.4
Total non-current assets	956.5	957.8
Total assets	1,391.8	1,301.5
Current liabilities		
– Third parties	2.2	1.9
– Group companies	4.9	4.1
Total current liabilities	7.1	6.0
Non-current liability: Convertible Bond	30.6	155.3
Shareholders' equity		
Capital stock	4.3	4.2
Legal reserves		
– General reserve, share premium	125.1	15.1
– Reserve for treasury shares	553.9	247.8
Free reserves	362.5	564.3
Retained earnings	308.3	308.8
Total shareholders' equity	1,354.1	1,140.2
Total liabilities and shareholders' equity	1,391.8	1,301.5

Income Statements

	2008	2007
	MCHF	MCHF
Income		
Dividends from Group companies	400.0	300.0
Financial income	3.6	3.3
Other operating income	0.4	0.3
Total income	404.0	303.6
Expenses		
Administrative expenses	3.0	2.6
Financial expenses	3.8	2.4
Loss on treasury shares	97.9	0.0
Total expenses	104.7	5.0
Net income	299.3	298.6

Notes to the Financial Statements

1. Notes (in accordance with Articles 663b, 663b^{bis} and 663c of the Swiss Code of Obligations)

1.1 Guarantees, assets pledged in favor of third parties

	31.12.2008	31.12.2007
	MCHF	MCHF
Guarantee Revolving Facility	400.0	400.0
Guarantees in connection with Private Placement (MUSD 100)	105.8	112.6

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 Europe 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 were convertible until May 5, 2008, into 50.35247 registered shares of Geberit AG. Since May 6, 2008, bonds of CHF 5,000 each are convertible into 50.55101 registered shares of Geberit AG at any time during the conversion period; fractions exceeding CHF 10 will be paid out in 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:	Until May 5, 2008, CHF 99.30 per registered share of Geberit AG Since May 6, 2008, CHF 98.91 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 171,334

1.3 Significant investments

All Group companies are listed in the Consolidated Financial Statements of the Geberit Group (see Note 34).

1.4 Share capital

The share capital of Geberit AG consists of 43,003,852 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, 2007	2,028,569			
Purchases, share buyback program	2,080,090	178.38	149.68	126.99
Purchases	72,123	149.41	133.87	118.67
Sales	-135,842	179.80	146.12	104.09
Balance at December 31, 2008	4,044,940			
Number of treasury shares held by Geberit AG	3,471,090			

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 1,391,000 shares for MCHF 179.1 at an average price of CHF 128.75. No decision has been taken yet concerning the utilization of the repurchased shares.

The Board of Directors of Geberit AG decided to initiate a second share buyback program in 2008 and determined a maximum repurchasing volume of 5% of the share capital recorded in the Commercial Register. Under this program, the company repurchased shares for MCHF 311.4 at an average price of CHF 149.68. Geberit AG plans to propose to the General Meeting on April 30, 2009, a capital reduction in the amount of the shares repurchased and to cancel the shares.

The legal reserves for treasury shares were recorded at cost.

1.6 Capital increases

	31.12.2008 MCHF	31.12.2007 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, 2008, 1,403,852 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	H. Hess Vice Chairman	R. Hanslin	R. Heberlein	H. Reuter	K. Weisshaar	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2008							
Remuneration of the Board of Directors							
Accrued remuneration ¹		16,667		-13,333	70,000	-13,333	60,001
Shares ²	337,083	200,109	168,802	185,500		130,711	1,022,205
Expenses	10,000	10,000	10,000	10,000	6,667	10,000	56,667
Expenditure on pensions							
– Contributions to social insurance	18,184		9,284	10,167		9,374	47,009
– Withholding tax						44,720	44,720
Total	365,267	226,776	188,086	192,334	76,667	181,472	1,230,602
							CHF
Remuneration to former members of the Board of Directors							
Accrued remuneration ¹							-96,667
Shares ²							252,551
Contributions to social insurance							13,713
Total							169,597
							CHF
2007							
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		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 ¹							-36,667
Shares ²							62,892
Contributions to social insurance							4,062
Total							30,287

¹ Directors fee booked, but not yet paid as at December 31. Negative amounts result if the provision in the previous year was higher than the provision in the current year.

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 130.45 (PY CHF 174.70), made up of CHF 146.60 (PY CHF 196.30) market value at grant date less CHF 16.15 (PY 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 73.30 (CHF 146.60 less 50% discount) (PY CHF 98.15 [CHF 196.30 less 50% discount]). The description of the program can be seen in Note 18 "Participation plans" of the Consolidated Financial Statements.

	2008		2007	
	A. Baehny CEO	Total	A. Baehny CEO	Total
	CHF	CHF	CHF	CHF
Remuneration of the Group Executive Board				
Cash/deposits				
– Fixed salary	736,801	2,027,207	736,801	1,977,612
– Variable salary ¹	-196,999	38,620	69,408	702,287
Shares/options				
– Shares (instead of variable salary) ^{1, 2}	629,656	1,230,999	566,912	1,056,368
– Discount on purchase of shares (ESPP) ³				14,232
– Call options MSOP A ⁴	55,973	155,232	56,150	152,073
– Call options MSOP B ⁵	51,179	141,935	51,316	138,980
– Call options MSPP ⁶	128,796	251,800	139,076	259,150
Non-cash benefits				
– Private share of company vehicle ⁷	9,180	30,768	8,160	25,704
Expenditure on pensions				
– Pension plans and social insurance	158,334	545,712	155,728	502,937
– Contribution health/accident insurance	2,475	10,320	2,249	9,416
Total⁸	1,575,395	4,432,593	1,785,800	4,838,759

¹ The variable salary includes remuneration components of shares and cash and is based on the accrual principle. Therefore, the figures disclosed in the table are expensed accruals to be paid out in the following year. In the table this amount corresponds to the sum of the two line items "Variable salary" and "Shares (instead of variable salary)". Since the shares obtained instead of variable salary correspond to the shares obtained in the current year (which is equal to the whole or a part of the variable salary accrued in the previous year) the line "Variable salary" can show a negative amount if the overall variable salary component is decreasing, so that the total of the two lines correctly represent the expenses for the current year.

² Registered shares in the company with a par value of CHF 0.10 each, 3-year blocking period, valued at CHF 123.10 (PY CHF 164.80), made up of market value at grant date of CHF 146.60 (PY CHF 196.30) less CHF 23.50 (PY CHF 31.50) tax benefit for blocking period.

³ Managers who did not join the company until after September 30 of the business year 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 18 "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 1 registered share at an exercise price of CHF 142.00 (PY CHF 211.40); definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 21.95 (PY 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 1 registered share at an exercise price of CHF 148.80 (PY CHF 221.45); definitive acquisition of the option ("vesting") dependent on various conditions, 4-year blocking period, market value of CHF 20.07 (PY 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 1 registered share at an exercise price of CHF 146.60 (PY CHF 196.30); definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 25.18 (PY 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 18 "Participation plans" of the Consolidated Financial Statements.

	Maturity	Average exercise price in CHF	G. F. Kelm Chairman	H. Hess Vice Chairman	R. Hanslin	R. Heberlein	H. Reuter	K. Weisshaar	Total
2008									
Shareholdings Board of Directors									
Shares		655,354	4,045	366,634	85,712	70	7,122	1,118,937	
Share of voting rights		1.52%	< 0.1%	0.85%	0.20%	< 0.1%	< 0.1%	2.60%	
Call options¹									
End of blocking period:									
lapsed	2009-2011	98.39	5,010		7,370				12,380
2009	2010-2012	94.75			2,720				2,720
2010	2011-2013	122.00			2,400				2,400
Total options		5,010			12,490				17,500
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
2008							
Shareholdings Group Executive Board							
Shares			26,055	21,140	546	3,500	51,241
Share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.12%
Call options¹							
End of blocking period:							
lapsed	2009-2011	105.13	14,180	3,570		500	18,250
2009	2010-2012	167.48	7,880	4,570	770	3,650	16,870
2010	2011-2013	136.87	10,315	5,949	2,008	4,590	22,862
2011	2012	221.45	1,440	830	770	860	3,900
2012	2013	148.80	2,550	1,530	1,462	1,530	7,072
Total options			36,365	16,449	5,010	11,130	68,954
Potential share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%

¹ Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	G. F. Kelm Chairman	K. Feller Vice Chairman	R. Hanslin	R. Heberlein	H. Hess	K. Weisshaar	Total
2007									
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
2007							
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

1.8 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:

	31.12.2008	31.12.2007
Geberit AG, Rapperswil-Jona	9.41%	4.86%
Capital Group Companies, Inc. Los Angeles	5.05%	
MFS Investment Management, Boston	3.43%	

1.9 Risk Management

Geberit AG is integrated into the group-wide risk assessment process of the Geberit Group.

A description of the risk management system in the Geberit Group can be seen in Note 4 "Risk assessment and management" of the Consolidated Financial Statements.

2. Other disclosures required by the law

Proposal for the appropriation of available earnings

Proposal by the Board of Directors to the General Meeting

	2008 CHF	2007 CHF
Available earnings		
Net income	299,349,273	298,613,251
Balance brought forward	8,936,142	10,139,308
Total available earnings	308,285,415	308,752,559
Transfer to free reserves	90,000,000	90,000,000
Proposed/Paid dividend	213,476,915	209,816,417
Balance to be carried forward	4,808,500	8,936,142
Total appropriation of available earnings	308,285,415	308,752,559
Transfer of the share premium resulting from conversion to free reserves	124,243,687	14,329,259

Dividend payments

The Board of Directors proposes a dividend payment of CHF 5.40 per share (PY CHF 5.20 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.

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

Report of the statutory auditors on the financial statements

As statutory auditors, we have audited the financial statements of Geberit AG, which comprise the balance sheet, income statement and notes (pages 118 to 126), for the year ended December 31, 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

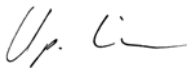
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



René Rausenberger
Audit expert
Auditor in charge



Hanspeter Stricker
Audit expert

Zurich, March 5, 2009

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**Oil platform,
Gulf of Mexico, USA**



28°51'00" N / 92°54'00" E	
Average annual humidity	78%
Average annual temperature	20.4 °C
Average daily precipitation	3.75 mm
Altitude above sea level	40 m

An oil rig is a complex, independently functioning structure in the sea housing workers and machines. The requirements in terms of sanitary technology in this environment, with no constant supply of fresh water, exposed to high waves and storms, are unique.

Normally, around 1.5 million barrels of oil are extracted each day in the entire Gulf of Mexico, approximately two percent of global production.

Geberit Key Figures

		2008	2007
Sales	MCHF	2,455.1	2,486.8
Change on previous year	%	-1,3	+13.9
Operating profit (EBIT)	MCHF	563.4	553.8
Margin	%	22.9	22.3
Net income	MCHF	466.3	463.3
Margin	%	19.0	18.6
Operating cashflow (EBITDA)	MCHF	649.1	637.9
Margin	%	26.4	25.7
Free cashflow	MCHF	407.9	362.7
Margin	%	16.6	14.6
Finance costs, net	MCHF	-5.4	11.4
Research and development expenses	MCHF	46.0	48.1
In % of sales	%	1.9	1.9
Earnings per share*	CHF	11.90	11.67
Earnings per share, adjusted**	CHF	11.90	11.67
Capital expenditure	MCHF	152.5	103.5
Number of employees	31.12.	5,697	5,344
Annual average		5,684	5,360
Sales per employee	TCHF	431.9	464.0
		31.12.2008	31.12.2007
Total assets	MCHF	2,054.1	2,298.3
Liquid funds and marketable securities	MCHF	302.6	450.1
Net working capital	MCHF	156.5	168.7
Property, plant and equipment	MCHF	555.5	529.3
Goodwill and intangible assets	MCHF	756.2	828.8
Corporate debt	MCHF	152.3	273.9
Equity	MCHF	1,311.9	1,404.4
Equity ratio	%	63.9	61.1
Gearing	%	-11.5	-12.5

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

** Adjusted for amortization of goodwill

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; picture editing: Köpfli & Partner AG, Neuenhof; Prepress/Press: Linkgroup, Zurich; photos Geberit Management: Katharina Wernli, Zurich; photos cover: © Jean Guichard, Paris; photos pages 14/15: © T.S.M.M. Teknecilik San. Ltd. Sti., Antalya; photos pages 66/67: © International Polar Foundation, Brussels.

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

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

Geberit Products



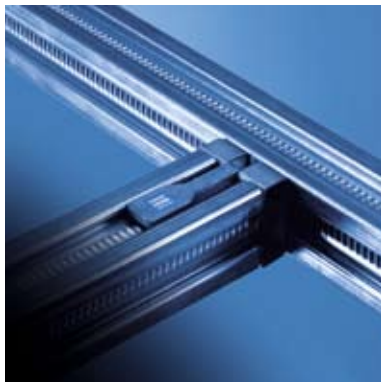
Actuator plate



Touch-free urinal flush control



Sanitary flushing



Installation system



Bathtub drain PushControl



Inliner circulation Mepla & Mapress



Installation element for urinal



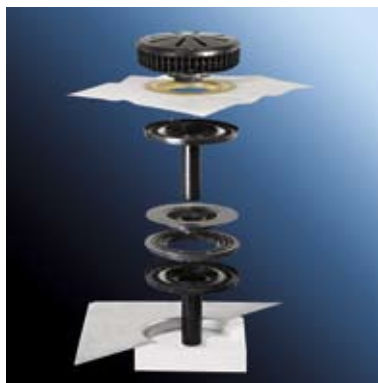
Balena shower toilet



Mapress C-steel pressfittings



Filling valve



Roof drainage system



Sound absorbing drainage system



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