GEBERIT

Annual Report 2010

GEBERIT

Geberit Group 2010

Annual Report

Sales

+5.0%

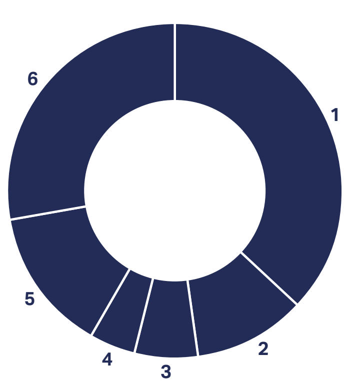
currency adjusted sales growth in 2010

Earnings per share

+1.4%

growth in earnings per share in 2010

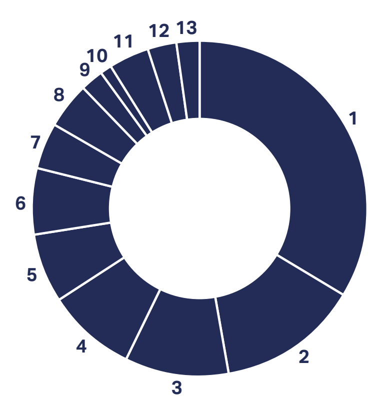
2010 sales by product areas and product lines



Sanitary Systems (58.5%)
1 Installation Systems (37.2%)
2 Cisterns and Mechanisms (10.8%)
3 Faucets and Flushing Systems (6.1%)
4 Waste Fittings and Traps (4.4%)

Piping Systems (41.5%)
5 Building Drainage Systems (13.9%)
6 Supply Systems (27.6%)

2010 sales by markets/regions



1 Germany (33.7%)
2 Switzerland (13.6%)
3 Italy (10.1%)
4 Benelux (8.6%)
5 Central/Eastern Europe (6.7%)
6 Austria (6.3%)
7 Nordic countries (4.6%)
8 France (4.2%)
9 United Kingdom/Ireland (2.3%)
10 Iberian peninsula (1.1%)
11 America (3.8%)
12 Far East/Pacific (2.8%)
13 Middle East/Africa (2.2%)

Content

Key Figures

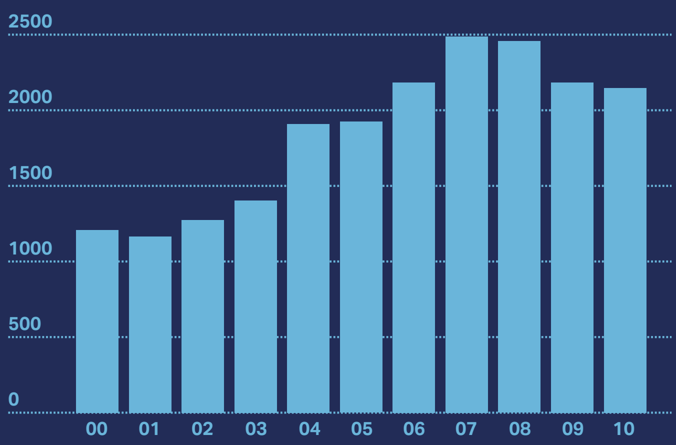
		2010	2009
Sales	MCHF	2,146.9	2,181.2
Change on previous year	%	-1.6	-11.2
Change on previous year currency adjusted		5.0	-6.5
Operating profit (EBIT)	MCHF	486.2	526.7
Margin	%	22.6	24.1
Net income	MCHF	406.8	397.5
Margin	%	18.9	18.2
Operating cashflow (EBITDA)	MCHF	573.7	611.0
Margin	%	26.7	28.0
Free cashflow	MCHF	493.8	349.7
Margin	%	23.0	16.0
Financial results, net	MCHF	-14.3	-13.5
Research and development expenses	MCHF	44.2	45.6
In % of sales	%	2.1	2.1
Earnings per share	CHF	10.32	10.18
Capital expenditure	MCHF	80.5	106.4
Number of employees	31.12.	5,820	5,608
Annual average		5,793	5,634
Sales per employee	TCHF	370.6	387.1

		31.12.2010	31.12.2009
Total assets	MCHF	2,171.2	2,212.2
Liquid funds and marketable securities	MCHF	586.6	406.5
Net working capital	MCHF	108.5	180.9
Property, plant and equipment	MCHF	514.3	576.2
Goodwill and intangible assets	MCHF	658.8	753.1
Corporate debt	MCHF	73.4	110.9
Equity	MCHF	1,520.9	1,509.2
Equity ratio	%	70.0	68.2
Gearing	%	-33.7	-19.6

At a glance

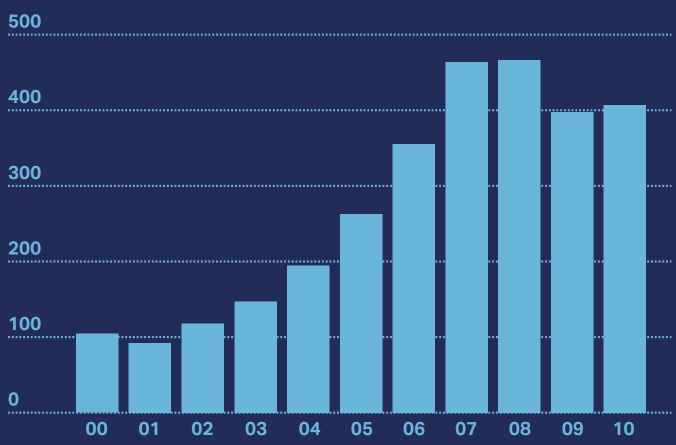
Sales development 2000–2010

(in CHF million)

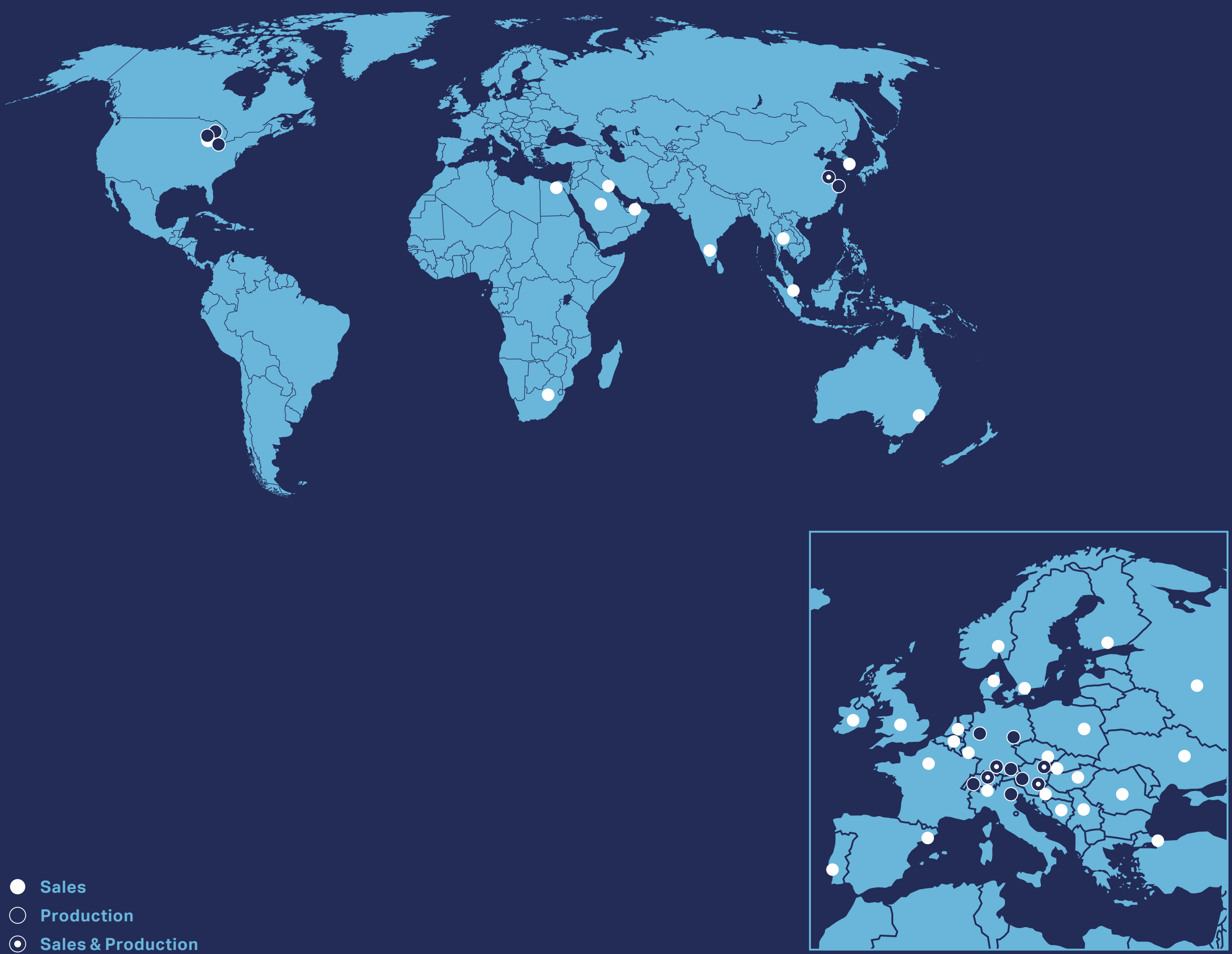


Net income development 2000–2010

(in CHF million)



Global Presence 2010



Geberit share information

Share price performance in the year under review
The Geberit share price performed extremely well over the trading year despite the volatile market environment. The difficult and barely predictable situation on the currency and raw material markets also had an effect on Geberit's stock performance. Starting at CHF 183.50 at the beginning of the year, the price held its own in the first three quarters despite a slight downward trend. In the fourth quarter, positive reports from the construction sector in conjunction with Geberit's sustainable return to its growth path ensured a significant increase in the stock price. At CHF 216.20, Geberit shares closed the year with a significantly stronger growth of 17.8% in comparison to relevant indices. The Swiss Performance Index (SPI) rose 2.9% over the same period. Over the last five years, the average annual increase in the value of Geberit stock was 15.9% (SPI: +0.2%). The Geberit Group's market capitalization reached CHF 8,916 million as of the end of 2010.

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

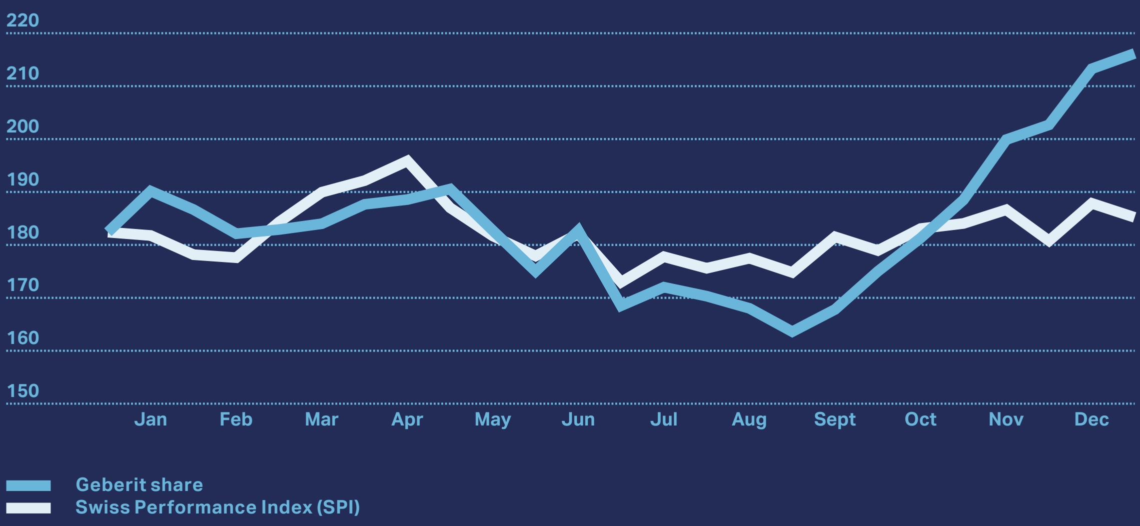
At the end of 2010, the free float as defined by SIX was 100%.

Distribution
Given a normal market environment, Geberit can achieve solid free cash flows, which are either used to pay back debts or distributed to shareholders. The capital structure is prudently maintained and the Company strives for a solid balance sheet structure with a buffer of liquidity. On the one hand, this policy guarantees the financial flexibility necessary to achieve growth targets, and on the other hand, offers investors security. Surplus liquid funds are distributed to shareholders. Geberit continued this shareholder-friendly distribution policy last year as well.

The Board of Directors of Geberit AG has decided to initiate a share buyback program in 2011 and 2012. Shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased via a separate trading line, less withholding tax, and cancelled by means of a capital reduction. Based on the closing price of Geberit registered shares on January 11, 2011, the value of the shares to be bought back was approximately CHF 440 million. The buyback program began on January 17, 2011.

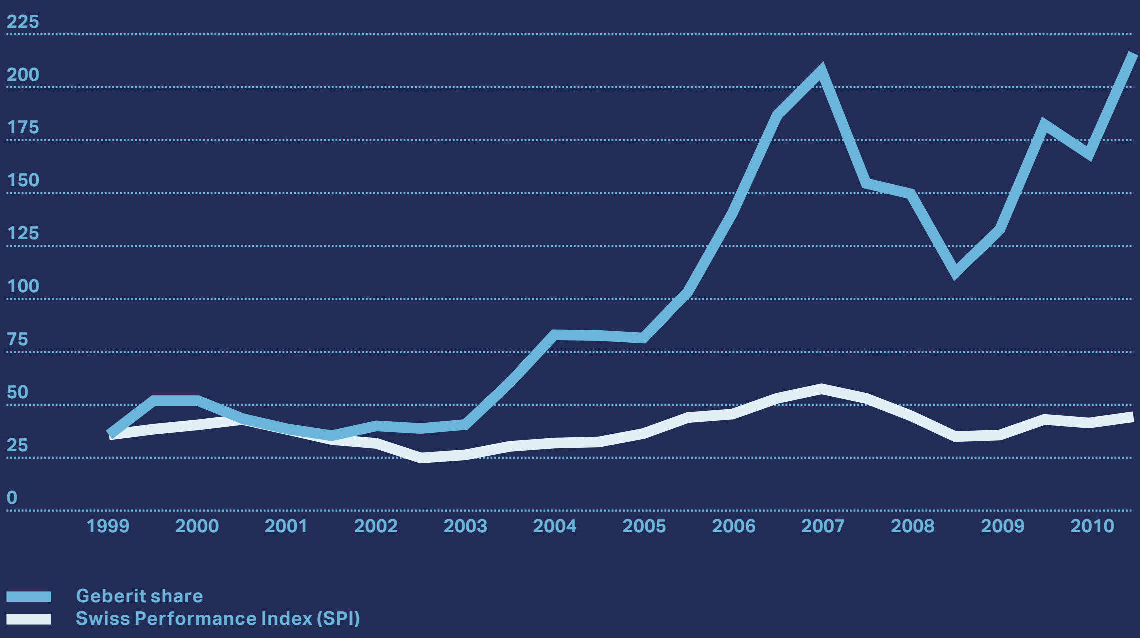
Geberit AG plans to propose to the General Meeting on April 19, 2011, a capital reduction in the amount of the shares repurchased under the 2006 share buyback program and to cancel the shares. During that program, 1,391,000 shares were bought back, representing 3.4% of the share capital.

Share price development January 1 until December 31, 2010



Source: Bloomberg

Share price development June 22, 1999 (IPO), until December 31, 2010



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

Payout ratio

59%

The payout ratio for 2010 is in the mid-range of the new defined range of 50% to 70%

The Board of Directors of Geberit AG will propose a distribution of CHF 6.00 to the General Meeting on April 19, 2011. This represents an increase of 11.1% over the normal dividend paid the previous year (2009: normal dividend of CHF 5.40 plus a special dividend of CHF 1.00). As such, the shareholder-friendly distribution policy will be continued. Due to a recently implemented change in Swiss tax law, the distribution will be handled as a tax-exempt payment to shareholders taken entirely from reserves from capital contribution. The payout ratio of 58.8% of net income is in the mid-range of the 50% to 70% range, which was increased by the Board of Directors as a result of the reassessment of the use of liquid funds at the beginning of 2011.

Distribution (CHF per share)*

	2010	2009	2008	2007	2006
Dividend		6.40**	5.40	5.20	4.00
Capital redemption	6.00				
Total	6.00	6.40	5.40	5.20	4.00

* Based on the 1:10 stock split implemented on May 8, 2007
** Inclusive special dividend of CHF 1.00

Subject to the shareholders' approval, it will be paid on April 28, 2011.

Geberit share

18%

Growth of the Geberit share in 2010

Time schedule

	2011
General meeting	April 19
Dividend payment	April 28
Interim report first quarter	May 3
Half-year results	August 16
Interim report third quarter	November 3

	2012
First information 2011	January 12
Results full year 2011	March 8
General meeting	April 4
Dividend payment	April 13
Interim report first quarter	April 26

(Subject to minor changes)

Communication

Geberit simultaneously publishes current and comprehensive information for all market participants and interested parties on the Internet (www.geberit.com), 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, 2010)

Registered shareholders	18,055
Capital stock (CHF)	4,123,801
Number of registered shares of CHF 0.10 each	41,238,005
Registered shares	26,583,827
Treasury stock:	
– Treasury shares	304,196
– Share buyback program	1,391,000
Total treasury stock	1,695,196
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Reuters	GEBN.VX

Key figures (CHF per share)	**2010**	**2009**
Net income	10.32	10.18
Net cashflow	13.53	12.17
Equity	38.58	38.65
Distribution	6.00	6.40

Editorial

«We were able to increase sales by 5% in local currencies, despite the challenging environment.»

In 2010, the Geberit Group succeeded in maintaining results at the high level of the previous years. Sales reached CHF 2,146.9 million. This corresponds to growth of 5.0% in local currencies. Negative currency effects resulted in a decline of 1.6% in Swiss Francs. Operating margins were below the record levels of the previous year, but were still considerably above the average of recent years. Operating profit (EBIT) was substantially negatively impacted by currency effects. It dropped by 7.7% to CHF 486.2 million, corresponding to an EBIT margin of 22.6%. As a consequence of a lower tax rate, net income increased by 2.3% to CHF 406.8 million with a return on sales of 18.9%. Accordingly, earnings per share rose by 1.4% to CHF 10.32. With free cashflow up again by +41.2% to CHF 493.8 million the Company's financial basis was further strengthened.

Considered over the entire year, the environment in the construction sector was demanding. But the economic climate brightened appreciably beginning in the second half of the year, above all in several Western European markets that Geberit views as important, and the Group was able to rely on its traditional strength in the renovation business. Both consequent cost management and efficient processes throughout the entire value chain formed the foundation for the positive results. The Group maintained all commitments to its major investment plans. Moreover, there were focused investments in organic growth initiatives in individual regions/markets, which should result in substantial contributions to growth in the medium term. In May 2010, the new headquarters for the Asia/Pacific Region in Shanghai with office space, a modern production and logistics infrastructure, a training center, and development and test laboratories were opened. New products that will increase Geberit's visibility among end users were launched during the reporting year. These include Geberit Monolith, a toilet system for the renovation market, whose cistern is positioned behind an elegant glass cover, and the innovative Geberit shower drain solution for floor-even showers. Both products have already been awarded numerous design prizes. Read more about these new products on pages 33 to 41.

The Board of Directors intends to maintain an attractive distribution policy for the future. The Board has therefore decided to propose a distribution of CHF 6.00 to the 2011 General Meeting, representing an increase of 11.1% over the normal dividend paid the previous year. The payout ratio of 59% would thus fall within the newly defined and likewise increased distribution range of 50% to 70% of net income. In light of the Company's very solid financial situation, we also began buying back a maximum of 5% of the share capital in mid-January 2011, allowing additional liquid resources to be paid back to shareholders.

The 2011 General Meeting will see a changing of the guard in the chairmanship of the Board of Directors. The Board of Directors will propose the election of Albert M. Baehny to the Board – as successor to the outgoing current chairman – in order to then entrust him with the chairmanships of both the Group Executive Board and the Board of Directors. This will result in the seamless transition at the highest levels of responsibility as well as the necessary continuity in the management of the Group, and is thus in the best interests of the Company and its shareholders and employees. As Vice President and Lead Director, Robert F. Spoerry will ensure adequate control mechanisms to certify good corporate governance. Hans Hess and Hartmut Reuter's terms of office will also end at the 2011 General Meeting. Because of his election as the new President of Swissmem and various other duties, Hans Hess is not available for reelection to the Board of Directors. The Board of Directors and the Group Executive Board extend their heartfelt thanks for his valuable contributions and entrepreneurial impetus to the continued development of the company. Hartmut Reuter is standing for reelection for another three-year term.

We credit the positive results in 2010 to the outstanding commitment, the high motivation and the skills of our employees in 41 countries. At this point, we wish to express our thanks and appreciation for their exemplary performance. We would again like to extend special thanks to our customers in the commercial and trade sectors for their solidarity and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

We intend to consequently continue along our successful path in the new year and anticipate a slight recovery of renovation business in residential construction in large parts of Europe. Commercial construction, on the other hand, will remain weak. The Geberit Group is well equipped to achieve our ambitious goals. With the performance of our competent and motivated managers and employees, the market success of our recently launched products, our effective, efficient and market-oriented organization as well as the continued trusting collaboration with our market partners, we look to the future with confidence.

↑ Günter F. Kelm
Chairman of the Board of Directors

↑ Albert M. Baehny
Chief Executive Office (CEO)

Management Structure

Board of Directors
Chairman: Günter F. Kelm, Vice Chairman: Hartmut Reuter

Chief Executive Officer
Albert M. Baehny

Human Resources
R. Held

Communications
R. Sidler

Marketing
Dr Ph. Bucher

Strategic Planning
Dr M. Baumüller

Environment/ Substainability
R. Högger

Shower toilet
Dr Ch. Buhl

Sales Europe
Dr Karl Spachmann

Germany
Dr K. Spachmann a.i.

Italy
G. Castiglioni

Switzerland
Dr H. P. Tinner

Austria
Ch. Steinberg

Netherlands
M. Portengen

Belgium
P. Forier

Nordic countries
L. Risager

France
P. Jouvet a.i.

Great Britain
M. Larden

Poland
A. Dobrut

Czech Republic
V. Sedlacko

Slovakia
V. Sedlacko

Hungary
T. Rubóczky

Adriatic region
M. Medved

Spain
D. Mayolas

Portugal
J. Seabra

OEM
T. Beck

Sales International
William J. Christensen

North America
A. Nowak

Far East / Pacific
M. Schumacher

China
Ch. Kober

Singapore
E. Foo

Australia
Ch. Stauber

Middle East / Africa (GISA)
W. J. Christensen a.i.

Products
Dr Michael Reinhard

Finance
Roland Iff

Quality
Dr J. Auge

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
M. Heierli

Faucets & Flushing Systems
D. Raissle

Waste Fittings & Traps
Th. Kiffmeyer

Shower toilet
A. Gierer

Project Manager Pool
R. Kuster

Design and Application Engineering
E. Schibig

Production
Sanitary Systems
H. Kirsch

Production Lichtenstein (DE)
Th. Schweikart / H. Müller

Production Weilheim (DE)
H. Kirsch

Production Ruše (SI)
M. Urbančič

Production Matrei (AT)
J. Rapp

Production Pfullendorf (DE)
R. Lernbecher

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
Ch. Steiger

Production Plants USA
A. Nowak

Controlling
B. Gresser

Treasury
Th. Wenger

Internal Audit
Dr M. Reiner

Information Technology
E. van den Berg

Legal Services
Dr A. Riebel

Service, Finance and Holding Companies
W. Frei / J. Haas

Business and Financial Review

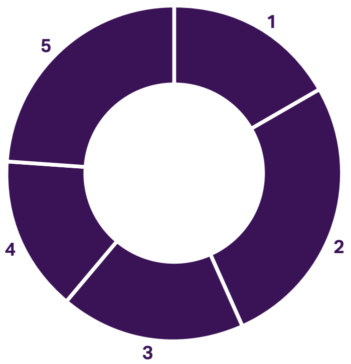
Business and Financial Review

Despite an even rawer competitive environment, Geberit was able to expand its position as a leading provider of sanitary technology and gain additional market shares.

The Geberit Group has held its own in a once again difficult environment. Sales in local currencies managed to start growing again. In Swiss Francs, this development was impaired by negative currency effects. Operating margins were slightly below the record levels of the previous year, but were still at the upper end of the range of the past ten years. Continued strict cost management was a significant factor. These results came about even though considerable amounts were invested in organic growth initiatives in sales markets. Despite an even rawer competitive environment, the Company was able to expand its position as a leading provider of sanitary technology and gain additional market shares.

Total construction output Europe 2010

(EUR 1,283 billion)



1 **Residential – New (16%)**
2 **Residential – Renovation (27%)**
3 **Non-residential – New (18%)**
4 **Non-residential – Renovation (15%)**
5 **Civil engineering (24%)**

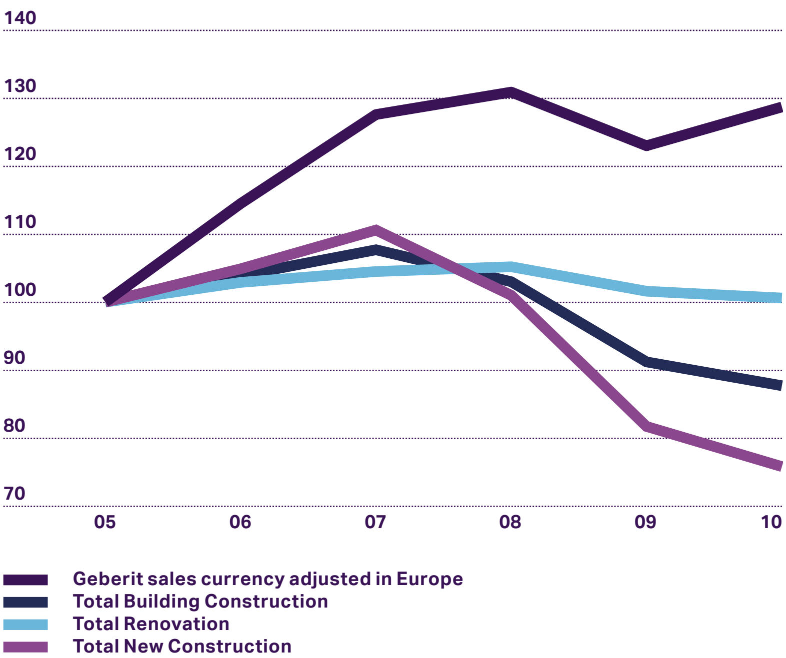
Slow recovery in the construction sector

Economic conditions remained difficult in the year under review. Construction activity declined again in many areas. On the other hand, many countries important to Geberit held their own, and Asian markets got back on a growth path.

In **Europe,** December 2010 estimates from Euroconstruct for the whole of 2010 indicate that the considerable decline in building construction volume in 2008 and 2009 has been stemmed. Renovation business, which is particularly important to Geberit, continued to trend only slightly downward, driven in many markets by a slack-off in residential construction. By comparison, new construction business lost ground across the board. 76% of the total 2010 European construction volume of EUR 1,283 billion came from building construction, in which Geberit is active: 43% from residential and 33% from non-residential construction. Against the backdrop of this industry data, Geberit expects to have again outperformed the competition in the year under review.

Construction output and Geberit sales in Europe 2005–2010

(Index: 2005 = 100)



Source: 68th Euroconstruct Conference, Zurich, November 2009; Geberit

In the **US,** gross domestic product (GDP) climbed 2.9% after falling 2.6% in the prior year. Construction investments declined by 10.3%. The economic crisis had the entire construction industry firmly in its grip in 2010. In addition to continued negative residential construction (-1% in 2010), commercial and institutional construction, a more relevant sector for Geberit in the US, continued to decline by 21%. High unemployment had an adverse affect on development. The number of permits for new single-family residential construction remained significantly below expectations during the year under review, rising by only 2.6%; construction completions were 17.7% below the prior year level. In non-residential construction, the building of offices, hotels, commercial buildings and schools/universities especially floundered substantially below the reference values of the prior year.

Gross domestic product (GDP) in **Asia** (including India) rose by 9.4% in the year under review, in China alone by a healthy 10.3%. This increase helped the growth rates of the overall economy – including the construction industry – back to pre-crisis levels. Asia proved to be a stable pillar of the global economy in 2010, as the economic recovery that began in late 2009 continued its course. Into the first quarter of 2010, the easing of tensions was materially driven by governmental economic stimulus packages. However, China, Hong Kong and Singapore have since passed significant regulatory measures in an attempt to alleviate fears of an overheated real estate sector. The effects of these measures are still unclear as of yet.

Gratifying sales growth in local currencies

The Geberit Group achieved sales of CHF 2,146.9 million in 2010 (prior year CHF 2,181.2 million). Substantial negative currency effects – mainly as a result of the Swiss Franc's strength against the Euro – led to a decrease of 1.6% in Swiss Francs. After currency adjustments, however, this corresponds to an increase of 5.0%.

The decline in sales in Swiss Francs included a negative foreign currency effect of 6.6%, which was only partially offset by a price effect of 0.2% and a volume effect of 4.8%.

Despite slower sales growth over the past three years, the sales trend remains positive for the medium term. Average growth has been 5.9% annually over the past ten years.

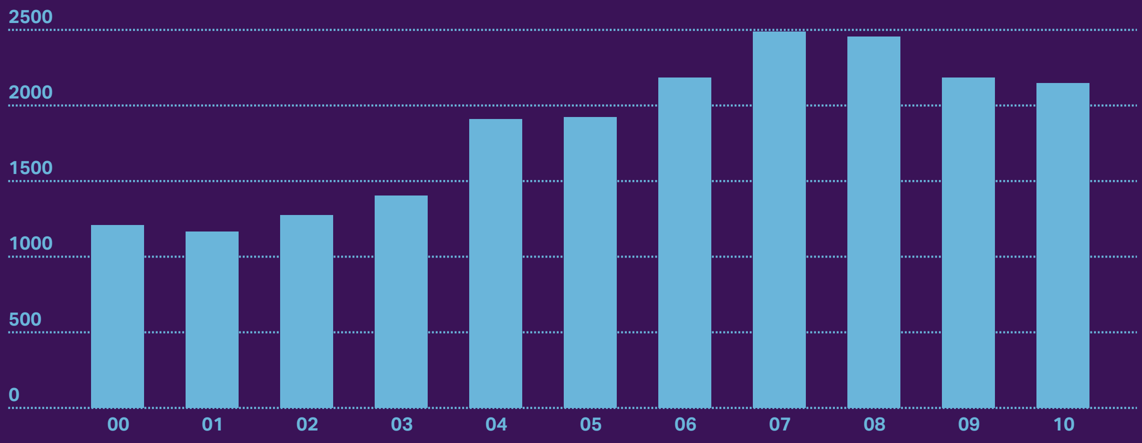
Positive performance in the markets/regions

The following sales figures by country and region relate to changes in local currency.

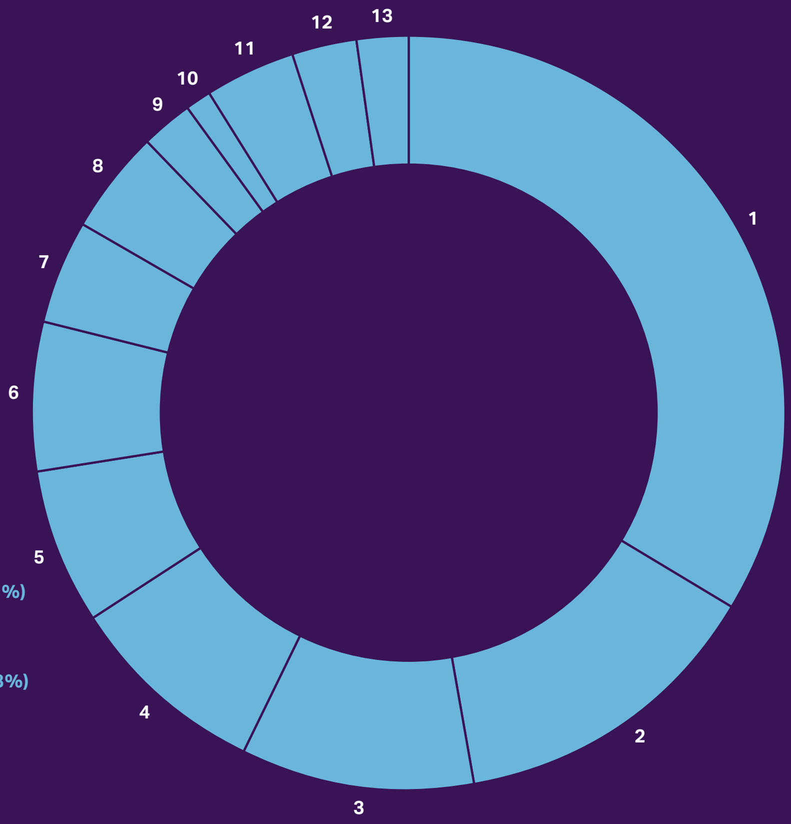
In contrast to 2009, most of the regions and markets closed the year under review with increases in sales. The European markets increased overall sales by 4.6%. Sales were up in the United Kingdom/Ireland (+10.3%), Nordic countries (+7.2%), Germany (+6.9%), Austria (+5.9%), France (+4.4%), Italy (+3.9%), Switzerland (+3.2%) and Central/Eastern Europe (+2.8%). Only the Benelux countries (-1.6%) and the Iberian peninsula (-8.3%) posted declines. The Far East/Pacific (+22.2%), America (+6.8%) and Middle East/Africa (+1.7%) regions also grew in 2010.

Group sales development 2000–2010

(in CHF million)

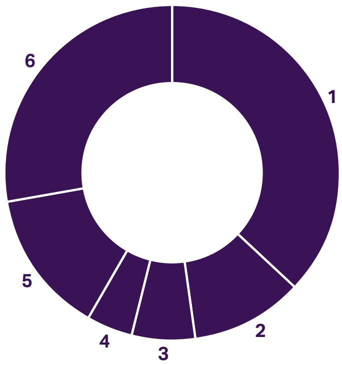


2010 sales by markets/regions



1 Germany (33.7%)
2 Switzerland (13.6%)
3 Italy (10.1%)
4 Benelux (8.6%)
5 Central/Eastern Europe (6.7%)
6 Austria (6.3%)
7 Nordic countries (4.6%)
8 France (4.2%)
9 United Kingdom/Ireland (2.3%)
10 Iberian peninsula (1.1%)
11 America (3.8%)
12 Far East/Pacific (2.8%)
13 Middle East/Africa (2.2%)

2010 sales by product areas and product lines



Sanitary Systems (58.5%)
1 Installation Systems (37.2%)
2 Cisterns and Mechanisms(10.8%)
3 Faucets and Flushing Systems (6.1%)
4 Waste Fittings and Traps (4.4%)

Piping Systems (41.5%)
5 Building Drainage Systems (13.9%)
6 Supply Systems (27.6%)

Stronger growth in sanitary systems

Sales for the **Sanitary Systems** product area in Swiss Francs increased by 0.4% to CHF 1,255.7 million. By contrast, the increase in local currencies was 7.1%. The contribution to total sales rose from 57.3% in 2009 to 58.5%.

Installation Systems, the most important product line, which generated 37.2% of Group sales, climbed 7.0% in local currencies. Drywall elements and the attractive actuator plates were primarily responsible for the above-average increases. Business from Huter prefabricated bathrooms was also satisfactory. The **Cisterns and Mechanisms** product line boosted sales by 9.2%, contributing 10.8% to overall sales. In this product line, double-digit growth proved the success of the internationalization strategy for the Geberit AquaClean shower toilet launched in 2009. Filling and flush valves recovered from losses the previous year and grew considerably, whereas traditional exposed cisterns lost ground. The **Faucets and Flushing Systems** product line improved by 4.0%, posting a 6.1% share of total sales. This portion of the product range benefited from the positive performance of the US subsidiary Chicago Faucets, despite a very difficult market environment. The **Waste Fittings and Traps** product line kept pace with the performance of the overall product area. Growth was driven by bathtub drain assemblies, traps and floor drains: sales climbed 7.0%, representing a 4.4% contribution to Group sales.

The **Piping Systems** product area saw a 4.3% drop in sales to CHF 891.2 million. In local currencies, this represented an increase of 2.2%. This growth was disproportionately low in comparison with the Group as a whole because piping systems are used primarily in new construction, a relatively weaker sector compared to the renovation business. The contribution to total sales therefore again declined from 42.7% to 41.5%.

Sales from the **Building Drainage Systems** product line increased by 0.6% after currency adjustments. The contribution to total sales was 13.9%. Successes in the Silent product family offset declines in the rest of the product range. The performance of the **Supply Systems** product line was more promising, posting growth of 3.0%. This increase can be attributed mainly to stainless steel and copper systems. The contribution of this product line, the second largest as measured by Group sales, declined slightly to 27.6%.

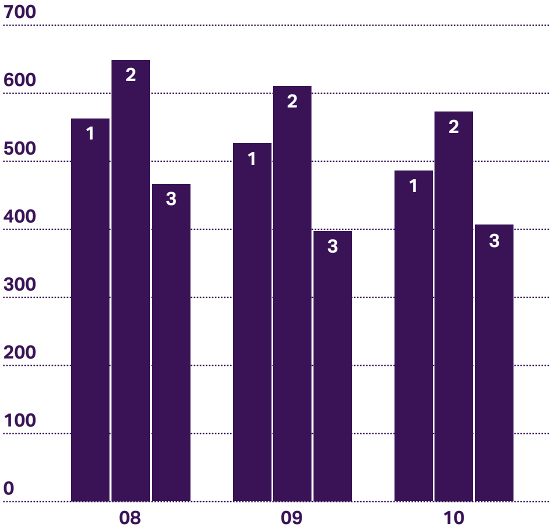
Substantial negative foreign currency effects on sales

During the year under review, the Swiss Franc's strength was most noticeable compared with all major Group currencies. The negative currency effect on sales, in the amount of CHF 143.0 million, resulted in large part from the Euro. Minor losses were posted from sales in British Pounds and US Dollars. The cumulative currency effects narrowed sales by 6.6%.

In 2010, Geberit generated 69% of its sales in the Euro zone. 5% of all sales were invoiced in US Dollars, while 2% each was invoiced in British Pounds and Polish Zloty. The currency risk is limited since sales are matched by corresponding expenses in the same currencies. The remaining currency risk of about CHF 325 million, of which approximately CHF 185 million in Euros, is partially hedged.

EBIT, EBITDA, Net income 2008–2010

(in CHF million)



1 EBIT
2 EBITDA
3 Net income

Operating profitability maintained at high level

In 2010, the Geberit Group succeeded in maintaining results at the high level of the previous years despite declining sales, negative foreign currency effects and raw material price factors. Consistent cost management and further optimized processes were the main reasons for this success. Despite natural hedges – namely, matching cashflows for sales and costs in the same currencies as much as possible – currency effects had a substantial negative impact on the results.

Operating cash flow (EBITDA) fell to CHF 573.7 million, a 6.1% drop compared to the prior year. The EBITDA margin reached 26.7%, its second-highest value in Geberit history after the record of 28.0% in the prior year. The average EBITDA growth of 6.8% markedly exceeded the corresponding increase in sales (5.9%) over the last decade. The operating profit (EBIT) dropped by 7.7% to CHF 486.2 million. The EBIT margin reached 22.6% (prior year 24.1%).

As a consequence of the lower tax rate, net income rose by 2.3% to CHF 406.8 million with a return on sales of 18.9%. Earnings per share increased by 1.4%, to CHF 10.32.

Strict cost management continued

Customer bonuses and cash discounts were reduced by 1.3% to CHF 246.9 million but remained at the prior year's level of 11.5% when considered as a percentage of sales.

Total operating expenses increased by 0.7% to CHF 1,413.8 million in 2010. The share of sales increased accordingly from 64.4% to 65.9%. As in prior years, all expense items benefited from positive foreign currency effects and thus offset a portion of the decline in sales caused by negative changes in currency rates. Strict cost management and ongoing process optimization also helped reduce costs. The cost of materials was reduced by 0.3% to CHF 572.8 million; at 26.7% of sales, this figure was only slightly above the prior year's level of 26.3%, which is very low in an historical perspective. Over the course of the year, the cost of materials increasingly suffered under the effects of escalating raw material prices beginning in the second quarter, even though it did benefit from a high value of the prior year in the first quarter. As a consequence of capacity adjustments in the plants, growth initiatives in various markets and collectively agreed salary adjustments, personnel expenses rose by 0.2% to CHF 447.1 million, despite optimized processes based on a number of initiatives, including the new logistics concept with the center in Pfullendorf (DE). This equates to 20.8% of sales compared to 20.5% in the prior year. The continued high investment volume of prior years had the effect of increasing depreciation, which rose by CHF 2.9 million to CHF 81.8 million. The amortization of intangible assets grew from CHF 5.4 million to CHF 5.7 million. Other operating expenses grew by 2.3% to CHF 306.4 million. This increase resulted from again intensified marketing activities and the effects of organic growth initiatives compared to the previous year.

Higher net income thanks to low tax rate

Net income grew by 2.3%, reaching CHF 406.8 million (prior year CHF 397.5 million).

As in the prior year, the financial result was negative. This was caused by the foreign currency result and diminished income from interest as a result of lower interest rates on the capital market.

Tax expenses fell significantly to CHF 65.1 million compared to CHF 115.7 million in the prior year. This resulted in a tax rate of 13.8% (prior year 22.5%). Tax expenses and therefore the tax rate in the prior year was affected by a one-time tax charge as a result of completed tax audits and Group-internal process adjustments.

Free cashflow substantially increased

Despite an operating cashflow (EBITDA) slightly lower than that of the previous year, lower taxes led to a 12.2% higher net cashflow of CHF 533.4 million. As a result, the free cashflow – as a consequence of reduced investments, but above all because of positive effects from the change in net working capital – also rose by 41.2% to CHF 493.8 million, thereby achieving a new record high. Free cashflow was used to pay distributions to shareholders in the amount of CHF 252.6 million and repay debts in the amount of CHF 8.1 million.

Financial base further strengthened

High free cashflow in the year under review permitted the further strengthening of the Group's balance sheet structure. Debt was reduced from CHF 110.9 million to CHF 73.4 million. The reduction is to be explained mainly by the exercise of conversion rights in connection with the convertible bond. The liquidity situation also developed positively. In addition to liquid funds and marketable securities of CHF 586.6 million (prior year CHF 406.5 million), the Group had access to undrawn operating credit facilities of CHF 296.2 million. At the end of 2010, the Group showed a positive net cash level of CHF 513.2 million (prior year CHF 295.6 million).

The equity ratio continued to climb and achieved a very solid 70.0% (prior year 68.2%). In terms of average equity, the return on equity for the year under review was 27.0%. Because of the higher annual average equity, this key figure was slightly less than the 28.1% of the prior year, despite the increased net income. As a result of the net cash level mentioned, gearing (net debt/equity) was -33.7% (prior year -19.6%).

Debt
(in CHF million)

	12/10	12/09	12/08
Long-term debt	70.1	82.0	112.1
Total debt	73.4	110.9	152.3
Liquid funds and marketable securities	586.6	406.5	302.6
Net debt	-513.2	-295.6	-150.3

As of December 31, 2010, the Geberit Group held 1,695,196 own shares in treasury, corresponding to 4.14% of the shares entered in the Commercial Register. Of these, 1,391,000 (or 3.4% of the shares entered in the Commercial Register) related to the share buyback program expired as of the end of January 2007. A proposal will be brought to the General Meeting on April 19, 2011, to reduce capital in the amount of the shares repurchased under this program and to retire these shares. The remaining number of treasury shares of approximately 304,196 is mainly earmarked for share participation plans. Total assets decreased from CHF 2,212.2 million to CHF 2,171.2 million. In the process, the higher cash level was more than offset by other factors. Net working capital declined by CHF 72.4 million to CHF 108.5 million. Property, plant and equipment declined from CHF 576.2 million to CHF 514.3 million, and goodwill and intangible assets declined from CHF 753.1 million to CHF 658.8 million, primarily due to the relatively weak Euro compared to the Swiss Franc.

For the reasons noted above, invested operating capital comprising net working capital, property, plant and equipment as well as goodwill and intangible assets decreased significantly compared to the prior year, amounting to CHF 1,281.6 million at the end of 2010 (prior year CHF 1,510.2 million). The return on invested operating capital as the ratio of operating profit before amortization (EBITA) to average invested operating capital remained constant compared to the prior year at 33.9%.

Expenditures for property, plant and equipment

(in CHF million)

	2010	2009	2008	2007	2006
	80.5	106.4	152.5	103.5	81.3
In % of sales	3.7	4.9	6.2	4.2	3.7

Reduced investment volume

In 2010, investments in property, plant and equipment and intangible assets amounted to CHF 80.5 million, which is CHF 25.9 million or 24.3% below the level of the prior year. As a percentage of sales, the investment ratio in the year under review was 3.7%. The decline in investment volume is primarily due to the high investments during the prior year in the new logistics center in Pfullendorf (DE) and the new Asia Headquarters in Shanghai (CN), as well as the effects of the Euro/Swiss Franc exchange rate on the conversion of investment amounts in the Euro zone. As in the prior year, and despite the difficult environment, the Group upheld commitments to its planned major investment projects.

In 2010, 46% of investments, or CHF 37.3 million, went towards infrastructure expansion. The Geberit Group used some CHF 8 million of that total for the procurement of tools and equipment for newly developed products. 34% of total investments was used for the ongoing renewal of property, plant and equipment, while 20% was invested in rationalization measures in property, plant and equipment.

Procurement of tools and molds for new products and investments in machinery constituted the majority of the investment volume. In the scope of the new logistics concept and the insourcing of the production of Geberit AquaClean, significant investments also went toward the expansion of the corresponding infrastructure at the Rapperswil-Jona (CH) site.

Sustainable foundations for growth

As the market leader in the sanitary industry, in terms of sustainability Geberit stands for conserving water, efficient use of resources and green building, proving that long-term business success is compatible with environmentally friendly and socially responsible action. The Company aims to be a role model and sets standards for customers, suppliers and other partners. This includes water-saving, sustainable products; safe, environmentally friendly and resource-efficient production processes using an increasing proportion of renewable energies; procurement and logistics with high environmental and ethical standards as well as good working conditions and a high level of training for more than 5,800 employees worldwide. The Company also has a sense of corporate responsibility in the scope of global social-aid projects relating to the topic of water.

A study published in 2010 by SAM, a global asset management company focused on sustainable asset management, names four main issues that will impact the topic of water in the future: the increase in world population, antiquated or lacking infrastructure for drinking water supply and wastewater disposal, increasing demands on water quality, and climate change leading to shifts in water balance. These trends influence the sanitary technology of tomorrow and will make water-saving, resource-efficient products increasingly important. In the future, choices will be simplified for customers: WELL (Water Efficiency Label), a product-classification system for the European sanitary industry, will be launched in spring 2011. The label will establish international standards and is similar to well-known Energy Labels.

Green building is being more closely followed by regulators. The European Union resolved in 2010 that by 2020 all new buildings must meet defined, high standards of energy efficiency and green building. Geberit already offers water- and energy-saving, low-noise, durable products, which allow a high level of flexibility and meet green building standards. The goal is to expand Geberit's position as the leading system provider for sanitary solutions in green building. The timeliness of this theme was seen in the slogan "Better City, Better Life" used at the 2010 World's Fair in Shanghai (CN). Geberit's system solutions could be found in many pavilions.

Geberit was selected as Switzerland's most sustainable company and tenth-place overall ranking worldwide by a jury at the World Economic Forum in Davos (CH) in January 2010, winning it both notice and higher expectations. The Company intends to meet these demands with its revised sustainability strategy. The strategy focuses on individual sustainability modules based on concrete goals and measures, including sustainable procurement, green logistics, environmental management in production, occupational safety, eco-design in product development and social-aid projects. Comprehensive monitoring of the achievement of goals will ensure that measurable progress is being made.

Performance in the above-mentioned modules of the sustainability strategy as well as performance in additional key areas is presented annually in accordance with the guidelines of the Global Reporting Initiative (GRI) in the GRI Report. The 2010 Annual Report and the updated GRI Report, which was published simultaneously with the Annual Report in spring 2011, complement one another and jointly fulfill the requirements of the maximum transparency grade A set by GRI, which has been verified and confirmed by GRI. This transparent approach was honored with top marks from various sustainability studies in 2010. Geberit is committed to internationally recognized principles of sustainability. Since 2008, the Company has been a member of the United Nations Global Compact, a global convention between businesses and the UN designed to make globalization more socially and environmentally friendly. In addition, Geberit submits an annual progress report (Communication on Progress) regarding ten defined principles in the areas of human rights, labor practices, environmental protection and combating corruption. This progress report is integrated in the GRI Report. The formal anchoring of the subject of sustainability is reinforced by the Geberit Code of Conduct for Employees, the Code of Conduct for Suppliers, and since 2010, by an Environmental Code for Transport Service Providers. Compliance with these directives and requirements is ensured by continuously improved compliance processes. Moreover, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group (for details see Corporate Governance, section 3, Board of Directors, "Information and control instruments vis-à-vis the Group Executive Board").

The efforts in terms of sustainable business management are being rewarded on the capital market. At the end of 2010, fully 10% of Geberit stock was held by sustainability-conscious investors. Geberit is well represented in the continuously growing sector of sustainability stock indices and sustainability funds. Thus Geberit shares are listed in the STOXX Europe Sustainability Index as well as the FTSE4Good Index (Europe/Global). In addition, renowned sustainability-funds hold Geberit shares in their portfolios. Geberit's objective is to continue to play a significant role in the constantly growing investment segments "sustainability" and "water".

Groundbreaking new products

The "Commitment to Innovation" is an important pillar of Geberit's corporate strategy. Its innovation strength, which is above-average when compared to the industry sector, helps to ensure the Group's long-term success. Successful research and development (R&D) activities are the prerequisite for this. In the year under review, Geberit invested CHF 44.2 million (prior year CHF 45.6 million) or 2.1% of its sales in the future of its products, representing a 3.1% decrease compared to the prior year. 19 patents applications were filed in the past year for a total of 91 in the last five years.

R&D expenditures
(in CHF million)

	2010	2009	2008	2007	2006
	44.2	45.6	46.0	48.1	44.3
In % of sales	2.1	2.1	1.9	1.9	2.0

All new product developments at Geberit undergo a structured innovation and development process. This process ensures that the creative potential of ideas in the Group is used to the optimum and that development activities focus on the needs of the market. In order to support its internationalization efforts, the company maintains development competence centers of its own in China and the US. To that end, Geberit China has been equipped with the latest in infrastructure technology since the opening of the new headquarters in Shanghai (CN) in spring 2010. The focus of all new product developments is on the customer benefit and the system approach. In addition to high quality, durability and easy installation, new products are designed to make the most economical use of water while offering the most advanced features in hygiene and noise reduction.

The year 2010 was again dominated by the launch of various new products. The Geberit Monolith represents a new alternative to the traditional exposed cistern. Instead of using a traditional toilet with a visible cistern when replacing older toilet systems, the Geberit Monolith with its elegant and contemporary design can be installed to conceal the cistern behind glass. The Geberit Monolith suits every construction and nearly every drainage variant. The wall drain for floor-even showers represents another innovation. Geberit's proven system technology has now ventured into the shower area. Both the Monolith and the shower drain have already won the acclaim of international experts: the two new Geberit products won the iF product design award 2010. The prize is regarded as the seal of quality for attractive design. Additionally, the Monolith garnered a series of other awards (see the first paragraph of the following section "Good reputation and high customer satisfaction") and the shower element has been nominated for the renowned German Design Award 2011. More detailed information about these products, both which have caused outstanding reactions in the markets, can be found on pages 33-41 of this Annual Report. A new series of electronic lavatory taps has also been launched. These taps have been redesigned and feature intelligent operating systems and controls as well as Geberit's usual high reliability. The redesigned Pluvia roof outlet can now be combined with all standard roof foils, making installation even simpler and more flexible with the same high flow capacity. When changing residences, the Geberit AquaClean design cover allows the shower toilet to be removed and installed without interfering with the building structure. The feed pipes are concealed in a visually attractive manner. A new version of the prefabricated modular bathroom uses the benefits of modular and lightweight construction and can be installed at any building site, in new construction or renovations. Also, the product ranges of the drinking water plug-in system and the acoustically optimized polypropylene drainage plug-in system – both launched in 2009 – have been expanded.

Diverse new products will be launched in 2011, predominantly in the Sanitary Systems area. A fight against odors from the toilet has been declared with the launch of the Geberit DuoFresh. This new solution directly suctions air out of the WC ceramic appliance through the flush water inlet, purified through active carbon and released back into the room. This process has already proven its worth for many years with the Geberit AquaClean shower toilet. With a new surface-even actuator plate that can be installed in the wall, Geberit has met architects' demanding requests, who increasingly place high importance on a quality aesthetic design for bathrooms. After its redesign in 2010, the Pluvia roof drainage system will be further improved and tailored to meet various requirements. In Australia, extra-thin interior and exterior walls are only 76 millimeters thick, the standard in private residential construction. To accommodate this situation, Geberit has slimmed down its narrowest cistern even more from 80 to 75 millimeters. As the sole supplier of sanitary technology to offer a concealed cistern that can be installed and easily clad in the 76-millimeter-thick walls, Geberit is bridging what has to date been a real gap in the Australian market. A series of additional product adjustments and new developments in both product areas is also being launched on the market.

Good reputation and high customer satisfaction

Geberit's focus is to grow sales organically. The aim is to ensure the Group's long-term success. A prerequisite for this is to increase market penetration in the existing markets and to develop new markets in a targeted manner. In this context, optimizing market cultivation continues to be of great importance. Around 500 technical advisers working in the field are primarily in contact with plumbers, planners and architects on a daily basis. During the year under review, 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. Additionally, external training sessions held by local sales companies in cooperation with partners in a variety of settings offered an additional opportunity for educational measures. As a result of these measures, a further approximately 50,000 customers came into contact with Geberit know-how and products during the past year. Additionally, the introduction of a series of important products during the year under review created an opportunity for updating customer contacts. Consider for example the introduction of Geberit Monolith in France. In France with its traditional ceramic appliances, the new sanitary module offers a persuasive alternative to the classic floor-standing WC with ceramic cistern, in addition to drywall elements such as Geberit Duofix, already on the French market for many years now. With the introduction of Monolith, end users were targeted for the first time in addition to the conventional target groups of plumbers and wholesalers. A widespread advertising campaign in home decorating magazines with a readership of nearly 20 million and a Web campaign supplemented Geberit's familiar advertising approach like product documentation, participation in trade fairs (beginning with the Idéo Bain trade fair in Paris in February 2010 with 3,000 interested visitors at the Geberit booth), and training for plumbers (events in five cities with 500 participants). Geberit Monolith garnered sweeping mention in the French trade press and consumer publications, in part due to a distinction awarded by journalists to Monolith as the best solution presented at the Idéo Bain trade fair and the Trophée de la Maison prize, awarded by a consumer organization. At the end of November, Geberit began pitching Monolith and its sleek, contemporary design to the target group of architects. By the end of 2010, the product had been presented to all wholesalers in France, and 25% of them had put Monolith on display in their stores – a figure that, of course, still needs to be improved. On the other hand, it was satisfying to see more than 1,200 specialists trained on Monolith in over 300 product trainings. Current sales send a confident sign about the decision to establish this innovative product in the French ceramic appliance market. The Dutch Geberit sales company has selected an innovative approach to position itself as a piping company in Holland. A trip to the Football World Cup in South Africa beckoned the winner of the "Best Fitter of the Netherlands" competition, which challenged plumbers to demonstrate their technical expertise before an audience in a professionally organized event. Media attention was high: a variety of technical and public media outlets reported on the contests. The Web, including YouTube, was heavily used to communicate the event. Thanks to the successful initiative – which will be continued Group-wide in 2011 – initial payoffs have already been seen in Holland in the form of increased sales of piping systems.

Trade fairs also proved to a good platform for maintaining customer contacts and communicating Geberit's innovation strength in 2010. The most important ones were Batibouw in Brussels (BE), Mostra Convegno in Milan (IT), Idéo Bain in Paris (FR), Kitchen & Bath China in Shanghai (CN), Aquatherm in Vienna (AT), Kitchen & Bath Industry Show in Las Vegas (US), Aquaterm 2010 in Kiev (UA) and Interbuild Africa Exhibition in Johannesburg (ZA).

A strong brand and high customer satisfaction in the regional markets are central to Geberit's success. In 2010, these topics were the focus of a study. A total of 3,000 European end consumers (50% men, 50% women) between the ages of 35 and 60 in Germany, Italy and Poland were surveyed about the Geberit brand. The objective was to determine how well known the brand is among sanitary brands, how many of those surveyed currently own Geberit products, and how many would like to buy a Geberit product for their bathroom in the future. Geberit was in the top percentiles in all three countries: In Germany, 44% of respondents indicated that they were familiar with Geberit; 13% said that they own Geberit products; and 23% responded that they would like to buy Geberit products for their bathrooms in the future. Comparably high figures were seen in Poland and Italy – an indication of the growth potential of Geberit products in these markets.

As the survey demonstrates, Geberit is a strong brand with a long tradition of know-how and technology. With products such as the Geberit AquaClean shower toilet, Monolith and shower elements, the focus is increasingly shifting to end consumers and architects as target groups, in addition to plumbers and planners. It was therefore decided at the beginning of 2010 to roll out a branding project with the goal of gradually evolving the Geberit brand. The new brand image will integrate two worlds. It will encompass the emotional

Strong brand

44%

end consumers in Germany are familiar with the Geberit brand; 13% own Geberit products; 23% would like to buy Geberit products for their bathroom in the future.

and design-conscious focus of architect and end user target groups, which also speaks to employees, the media and investors. And, it will include the traditional technology-oriented look for the target group plumbers and planners. Both worlds share the same design principles and are built upon the same values that define Geberit's brand: know-how, innovation, partnership, reliability and quality of life. In the future, Geberit will communicate with even more confidence, as befits a market leader. The visual implementation of the branding project was started in the second half of 2010; its launch followed in early 2011. The present Annual Report represents the new, more emotional communication style. Additionally, the 2011 Group-wide campaigns have been adapted to incorporate the new design guidelines.

More actively communicating Geberit's attractiveness as an employer

Better communicating Geberit's attractiveness as an employer is very important both to hiring the right employees in an increasingly competitive market and also to retaining them. Employer branding, currently being expanded under the revamp of the Geberit brand (see previous section), makes a decisive contribution in this regard. Based on a worldwide survey of personnel managers in the local companies and an analysis of recruiting processes, the current procedures for filling vacant positions and recruiting apprentices have been optimized, and information for employees has been revised and new designed. Likewise, a concept for an image campaign, a trade fair concept and an image brochure are in the works. The realization of these initiatives has been planned for 2011.

Employees by countries

(as of December 31)

	2010	Share in %	**2009**	Share in %
Germany	2,308	40	2,277	40
Switzerland	1,123	19	1,103	20
China	774	13	714	13
Austria	457	8	429	8
USA	242	4	241	4
Slowenia	214	4	215	4
Italy	95	2	101	2
Others	607	10	528	9
Total	5,820	100	5,608	100

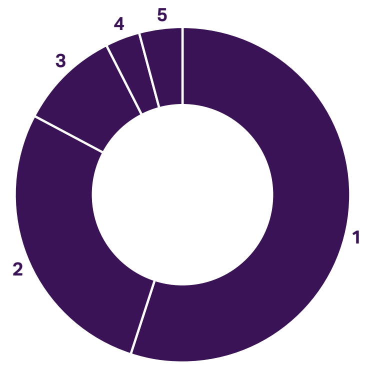
Good working conditions for employees around the world

Despite the tense global economic situation, the number of employees increased in the year under review. As of the end of 2010, the Geberit Group had a total of 5,820 employees worldwide. This was 212 persons or 3.8% more than in the prior year. The increase can be attributed in large part to the takeover of the former Indian sales partner in early 2010, an increase in personnel at plants in China, a series of minor insourcing activities and focused growth projects in various markets. Based on the average number of employees of 5,793, sales per employee amounted to TCHF 370.6, or 4.3% less than in the prior year. After currency adjustments, however, sales per employee showed an increase of 2.1%.

In the employee breakdown by business processes, the proportion of employees in Marketing and Sales increased from 27.5% to 27.9% as a result of increased activities in the markets. The percentage of employees in Research & Development rose slightly from 3.4% to 3.6%. By contrast, the percentage of employees in Production fell from 55.7% to 55.0%. There were no significant changes to the percentage distribution in the remaining employee categories; at the end of the year under review, 3.9% of employees were apprentices and 9.6% were in administration.

Employees 2010 by business processes

(as of December 31)



1 **Production (55.0%)**
2 **Marketing and sales (27.9%)**
3 **Administration (9.6%)**
4 **Research and Development (3.6%)**
5 **Apprentices (3.9%)**

Geberit offers its employees attractive employment conditions. Salaries and social benefits amounted to a total of CHF 447.1 million in 2010 (prior year CHF 446.2 million). The workforce also has the opportunity of taking part in share participation plans at attractive conditions (see also the Consolidated Financial Statements of the Geberit Group, Note 18 "Participation plans"). Equality of opportunity and equal pay for women and men are a matter of course. The proportion of female employees as of the end of 2010 was 27% (prior year 28%); in upper management this figure was 5% (prior year 5%). The seven-member Board of Directors consists of one woman and six men.

The proactive approach to changing age structures, which take different forms at different sites in different regions, is an important topic for Geberit as an international company. In countries such as China, for instance, the workforce is very young, while there is already a clear peak in the middle age groups in Germany today. Geberit has therefore developed a package of solutions to deal appropriately with demographic developments. The action plans comprise five different areas: individual, flexible working hours and models, health management, support for education and further training, pension plans and flexible retirement solutions. The action plans are adapted to the needs and conditions of each country and relevant experiences are systematically shared on a Group-wide basis. Personnel managers work closely with the Europe Forum, which brings together works council chairmen of Geberit's European sites to develop strategic guidelines.

One important pillar of demographic development is a properly functioning health management. At the end of 2010, all employees in Switzerland were invited to participate in a detailed health survey administered by a specialized, external company. After completing the questionnaire, employees were presented with the findings and any risks relating to their health. In the next step, the anonymous summary of the survey results will aid the Company in defining and implementing major topics and measures. Costs for health care plans in the US Geberit subsidiary have been increasing by more than 12% annually. A "wellness program" was therefore undertaken in 2008 to create incentives for a healthier lifestyle, offering monthly events on topics such as healthy nutrition and physical fitness. Employees were able to voluntarily set goals for themselves and received attractive rewards when they succeeded, such as gift certificates. By the second year, over 80% of the employees were taking part in the program. As a result of this initiative, the company was able to realize a significantly reduced increase in health care costs of 3% (US average: 10-15%).

The Group-wide absenteeism rate for the year under review was 3.2% (prior year 3.4%); illness-related absences accounted for 3.1% of this rate (prior year 3.3%). As in the prior year, 0.1% of absences were due to occupational accidents. These figures reflect the efforts at all production plants to achieve safe working conditions and are the result of various projects in health care.

The completely revamped Intranet introduced in autumn 2009 has become a central channel for all electronic employee communications in the Group. The priority here is interactive, real-time communication accessible to all employees. For production employees, special solutions are being developed with newsletters and/or large screens for group use. CEO Albert M. Baehny also addresses all employees worldwide every quarter in a video – which can be accessed via the Intranet – giving an assessment of the state of the Company and the current framework conditions, as well as an outlook.

In 2007, a Code of Conduct valid for the entire Group worldwide was drafted and published in 14 languages. The Code summarizes the basic principles of conduct to which employees at all levels must adhere. The code was launched through introductory events worldwide in 2008. The focus was on four important topics of broad relevance: bribery, sexual harassment, workplace bullying and misuse of IT. A DVD with short films ("animatics") helped to address the gray areas of each topic and encourage reflection on personal behavior. In order to further anchor the content of the Code in the Company, a new communications initiative was planned last year and will be implemented in the next two years. New instruments will support dialog and an active examination of the topics in the Code of Conduct. Concrete implementation rules for selected topics will be released and discussed as a supplement to the Code, which builds on employees' personal responsibility. Local conditions will be taken into consideration during implementation. Topics from the Code of Conduct will be integrated into the next employee survey, which is planned for 2011, to aid in improving the assessment of the quality of its implementation.

Training and further education are a central theme at the Company. In the year under review, employees attended internal and external education and further training events for around 18 hours on average (prior year: 19 hours). Additionally, approximately 220 employees took advantage of Job Flash offerings, which boost mutual understanding and allow new insights through short assignments in other departments. This program contributes significantly to the further training of employees and the exchange of knowledge within and across sites. In 2010, 226 apprentices were employed (prior year 211). Geberit apprentices are consistently among the best in their classes and have received numerous awards in the past ten years.

Geberit relies on a Potentials Management process to ensure the high quality of the management team and to find internal candidates for at least 50% of vacant management positions. For an employee to be eligible for participation, the annual appraisal interview must identify the potential for a career step within the next two to three years. This can be a step to upper or middle management, or to an initial supervisory, project manager or specialist function. The process includes individual development measures as well as collective modules. The collective activities might include, for instance, measures from the areas of communication and conflict management or in the form of networking opportunities and Company tours through to fireside chats with the Group Executive Board.

Compelling environmental performance in products and production

As an important part of its corporate strategy, Geberit has for decades placed its faith in environmentally friendly, sustainable products as well as energy- and resource-efficient production. The continuous improvement of environmental performance is an important goal in this regard, both in product development and with respect to operative environmental protection, which is implemented in controlled processes. The GRI Report provides transparent information on environmental performance during 2010 based on over 30 indicators.

Increasing demand for sustainable products

Thanks to leading research and development, Geberit products are characterized by high quality, long service life and easy installation and combine the economical, diligent use of water and energy with exemplary acoustic insulation. This meets the requirements for the global growth market of green building. The products are also characterized by a high level of recyclability and superior environmental friendliness. The greatest environmental performance of Geberit products comes from their daily contribution to saving water, an issue of growing importance around the world. According to one model calculation, the entire dual-flush and flush stop "fleet of cisterns" produced since 1998 has saved over 10,000 million cubic meters of water to date compared to traditional flushing systems. In 2010 alone, savings amounted to 1,500 million cubic meters of water, or approximately half the amount consumed annually by all German households.

New products are an effective enhancement to the water-saving product range. Beginning in April 2011, a new technological solution will be deployed to simplify the conversion of the large flush volume on nearly all concealed cisterns from 6 to 4.5 liters. The gradual conversion of the product range is creating great potential for even more water conservation. Additionally, in August 2010, the Geberit AquaClean

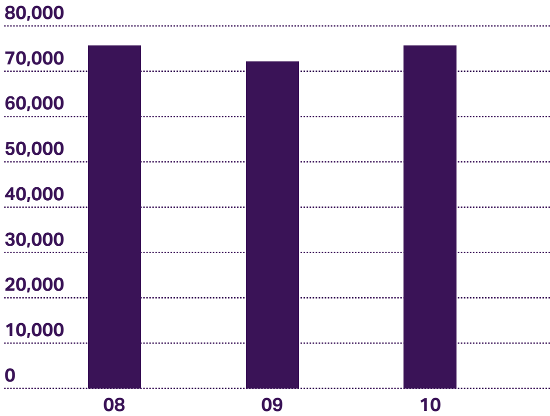
8000plus was the first shower toilet ever to receive water-saving certification from public authorities in Singapore. Geberit products also aid in the conscientious use of water. Pluvia was crowned "rainwater collection product" of the year in arid Western Australia. The sparing use of the valuable resource of water is of major interest in Australia. Accordingly, products like Pluvia, with which rain water can be collected and stored in tanks, are not only welcome, but are in fact mandatory in many cases.

The basis for sustainable products is a systematic innovation process, in which the most environmentally friendly materials and functional principles are chosen, risks are minimized and a high level of resource efficiency is targeted both for the production process and the product itself. Eco-Design workshops, in which different disciplines cooperate and ensure that every new product exceeds its predecessor in environmental aspects, are an integral part of the early development phase. Specially created product life cycle assessments are important decision-making aids and provide arguments for the use of products that conserve resources in construction projects. In 2010, urinal systems were analyzed in detail and it was determined that during the entire life cycle, 76% of environmental impact happens during the usage phase, with water consumption being the most important issue here. For this reason, 1-liter flushing systems reduce the overall environmental impact by more than half in comparison to 3-liter systems. Other factors such as electricity consumption in the usage phase or the transport of components in conjunction with production play a comparatively minor role.

A good example of a sustainably oriented development is the new Geberit DuoFresh, whose market launch is set for March 2011. The product is a simple, effective and environmentally friendly way to eliminate toilet odors thoroughly. Emissions are suctioned out and neutralized right "at the scene of the crime." The smell has no chance to even infiltrate the room. Especially ecological issues indicate that odor extraction in the toilet bowl will take hold. For instance, 20 times less energy is consumed through odor extraction compared to the traditional practice of venting the bathroom by cracking a window for ten minutes. This is a direct contribution to conserving energy.

Development absolute environmental impact 2008–2010

UBP* (in million)

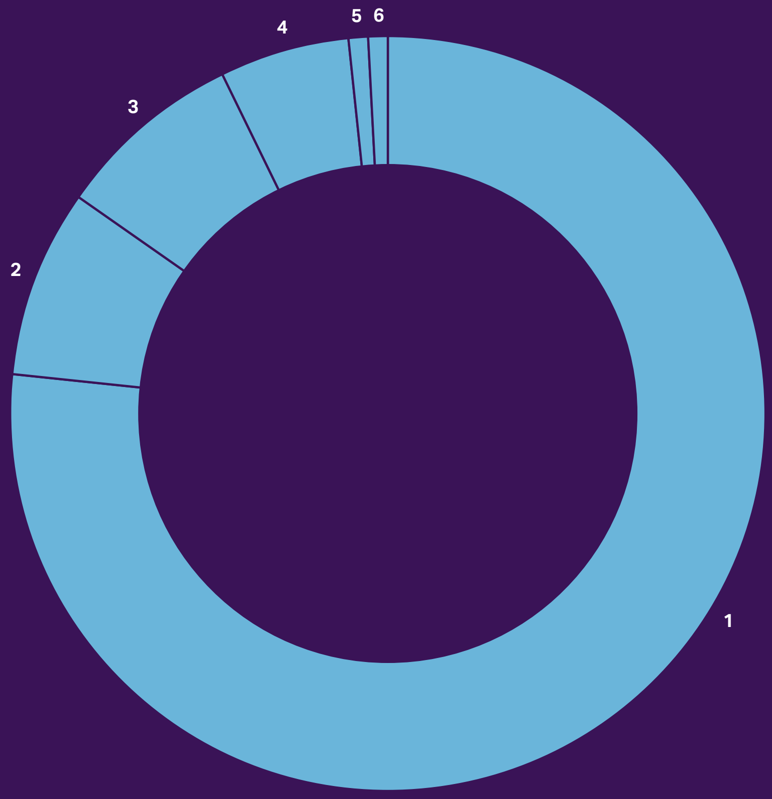


*** Ecopoints (UBP) in accordance with the Swiss Ecological Scarcity Method (2006 version)**

Production using high resource efficiency

All production sites and sales companies are subject to systematic, Group-wide environmental management, which holds a combined Group Quality and Environment certificate in accordance with ISO 9001 and ISO 14001. Every year, a comprehensive corporate eco-balance is prepared to serve as the basis for the targeted implementation of improvements to environmental performance. Due to increased utilization in production and the expansion of the infrastructure, Group-wide absolute environmental impact increased by 3.3% (prior year: decrease of 4.7%). In comparison to the currency-adjusted growth in Group sales of 5.0%, this nevertheless represents a below-average increase. Energy consumption in the form of electricity, combustibles and fuels represents the greatest environmental impact. Measures for continuous improvement therefore begin with saving energy, increasing energy efficiency and expanding renewable energies. Fuel consumption was slightly down in the year under review at 17.4 GWh compared to 17.6 GWh in the prior year. By contrast, consumption of electricity (108.8 GWh compared to 105.3 GWh the prior year) and combustibles (48.9 GWh compared to 46.9 GWh the prior year) were slightly up.

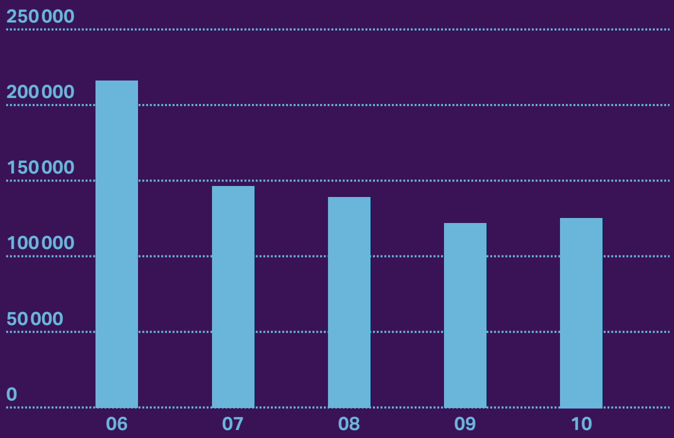
Distribution environmental impact 2010



1 Electricity (77.4%)
2 Fuel (8.2%)
3 Combustibles (8.1%)
4 Disposal (4.9%)
5 Solvents (0.8%)
6 Water (0.6%)

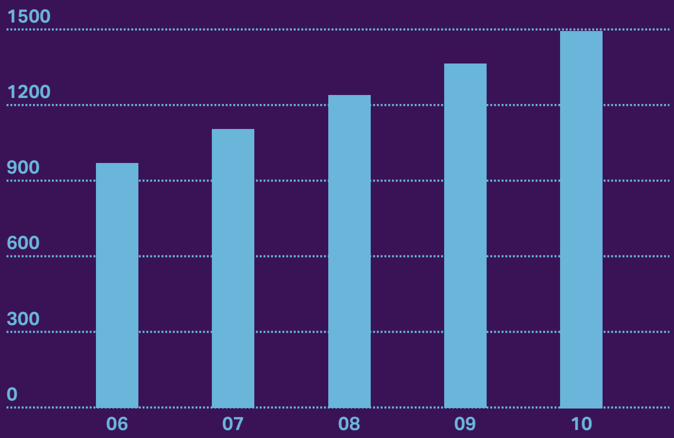
Water consumption of Geberit production sites 2006–2010

(in m^3)



Water-saving through Geberit products 2006–2010

(in m^3 million)



Annual savings with the entire dual-flush and flush stop «fleet of cisterns» compared to traditional 9-liter systems.

77,486 metric tons of CO_2 emissions were generated in 2010 (prior year: 74,257 metric tons). Under the CO_2 strategy, CO_2 emissions per value added are to be reduced on average by 5% each year between 2006 and 2012. With an increase of 8.9% in this key figure in the year under review, Geberit has for the first time in this period fallen short of the average target value. However, the Company continues to be committed to this long-term goal for CO_2 reduction. CO_2 emission levels were improved by the use of renewable green electricity: the Daishan site in China procured approximately 2 GWh of wind power in 2010 and supplemented the annual procurement of 6 GWh of green electricity by the largest production site in Pfullendorf (DE). All targets and measures for CO_2 levels are disclosed in detail as part of the Company's participation in the Carbon Disclosure Project (CDP). Based on this transparent reporting, a November 2010 analysis by Ethos, Swiss Foundation for Sustainable Development, and Raiffeisenbank Switzerland came to the conclusion that Geberit is among the top tier of Swiss companies that follow ambitious reduction targets and practice transparency.

There were also successes for other environmental factors: the total amount of waste disposed of was reduced to 10,863 metric tons (prior year: 11,048 metric tons), while 84% was sent to external recycling processes (prior year: 83%). In internal water consumption, which has been reduced by 42% since 2006, Geberit has served as a role model year after year. Targeted improvements, such as reusing water in laboratories and optimizing fresh water test runs in development, contribute to the careful use of water. The slight increase in consumption to 125,592 cubic meters in the year under review (prior year: 122,144 cubic meters) was a result of activities related to the opening of the Asia Headquarters in Shanghai (CN).

"Green logistics" increasingly important

The global distribution of products is an important part of the services provided to customers. In addition to profitability and punctuality, it is increasingly important that transport services be as environmentally friendly as possible. Geberit is taking on this challenge at several levels. Since the beginning of 2010, the majority of products are being shipped from the new logistics center in Pfullendorf (DE). In view of both the production sites in Europe and the European markets, Pfullendorf's geographical location is optimal, facilitating the efficient handling of both logistics and distribution processes. Geberit does not have its own transport fleet. In order to reduce the environmental impact of transport, the Company maintains strong relations to select external transport service providers. In 2010, the relevant technical specifications were expanded to include an Environmental Code that lays out clear requirements for environmental performance. Partners must commit to a sustainable corporate policy as well as actively support Geberit in optimizing its logistics with respect to energy consumption, emissions and packaging. A new target stipulates that at least two-thirds of transport vehicles must meet the EURO5 standard. Moreover, in the year under review a logistics calculator was developed to record data on vehicle fleet composition, transportation performance and fuel consumption of all transport service providers, which can then be used to generate an annual environmental impact report. In 2010, the six largest transport service providers handled 88 million metric ton-kilometers via the new logistics center, resulting in CO_2 emissions of 16,300 metric tons with a fleet consisting of 58% EURO5 vehicles. Shifting transport from roads to railways is another important leverage point in reducing the environmental impact of transport. For instance, up to 95% of transport from and to Italy is already handled by rail, resulting in annual savings of over 2 million liters of diesel.

Procurement following high standards

Geberit requires that business partners and supplier comply with comprehensive standards, above all with respect to consistent environmental protection, socially responsible working conditions and fair business practices. At the end of 2007, a Code of Conduct for Suppliers was introduced for the first time, which is aligned with, among other things, the principles of the United Nations Global Compact. As of the end of 2010, 563 suppliers have signed the Code of Conduct (prior year: 363 suppliers). This equates to over 90% of the total procurement value (prior year: 79% of procurement value). Among the top 200 suppliers, the signatory rate is 98% (prior year: 77%), thereby meeting the 2010 targets. The Code of Conduct is binding for all new suppliers. As part of risk management, suppliers' environmental and social risks are assessed and assigned to various risk categories. Before a collaboration agreement can be concluded, a multiple-stage risk analysis and assessment are carried out for every new supplier, regardless of risk category. Thanks to the extensive implementation of the Code of Conduct, the focus going forward will be on expanding the number of on-site supplier audits, which will be coordinated with the Quality Management and Environmental/Sustainability Departments. The audits will not merely verify compliance with directives. Instead, greater importance will be placed on expanding collaboration and sharing know-how with external partners.

Compliance based on prevention, training and monitoring

Geberit aims to be a model of ethical, environmental and socially responsible operations. The Code of Conduct introduced in 2007 is the definitive guide for conduct with integrity in the corporate environment. Fair competition throughout the world is an important principle, for example. Price fixing, cartels and other competition-distorting activities are rejected. In June 2010, the European Union dropped charges against Geberit and issued no fine against the Company in the scope of its investigation on illegal price fixing and the exchange of sensitive information in the sanitary industry. Numerous other manufacturers did incur considerable monetary penalties for their activities. The original charges against Geberit were not maintained by the EU Commission. As an active member of the international organization Transparency, Geberit is also committed to high standards of combating corruption and implements them accordingly.

Various departments collaborate on the topic of compliance in order to further optimize existing processes. The focus is on five topics: compliance with anti-trust legislation, prevention of corruption, employee rights, product liability and environmental protection. The implemented measures build on one another. Employees are thoroughly trained in prevention of these issues. Compliance with the guidelines is monitored in all organizational units as part of the mandatory annual reporting on the Code of Conduct. Internal auditing is supplemented by on-site audits. In the event of misconduct, corrective measures are taken. Results of the internal survey and audit have been reported annually since 2007. The updated status will be presented in a transparent manner in the GRI Report to be published in spring 2011.

Concrete social commitment

Geberit's own vision calls for the Company to contribute to the improvement of people's quality of life. With products and expert knowledge relating to the topic of water, Geberit supports the implementation of the United Nations Millennium Goal for global access to clean drinking water and basic sanitary facilities. Since 2008, social-aid projects have already been implemented in Cambodia, Indonesia, Ecuador, the Solomon Islands and in India. Geberit has entered into a long-term partnership with the Swiss development organization Helvetas in order to reach even more people through its social commitment. A Helvetas campaign launched in March 2010 and supported by Geberit aims to facilitate access to clean drinking water and basic sanitary services for one million people in the world's poorest regions by 2013. Additionally, the partnership with Mike Horn launched in 2008 is going forward. Mike Horn is on a four-year expedition around the world known as "Pangaea." His goal is to raise awareness of environmental concerns worldwide.

Care is taken that the topic of water plays a central role in these social-aid projects, which must also substantially relate to Geberit's core competencies and corporate culture. In addition to financial commitment, it is important to Geberit to provide goods in kind or aid on site. Where possible, Geberit apprentices from a range of professional areas and various countries are recruited to share in the work of the social-aid projects. In 2010, a total of eight apprentices from Germany, Austria and Switzerland as well as a technical project manager and two additional chaperones traveled to the state of Orissa in India for two weeks to provide on-site assistance at the Pentakatha School. In cooperation with a local construction company and Switzerland's Usthi Foundation, Geberit built a new sanitary facility as well as a solar water heating system. A second project was carried out at the Pentakatha School in January and February 2011. For this project, six young people from India, Argentina, Poland, South Africa and Lebanon and a chaperone were selected from Mike Horn's network. The young people painted the school building and educated the students on the subject of hygiene.

Geberit's various activities to contribute to the improvement of people's quality of life can be followed online at the website: www.respectingwater.com

Donations and financial contributions, including product donations totaling CHF 3.1 million were made during the year under review (prior year CHF 3.2 million). In addition, Geberit employees contributed approximately 2,200 hours of charitable work as part of social projects (prior year: 900 hours). All donations and related commitments are neutral from a party political point of view. Geberit does not make donations to parties or politicians, issues no political statements as a rule and does not involve itself in political lobbying. This is ensured globally as part of the annual audit of the Code of Conduct.

Takeover of the Indian sales partner in early 2010

Effective January 1, 2010, Geberit took over the former Indian sales partner based in Bangalore and additional sales offices in Mumbai and Delhi. The company was established in 2005 and had 45 employees at the time of acquisition. All major cities in India are serviced directly, the remainder through a network of more than 100 partners. In recent years, the acquired company has successfully built up the Indian market for concealed cisterns and established Geberit as the market leader in this sector. More than 70 five-star hotels are fitted with Geberit flushing systems. Sales volume is in the single-digit millions range.

Ambitious medium-term goals

Geberit has set itself the target of establishing the standards in sanitary technology worldwide and supporting them in the long term through sustainable actions. This management approach is to be reflected in sales growth above the industry average, among other things. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. Additional growth through acquisitions is not precluded. However, any potential acquisition will have to satisfy strict strategic and financial requirements. 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. Nine different concrete growth initiatives in Europe, Asia and North America are currently underway. Additionally, an accelerated internationalization strategy for Geberit AquaClean business was initiated in early 2009 with the goal of establishing the shower toilet product category in Europe and positioning Geberit as the market leader in this category. These measures will collectively impact the operating margin by about one percentage point. In the medium term, however, these activities should result in substantial contributions to growth. In order to keep pace with the anticipated growth, Geberit plans to invest around CHF 100 million in property, plant and equipment in the coming years.

Clear strategy

Geberit's 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.

The Company will continue to focus on sanitary technology, relying on the traditional three-tier sales channel and concentrating on those business areas in the sanitary industry that relate to its in-depth know-how and core competencies. The activities will concentrate on sanitary systems and technologies for the transport of water in buildings. Here, superior quality, integrated and water-saving sanitary technology will be offered.

For Geberit, the ongoing optimization and expansion of the product range are decisive for future success. Innovation strength is founded on basic research in areas such as hydraulics, statics, fire protection, hygiene and 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 Nordic Countries, Eastern Europe and the Iberian peninsula is an important factor for long-term success. Outside Europe, Geberit focuses on the most promising markets, including North America, China, Southeast Asia, Australia, the Gulf Region and India. In these regions, the Company mainly operates in project business, except for North America. In this respect, the Company always adheres strictly to the existing high standards in terms of quality and profitability.

Another focus relates to business processes. Through continuous process optimization, 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 day-to-day work and thus are able to make a major contribution towards positive development.

Outlook 2011

Construction industry

The overall prognosis for the construction industry in 2011 anticipates a slight recovery with some significantly divergent developments in individual regions/ markets and construction sectors.

Growing renovation business is expected for residential construction in Europe. New residential construction business will develop more selectively. This sector will grow rapidly in Sweden, Norway and Finland; by contrast, growth in Switzerland, Germany, Austria, Belgium, Poland and Russia will hover in the low single-digit percentages. New residential construction in France, Denmark, Italy and the United Kingdom will continue to stagnate. Continued declines are expected in Portugal, Spain, Ireland and the Netherlands. In general, the commercial construction sector across all markets will only slowly return to growth.

The construction industry in North America has not yet overcome the crisis; another challenging year is expected. Despite widely varying predictions about the residential market, Geberit is assuming the lack of any growth dynamic. As a result of the precarious financial situation, no recovery is anticipated in the public construction sector.

Market observers forecast continued growth in Asia. The Chinese construction industry will continue to grow at a double-digit pace. However, overheating tendencies in residential construction have recently spurred the government to exert its influence to slow down the industry. Strong growth in India is expected to continue. By contrast, a slow-down is predicted for Southeast Asia, as various large construction projects have been postponed. Construction activity in Dubai will remain weak, while Saudi Arabia with its numerous non-residential construction projects is increasingly becoming a growth engine in the Gulf Region.

Raw materials

Raw material prices have undergone very volatile developments in recent years. Prices fluctuations may intensify, not least of all because the supply for certain industrial metals could become even more acute and because financial institutions increasingly control physical reserves of important raw materials such as copper. Other structural influences such as the after-effects of strikes, natural catastrophes and political turbulence prevent reliable, long-term predictions. However, it is clear that raw material prices will escalate at least through the first half of 2011.

Geberit

The year 2011 will challenge the Geberit Group to take advantage of the positive environment offered by attractive markets but also to position itself for the future in markets that continue to stagnate or contract. Organic growth projects will be the focus here. At the same time, the Company will push forward with the optimization of business processes. Management is convinced that Geberit is very well equipped for the coming tasks. Our confidence about the future has many sources: experienced and highly motivated employees; a series of promising products launched in recent years along with product ideas for the more distant future; our lean, market-oriented organization; the established, faithful cooperation we have with our market partners in both commerce and trade; and – as a result of industry-leading financial results in recent years – an extremely sound financial base.

Many reasons for success

We can be proud of all that flows from our qualities on a daily basis. Innovation, technology, form and function – all these epitomize our values.

Many reasons for success

It needs a lot to find what succeeds and leads the way forward. It takes brains, thoughts and ideas. But also knowledge, experience and patience. And not least: creativity, talent and motivation. Real performance and power come from a successful combination of many different forces and resources.

People enable us to move forward. Employees who breathe life into our vision and turn it into reality. Who make a lasting difference to people's lives, through innovative solutions in sanitary technology. New standards in design and technology, as well as in the vocabulary of form and material, are developed through an interplay of integrity, team spirit, passion and know-how. The results are very well received. The Geberit Monolith sanitary module for WC and the shower element with a wall drain for floor-even showers are among our successful new products introduced in 2010. To be continued.

Superior quality, as a key element of Geberit's brand identity, should be fully expressed in the beauty of our products.

The inner workings of the Geberit Monolith show the attention to detail that goes into making a product that is both efficient and attractive.

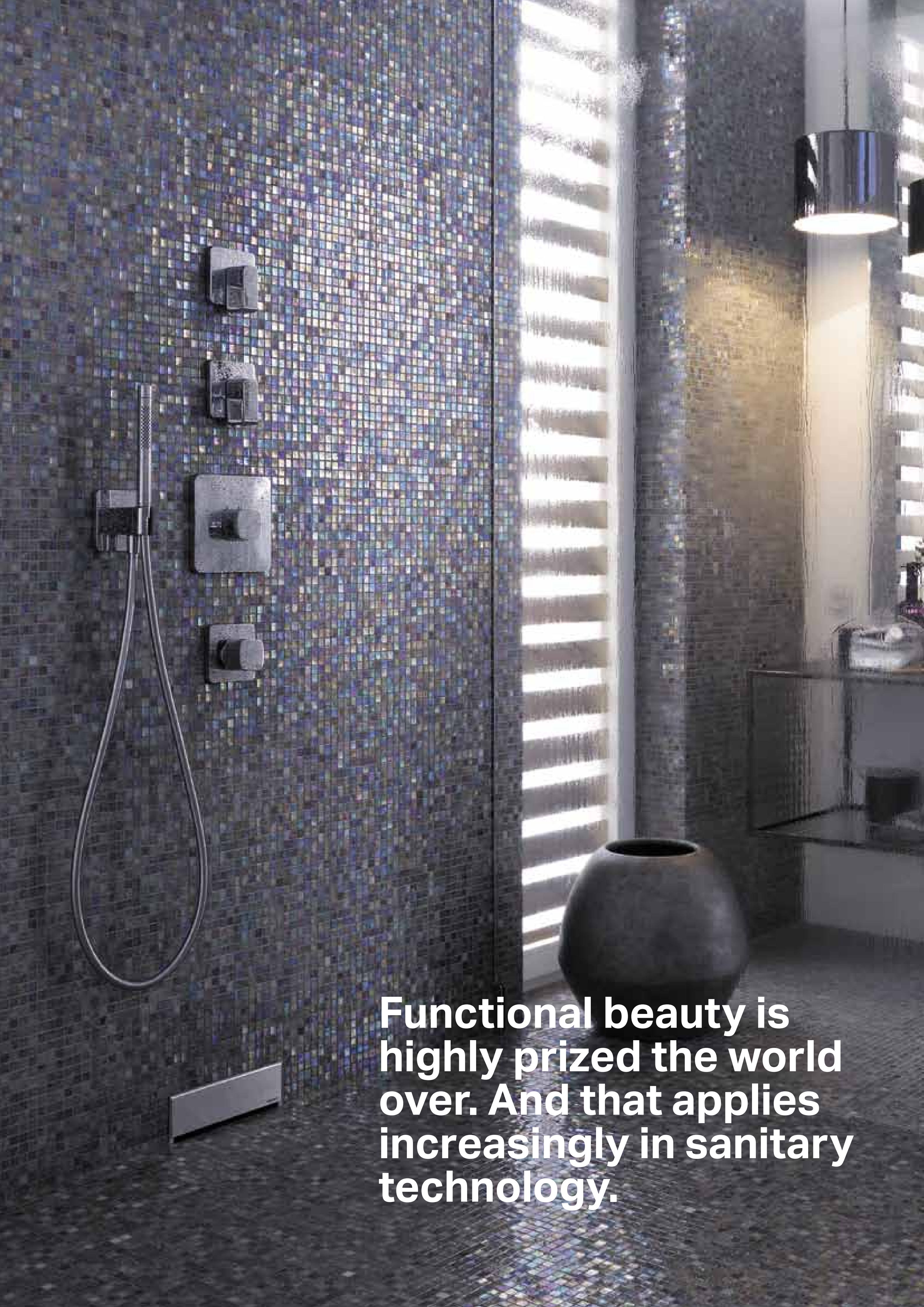
Prize-winning looks.
The elegant appearance of the Geberit Monolith will give any bathroom a completely new look. Its trend-setting concept and purist styling will satisfy even the most demanding tastes. It has already garnered numerous international awards, such as the renowned iF product design award for 2010.

Multiple qualities.
Every last detail of the Monolith is just right. Only top-quality surface materials, such as safety glass and aluminium, are used. The inner workings feature the familiar reliability of Geberit technology, and they are made to last, with long-term availability of spare parts guaranteed. Three classic glass colours create a timeless design.

Building blocks with a future.
The Geberit Monolith is designed with a high degree of compatibility for fast and simple installation just about anywhere. Its compact, flexible structure opens up unlimited possibilities and combinations. The Monolith fits into any construction situation and connects to almost any drainage system.

Elegant alternatives.
The new world of sanitary technology is seen at its most beautiful where older toilet cisterns have to be replaced and a system fitted behind the wall is not an option. In such situations, the Geberit Monolith offers an elegant and technically sophisticated alternative to other toilet systems with visible cisterns.

At Geberit, we place a high value on design.



Functional beauty is highly prized the world over. And that applies increasingly in sanitary technology.

Highly innovative products have an excellent chance of succeeding in a market environment that is in constant flux.

Sanitary ware of outstanding beauty.
The new design vocabulary in the shower area adds contemporary styling notes. The integrated approach is impressive in every area. The design covers blend harmoniously with every bathroom décor. The very elegantly realized combination of genuine innovation with refined technology was awarded the international iF product design award for 2010.

Perfection at floor level.
The innovative wall drain for floor-even showers – clear, straight lines, visually pleasing and technically sophisticated. Integrating the drain into the wall is the only way to create a harmonious overall picture and a single unit without interruptions. The transformation of an ordinary shower into a private oasis of well-being is perfect in every detail.

Geberit's wall drain for floor-even showers underlines Geberit's ambition to deliver outstanding perfor-mance – always and everywhere.

Smart details.
The innovative wall drain also impresses in practice. Maintaining hygiene is really simple: the hair trap and siphon are easy to remove for thorough cleaning. That eliminates blocking of outlets and affords direct access to the drainage system at all times.

Simple installation.
The new shower elements fit into almost any wall construction as well as into the tried and trusted Geberit dry-wall installation systems. The drainage outlets can be adapted to the construction situation and make for efficient assembly. The sophisticated sealing system protects the structure. The combi-nation of innovation and experience pays off in every respect.

The biggest change for Geberit in recent years is that our products have become more and more visible to consumers.

Corporate Governance

Corporate Governance

We are open in saying what we stand for and how we want to achieve our goals. Clearly defined, transparent corporate governance is integral to our success. It enables us to build trust outside and inside the company.

1. Group structure and shareholders

Group structure
The operational Group structure is shown in the diagram on pages 8/9 («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 pages 4/5 («Geberit share 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.

On December 31, 2010, the following significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations were registered in the share register as holding more than 3% of the share capital.

	31.12.2010
	In %
Capital Group Companies Inc., Los Angeles	9.72
Geberit AG, Jona	4.11
Black Rock Inc., New York	3.23
Credit Suisse Asset Management Funds AG, Zurich	3.00

Notifications reported to Geberit and the Disclosure Office of the SIX Swiss Exchange AG during 2010 and published via their electronic publishing platform can be viewed at: six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

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	4.1
Conditional capital:	MCHF	0.2
Authorized capital:		–

For more details, please refer to the following subchapters.

Conditional and authorized capital details
For conditional capital details, please refer to the Financial Statements of Geberit AG, page 106, 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, 2010, 1,718,095 shares had been issued from conditional capital.

At the General Meeting on April 19, 2011, the Board of Directors will propose the cancellation of the existing conditional share capital of CHF 28,190.50 by the deletion without replacement of Art. 3a of the articles of incorporation currently in effect.

As of December 31, 2010, the Geberit Group had no authorized capital.

Changes in capital
Geberit AG's changes in capital were as follows:

	31.12.2010	31.12.2009	31.12.2008
	MCHF	MCHF	MCHF
Share capital	4.1	4.1	4.3
Reserves	891.8	901.1	1,041.5
Available earnings	457.0	224.5	308.3

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2010 (consolidated statements of changes in equity and statements of comprehensive income and Note 22 [capital stock and treasury shares]), to the information in the Financial Statements of Geberit AG (pages 101-113) as well as to the 2008 figures in the 2009 Annual Report (Geberit Group's Consolidated Financial Statements: consolidated statements of changes in equity and statements of comprehensive income, Note 22 [capital stock and treasury shares]; Financial Statements of Geberit AG, pages 124-134).

Shares, participation and profit-sharing certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 4,123,801. It is divided into 41,238,005 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. The bond was converted in its entirety to Geberit AG registered shares up to the end of the bond term on June 14, 2010. 1,718,095 new shares were issued between June 2004 and June 2010. This corresponds to 4.13% of the original share capital. 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 101-113).

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

3. Board of Directors

Members of the Board of Directors

On December 31, 2010, the Board of Directors was composed of seven members.

1 Günter F. Kelm (1940)

Chairman Board of Directors since 2005
Non-executive, independent member of the Board of Directors since 2005, elected until 2011
German citizen
Resident in Kreuzlingen (CH)

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, Board Member) 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. He has had no significant business relations with the Geberit Group in the past five years.

2 Randolf Hanslin (1942)

Non-executive member of the Board of Directors since 2006, elected until 2012
Swiss citizen
Resident in Rapperswil-Jona (CH)
Chairman of the Board of Directors, Maestrani AG, Flawil; member of the Board of Directors, Franke Artemis 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.

3 Dr Robert Heberlein (1941)

Non-executive, independent member of the Board of Directors since 2003, elected until 2012
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, Altstätten

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. Lenz & Staehelin, a law firm, has advised Geberit in some legal matters, although Dr Robert Heberlein was not involved in this capacity.

4 Hans Hess (1955)

**Non-executive, independent member of the Board of Directors since 2006, elected until 2011
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. He has had no significant business relations with the Geberit Group in the past five years.

5 Hartmut Reuter (1957)

**Vice Chairman Board of Directors since 2009; non-executive, independent member of the Board of Directors since 2008, elected until 2011
German citizen
Resident in Nürensdorf (CH)
Member of the Shareholders Committee and Supervisory Board of Vaillant GmbH, Remscheid; Chairman of the Advisory Board of GBT-Bücolit GmbH, Marl**

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, at last he was Director in the division planning and controlling at the Bosch headquarters. From 1997 to 2009, Hartmut Reuter was member of the Group Executive Board of the Rieter Group in Winterthur; for the last seven of those years he was CEO of the company. He has had no significant business relations with the Geberit Group in the past five years.

6 Susanne Ruoff (1958)

**Non-executive, independent member of the Board of Directors since 2009, elected until 2012
Swiss citizen
Resident in Crans-Montana (CH); CEO British Telecom Switzerland AG; member of the Industry Advisory Board Computer Science, ETH Zurich**

In addition to her foundation studies in education, Susanne Ruoff obtained an MBA diploma at the University of Fribourg and attended a Client Executive Program at INSEAD in Fontainebleau. She started her career in 1989 at IBM Switzerland. In her 20-year affiliation with IBM, she held several management postitions in the areas of marketing, sales and services. As a member of the Management Board of IBM Switzerland, she was responsible from 2005 to 2009 for the area of Global Technology Services, which included the entire maintenance, outsourcing, and service project area. She was also a member of the Foundation Board as an employer representative of the IBM Pension Fund for six years. She took over the management of British Telecom, Switzerland, as its CEO on April 1, 2009. Susanne Ruoff has had no significant business relations with the Geberit Group in the past five years.

7 Robert F. Spoerry (1955)

**Non-executive, independent member of the Board of Directors since 2009, elected until 2013
Swiss citizen
Resident in Herrliberg (CH)
Chairman of the Board of Directors of Mettler-Toledo International Inc., Greifensee (CH); member of the Board of Directors of the publicly owned companies Holcim, Sonova, Conzzeta and Schaffner**

Robert F. Spoerry holds a degree in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich and an MBA diploma of the University of Chicago. He has been with Mettler-Toledo since 1983 and was its CEO from 1993 to 2007. He oversaw the separation from Ciba-Geigy in the year 1996 and the initial public offering of Mettler-Toledo on the New York Stock Exchange (NYSE) in 1997. In 1998, he became Chairman of the Board of Directors. Robert F. Spoerry has had no significant business relations with the Geberit Group in the past five years.

1

2

3

4

5

6

7

Elections and terms of office

The term of office for a member of the Board of Directors is maximum 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.

Hans Hess's, Günter F. Kelm's and Hartmut Reuter's terms of office will end with the General Meeting of April 19, 2011. Hans Hess is not available for reelection due to numerous other duties. Having reached the age limit specified in the articles of incorporation, Günter F. Kelm's tenure as Chairman of the Board of Directors will end at the 2011 General Meeting after 25 years in Management of the Geberit Group. Subject to the vote on his proposed election to the Board of Directors, current CEO Albert M. Baehny will succeed Günter F. Kelm on the Board. Hartmut Reuter is standing for reelection to another three year term.

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 page 51 «Definition of areas of responsibilities»).

The Board of Directors is self-constituting. In the first meeting following the relevant ordinary General Meeting in which new/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, Hartmut Reuter that of Vice Chairman.

The Board of Directors meets whenever business so requires, usually six times every year for one day each (2010: seven 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 regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person. One Member of the Board was unable to attend one of the seven board meetings in 2010.

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

→ Personnel Committee
The members of the Personnel Committee are Hans Hess (Chairman), Susanne Ruoff, Dr Robert Heberlein, Günter F. Kelm and Robert F. Spoerry. The committee meets at least twice every year for a half day each (2010: three meetings, participation rate 100%). 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, variable compensations, 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), Susanne Ruoff, Randolf Hanslin, Dr Robert Heberlein, Hans Hess, Günter F. Kelm and Robert F. Spoerry. It meets at least twice every year for a half day each (2010: two meetings, participation rate 100%). 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 scope and planning of the internal and external audits and coordinates them. 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 four other members. The members of the Group Executive Board are appointed by the Board of Directors based upon the proposal of the Personnel Committee. Bernd Kuhlin, Head of Sales Europe, decided in May 2010 to leave the Geberit Group after having served for three and one-half years on the Group Executive Board. The Board of Directors of Geberit AG has appointed Dr Karl Spachmann as Head of the Group Division Sales Europe, effective April 1, 2011.

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 of the Board of Directors, the Personnel Committee and the Audit Committee can be viewed at www.geberit.com under Infoservice/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. In addition, 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 69-71) on the management of financial risks. In addition, the internal Audit Department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimization proposals of previous audits.

4. Group Executive Board

1 Albert M. Baehny (1952)

Chief Executive Officer (CEO) since 2005
Member of the Group Executive Board since 2003, with Geberit since 2003
Swiss citizen
Resident in Arlesheim (CH)

Albert M. Baehny graduated with a degree in biology from the University of Fribourg (CH). In 1979, he started his career in the research department of 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 8/9, Management Structure.

2 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 (CH) and graduated with the degree of lic. oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich 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 8/9, Management Structure.

3 William J. Christensen (1973)

Member of the Group Executive Board since 2009, with Geberit since 2004
US/Swiss citizen
Resident in Wilen, Wollerau (CH)
Head of Group Division Sales International

William J. Christensen graduated with a Bachelor of Arts (major: economics) from Rollins College (USA). In 1995, he started his career as a project manager in Switzerland for Rieter Automotive Systems. He held subsequent positions in finance, sales and general management with Rieter Automotive both in Switzerland and North America. He left Rieter in 2001 to pursue an MBA at the University of Chicago. Upon graduation in 2003, William J. Christensen joined J. P. Morgan Securities Inc., in New York, in the Mergers & Acquisitions department. In November 2004, he returned to Switzerland joining Geberit as Head of Strategic Marketing. He relocated to Chicago in February 2006, to become President & CEO of Geberit's North American business. 2007, he became Head Group Marketing. William J. Christensen is Head of the Group Division Sales International, effective 2009, refer also to pages 8/9, Management Structure.

4 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 2005. He has been Head of the Group Division Products since 2006, refer also to pages 8/9, Management Structure.

1

2

3

4

Bernd Kuhlin, Head of Sales Europe, decided in May 2010 to leave the Geberit Group after having served for three and one-half years on the Group Executive Board. The Board of Directors of Geberit AG has appointed Dr Karl Spachmann as Head of the Group Division Sales Europe, effective April 1, 2011.

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 proposal for Group Executive salaries is drawn up by the CEO and submitted to the Personnel Committee in advance.

In establishing compensation for the Board of Directors, the Board looked to the member industrial companies of SMIM as a reference (SMIM includes the 30 largest mid-cap stocks on the Swiss stock market that are not already listed in the SMI blue chip index). 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 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. 150 persons). The target salary (100%) is composed of a fixed salary (70%), a results-related salary (25%) as well as an individual performance component (5%). The results-related salary 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 salaries for the Group Executive Board are regularly benchmarked with those of the boards of comparable Swiss industrial companies in collaboration with an international salary benchmarking service.

The results-related salary 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. 70 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 107-110.

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 authoritive 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. Lead auditor René Rausenberger has been in charge of the auditing mandate since 2008.

Auditing fees

In 2010, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,218 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 1,009 relating to tax consultancy and support as well as TCHF 227 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, and to comment their activities and answer questions.

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 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-1.

For further details on the Geberit Group's information policy including a time schedule, please refer to the «Geberit share Information» chapter on pages 4/5 of this Annual Report.

This page has been intentionally left blank.

Consolidated Financial Statements Geberit Group

Consolidated Balance Sheets

	Note	31.12.2010 MCHF	31.12.2009 MCHF
Assets			
Current assets			
Cash and cash equivalents		586.6	300.6
Marketable securities	6	0.0	105.9
Trade accounts receivable	7	109.3	122.6
Other current assets and current financial assets	8	59.7	70.9
Inventories	9	148.8	187.6
Total current assets		**904.4**	**787.6**
Non-current assets			
Property, plant and equipment	10	514.3	576.2
Deferred tax assets	19	78.5	79.4
Other non-current assets and non-current financial assets	11	15.2	15.9
Goodwill and intangible assets	12	658.8	753.1
Total non-current assets		**1,266.8**	**1,424.6**
Total assets		**2,171.2**	**2,212.2**

	Note	31.12.2010 MCHF	31.12.2009 MCHF
Liabilities and equity			
Current liabilities			
Short-term debt	13/15	3.3	28.9
Trade accounts payable		66.7	69.8
Tax liabilities and tax provisions		56.5	85.3
Other current provisions and liabilities	14	139.7	130.0
Total current liabilities		**266.2**	**314.0**
Non-current liabilities			
Long-term debt	15	70.1	82.0
Accrued pension obligation	17	202.8	183.1
Deferred tax liabilities	19	52.2	56.0
Other non-current provisions and liabilities	20	59.0	67.9
Total non-current liabilities		**384.1**	**389.0**
Shareholders' equity			
Capital stock	22	4.1	4.1
Reserves		1,728.9	1,554.5
Cumulative translation adjustments		(212.1)	(49.4)
Total equity		**1,520.9**	**1,509.2**
Total liabilities and equity		**2,171.2**	**2,212.2**

The accompanying notes on pages 64 to 96 are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2010 MCHF	2009 MCHF
Sales		2,146.9	2,181.2
Cash discounts and customer bonuses	24	246.9	250.2
Revenue from sales		**1,900.0**	**1,931.0**
Cost of materials		572.8	574.3
Personnel expenses		447.1	446.2
Depreciation expense	10	81.8	78.9
Amortization of intangibles	12	5.7	5.4
Other operating expenses, net	25	306.4	299.5
Total operating expenses, net		1,413.8	1,404.3
Operating profit (EBIT)		**486.2**	**526.7**
Financial expenses	26	(10.9)	(13.9)
Financial income	26	3.9	4.9
Foreign exchange (loss)/gain	26	(7.3)	(4.5)
Financial result, net		(14.3)	(13.5)
Profit before income tax expenses		**471.9**	**513.2**
Income tax expenses	27	65.1	115.7
Net income		**406.8**	**397.5**
– Attributable to shareholders		406.8	397.5
EPS (CHF)	23	10.32	10.18
EPS diluted (CHF)	23	10.30	10.13

The accompanying notes on pages 64 to 96 are an integral part of the consolidated financial statements.

Statements of Comprehensive Income

	2010	2009
	MCHF	MCHF
Net income according to the income statement	**406.8**	**397.5**
a) Cumulative translation adjustments	(162.7)	7.4
Reclassification to the income statement	0.0	0.0
Total cumulative translation adjustments	**(162.7)**	**7.4**
b) Cashflow hedge accounting	1.9	(1.6)
Reclassification to the income statement	0.0	0.0
Taxes	(0.5)	0.4
Total cashflow hedge accounting, net of tax	**1.4**	**(1.2)**
c) Actuarial adjustments of pension plans	(35.9)	(20.8)
Taxes	7.2	4.8
Total actuarial adjustments of pension plans, net of tax	**(28.7)**	**(16.0)**
Total comprehensive income	**216.8**	**387.7**
– Attributable to shareholders	216.8	387.7

Consolidated Statements of Changes in Equity

	Attributable to shareholders								
	Ordinary shares	Share premium	Treasury shares	Retained earnings	Pension plans	Hedge accounting	Cum. translation adjustments	Minority interest	Total equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
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**
Total comprehensive income				397.5	(16.0)	(1.2)	7.4		387.7
Dividends				(210.9)					(210.9)
(Purchase)/Sale									
of treasury shares		0.8	14.8						15.6
Convertible Bond		(119.5)		124.2					4.7
Management option plans		0.2							0.2
Capital reduction	(0.2)	(311.2)	311.4						0.0
Balance at 31.12.2009	**4.1**	**44.9**	**(227.7)**	**1,860.3**	**(120.1)**	**(2.9)**	**(49.4)**	**0.0**	**1,509.2**
Total comprehensive income				406.8	(28.7)	1.4	(162.7)		216.8
Dividends				(252.6)					(252.6)
(Purchase)/Sale									
of treasury shares		10.2	14.7						24.9
Convertible Bond		21.1		4.7					25.8
Management option plans		(3.2)							(3.2)
Capital reduction									0.0
Balance at 31.12.2010	**4.1**	**73.0**	**(213.0)**	**2,019.2**	**(148.8)**	**(1.5)**	**(212.1)**	**0.0**	**1,520.9**

The accompanying notes on pages 64 to 96 are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2010 MCHF	2009 MCHF
Cash provided by operating activities			
Net income		406.8	397.5
Depreciation and amortization	10/12	87.5	84.3
Financial result, net	26	14.3	13.5
Income tax expenses	27	65.1	115.7
Other (incl. gain on disposals of subsidiaries and PP&E)		26.3	20.9
Operating cashflow before changes in net			
working capital and taxes		**600.0**	**631.9**
Income taxes paid		(81.7)	(161.4)
Changes in trade accounts receivable		11.8	(14.2)
Changes in inventories		17.1	19.9
Changes in trade accounts payable		4.6	(14.9)
Changes in other positions of net working capital		18.3	(2.1)
Net cash provided by operating activities		**570.1**	**459.2**
Cash from/(used in) investing activities			
Acquisitions of subsidiaries	2	(1.0)	(0.3)
Purchase of property, plant & equipment and intangible assets	10/12	(80.5)	(106.4)
Proceeds from sale of property, plant & equipment and intangible assets		2.1	2.9
Marketable securities, net		98.7	(1.1)
Interest received		6.0	2.1
Other, net		(9.6)	(1.7)
Net cash from/(used in) investing activities		**15.7**	**(104.5)**
Cash from/(used in) financing activities			
Proceeds from borrowings		0.2	0.0
Repayments of borrowings		(8.1)	(41.6)
Interest paid		(6.0)	(9.1)
Dividends		(252.6)	(210.9)
(Purchase)/Sale of treasury shares		10.2	11.3
Other, net		(1.9)	(3.3)
Net cash from/(used in) financing activities		**(258.2)**	**(253.6)**
Effects of exchange rates on cash		(41.6)	2.1
Net increase/(decrease) in cash		**286.0**	**103.2**
Cash and cash equivalents at beginning of year		300.6	197.4
Cash and cash equivalents at end of year		**586.6**	**300.6**

The accompanying notes on pages 64 to 96 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 wholesale channel. Geberit sells its products in 100 countries. In 41 countries, the Group is present with its own sales employees.

The consolidated financial statements include Geberit AG and the companies under its control ("the Group" or "Geberit"). If existing, minority interests are shown as a separate item of the consolidated equity. The Group eliminates all intra-group transactions as part of the Group consolidation process. Companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

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

Critical accounting estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates. Estimates and assumptions are continually reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Important estimates and assumptions and the associated uncertainties are disclosed in the related notes (see Notes 12, 17, 27).

2. Changes in Group organization

2010:

On January 1, 2010, the Group purchased all shares in GEBIN Water Management Systems Pvt, Ltd., India, at a price of MEUR 0.7 (MCHF 1.1). The company was renamed to Geberit Plumbing Technology India Pvt. Ltd. This sales company, a distributor in the area of sanitary technology, was the exclusive importer for Geberit products in India until the acquisition. Due to the size of the company no additional information is disclosed.

In the course of an internal reorganization and consolidation, the following companies were liquidated or merged with other Group companies:

- Geberit Invest B.V., Nieuwegein
- Geberit Management B.V., Nieuwegein
- Geberit Mapress Technik GmbH, Langenfeld

In addition, the following companies were founded in 2010 which will start their activities in 2011:

- Geberit Apparate AG, Rapperswil-Jona
- Geberit Logistik GmbH, Pfullendorf
- Geberit India Manufacturing Private Limited, Bangalore

2009:

No major changes in Group organization took place.

3. Summary of significant accounting policies

New or revised IFRS standards and interpretations 2010 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Intro-duction
IFRS 2 – Share-based Payment	1.1.2010	Clarification of the accounting for cash-settled share-based payment transactions made by subsidiaries. This amendment has no impact on the consolidated financial statements.	1.1.2010
IFRS 3 – Business Combinations	1.7.2009	The amendment leads to several changes in adopting the purchase method. Subsequent adjustments of the purchase price, which are based on future events, now have to be charged to the income statement instead of adjusting the goodwill. In a step acquisition, the existing investment is measured at fair value through profit and loss. All transaction costs have to be charged to the income statement. At Geberit Group, this standard will be applied for future acquisitions. This amendment has no material impact on the consolidated financial statements.	1.1.2010
IAS 27 – Consolidated and Separate Financial Statements	1.7.2009	IAS 27 offers now an option regarding the recognition of minorities at the date of the business combination at fair value (incl. goodwill) or at the pro rata value of the net assets (excl. goodwill). The amendment requires recording all movements of minorities within equity as long as there is no change in control ("economic entity model"). The standard also defines the accounting procedures for subsidiaries in case of the loss of control. The residual minorities are measured at fair value. A resulting gain or loss will be booked to the income statement. Because Geberit currently only owns 100% subsidiaries, this amendment has no impact to the current subsidiaries.	1.1.2010
IAS 32 – Classification of Right Issues	1.2.2010	Rights issues in all currencies have to be classified as equity. This amendment has no impact on the consolidated financial statements.	1.1.2011
IAS 39 – Financial Instruments: Recognition and Measurement	1.7.2009	Clarification of hedge accounting issues in respect of inflation risk in a financial hedged item and a one-sided risk in a hedged item. The standard has no impact on the consolidated financial statements.	1.1.2010
Conceptual Framework – Phase A Objectives and qualitative characteristics	1.10.2010	Creation of a sound foundation for future accounting standards. This amendment has no direct impact on the consolidated financial statements.	1.10.2010
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary yearly clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements.	various

New or revised IFRS standards and interpretations as from 2011 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 7 – Financial instruments: Disclosures	1.7.2011	Improvement of the disclosure requirements in relation to transferred financial assets. This amendment has no impact on the consolidated financial statements.	1.1.2012
IFRS 9 – Financial Instruments: Phase 1, Classification and Measurement	1.1.2013	IFRS 9 treats the classification and measurement of financial assets and financial liabilities. These new rules result from the first phase of the project to replace IAS 39. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 12 – Income taxes	1.7.2011	Amendment of deferred tax in relation with investment property at fair value. This amendment has no impact on the consolidated financial statements.	1.1.2012
IAS 24 – Related Party Disclosures	1.1.2011	Simplification of disclosures for relation with a state. This amendment has no impact on the consolidated financial statements.	1.1.2011
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary yearly clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements.	various

The Geberit Group does not plan an early adoption of any standard or interpretation (IFRIC).

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, receivables and liabilities in foreign currency are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to 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 in other comprehensive income and disclosed as cumulative translation adjustments.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term, highly liquid financial investments with maturities of three months or less 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 to their 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 intention of selling them in the near time have to be measured at their fair value through the income statement.

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. Both the purchase cost and the cost of production 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 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 of property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (15–50 years), production machinery and assembly lines (8–15 years), molds (4–6 years), equipment (4–20 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.

Borrowing costs of all material qualified assets are capitalized during the production phase in accordance with IAS 23. A qualified asset is an asset for which an extensive period is required to transform it to its planned serviceable or marketable condition.

If there is any indication for impairment, the actual carrying amount of the asset is compared to its recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced accordingly and charged to the income statement.

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. If the purchase price is lower than the fair value of net assets, the difference is credited to the income statement. Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill and intangible assets with an indefinite useful life are not regularly amortized but tested for impairment on an annual basis. Since the 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 subsequent 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 higher than its estimated recoverable amount, the asset is reduced correspondingly. The Group records the difference between recoverable amount and carrying amount as expense. The valuation is based on single assets or, if such valuation is not possible, on the level of the group of assets for which separately identifiable cashflows exist. The Geberit trademark is valued on Group level.

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 development of prices, markets and Group's market shares. To discount future cashflows, the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in Note 12.

Associated companies, joint ventures and other investments

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. A change in the parent's ownership interest without loss of control is dealt as equity transaction between shareholders.

Provisions

The Group recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and when a reasonable estimate of the size of the obligation can be made. The Group warrants its products against defects and accrues 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 with the shipment of the 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 either using the current tax rate or the tax rate expected to be applicable 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
The development expenditures are not capitalized because the conditions for capitalization are not met. The amount in 2010 was MCHF 44.2 (PY: MCHF 45.6)[1]. 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 defined benefit obligations are calculated annually by independent actuarial experts using the projected unit credit method based on the service life, projected development of salary and pension benefit and expected return on pension fund investments. Experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income. 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 are also charged to income as incurred.

Participation plans
Rebates granted to employees and members of the Board of Directors when buying Geberit shares under share participation programs are charged to the income statement in the year the programs are 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 the 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 a Convertible Bond are added to ordinary shares. The Convertible Bond issued in 2004 was due on June 14, 2010 and therefore it had no dilutive effect as of December 31, 2010 (see Note 15). Dilutive shares from option programs are determined on the basis of the accumulated difference between market price and exercise price 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 a 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 a Convertible Bond, net of tax, and the adjusted number of ordinary shares.

Financial instruments
Trade accounts receivable and other current assets 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 section "Marketable securities" on page 66 in 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 at the balance sheet date, it has the unconditional right to defer settlement for at least 12 months after the balance sheet date.

[1] As of 2010, a new systematic for the determination of the development expenditures is in place. The prior-year number was adjusted accordingly.

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 at an amortized cost basis, using the effective interest rate method.

Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The recognition of derivatives in the Group's balance sheet is based on internal valuations or on the valuation of the respective financial institution (see Note 16).

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 financial result, 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 other comprehensive income. The ineffective portion is recorded in financial result, 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, analyzed 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 actions taken. The permanent observation and control of the risks is a management objective. For risks concerning the accounting and financial reporting, a specific 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 focuses on recognizing, analyzing and hedging foreign exchange rate, interest rate, liquidity and counterparty risks, with the aim of limiting their effect on cashflow and net income. The Group measures its risks with the value-at-risk method for foreign exchange rate risks and the cashflow-at-risk method for interest rate risks.

Management of counterparty risks from treasury activities

The counterparties for investments in financial instruments must have a rating of at least A+ (S&P) or A1 (Moody's) in principle. Considering the fact that in the current market environment, even very big financial institutions do not comply with the minimum rating requirements, the minimum rating was temporarily reduced to A (S&P) or A2 (Moody's). Management believes that the risk of loss from the existing contracts is remote.

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 financial institution 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 other than 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 as the primary hedging strategy. Hereby, the foreign exchange rate risk of cash inflows in a certain currency is neutralized with cash outflows of the same currency. Therefore, the currency impact on the margin in 2010 was relatively small, even though the EUR has strongly decreased against CHF and the total negative currency impact on sales amounted to 6.6%.

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 gains/losses from foreign exchange positions)/equity. Based on internal limits, it is decided whether any hedging measures have to be taken. Normally, forward exchange contracts are used as hedging instruments. The 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, 31:

	2010 MCHF	2009 MCHF
Value-at-risk +/- unrealized gains/losses	10.2	6.7
Equity	1,520.9	1,509.2
(Value-at-risk +/- unrealized gains/losses)/equity	**0.7%**	**0.4%**

The increase in VaR compared to the same period of the previous year and the related exceeding of the limit is a result of the rising volatilities at the FX markets. Management considers this additional risk arising from the minor excess of the limit as not material.

Management of interest rate risk

Basically, there are two types of interest rate risks:

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

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

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

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

Interest rate risk as of December, 31:

	2010 MCHF	2009 MCHF
EBITDA	573.7	611.0
Financial result, net + CfaR	5.8	8.2
EBITDA/(Financial result, net + CfaR)	**99x**	**74x**

Combined foreign exchange rate and interest rate risk

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

	2010 MCHF	2009 MCHF
Combined foreign exchange rate and interest rate risk	18.7	12.7

Management of liquidity risk
Liquid funds (including the committed unused credit lines) must be available in order to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortization payments 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 658.3 (PY: MCHF 465.6).

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 debtors' risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses. Such losses, in aggregate, have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of receivables at year-end is not representative because of the low sales volume in December. In 2010, the average balance of receivables is about 160% 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 such a 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. The accounting treatment of these financial instruments is explained in Note 3 "Summary of significant accounting policies".

As of December 31, 2010, there are no open positions of financial instruments for hedging commodity price risks (see Note 16d).

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, 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:

Type of risk	Key figure	2010	2009
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/equity	0.7%	0.4%
Interest rate risk	EBITDA/(financial result, net + CfaR)	99x	74x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 658.3	MCHF 465.6

5. Management of capital

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:
- adjustment of the distribution policy
- share buyback programs
- capital increases
- 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 and equipment, goodwill, and intangible assets.

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

The relevant values as of December 31, 2010 and 2009 are outlined below:

	2010 MCHF	2009 MCHF
Gearing		
Debt	73.4	110.9
Liquid funds and marketable securities	586.6	406.5
Net debt	(513.2)	(295.6)
Equity	1,520.9	1,509.2
Net debt/equity	**(33.7%)**	**(19.6%)**
Return on equity (ROE)		
Equity (rolling)	1,509.3	1,415.8
Net income	406.8	397.5
ROE	**27.0%**	**28.1%**
Return on invested capital (ROIC)		
Invested capital (rolling)	1,450.5	1,571.3
Net operating profit after taxes (NOPAT)	416.5	448.5
ROIC	**28.7%**	**28.5%**

6. Marketable securities

In 2010, the Group did not invest in additional marketable securities. The federal government bonds (mainly German government bonds) bought in 2009 were repayed in 2010. Therefore, the Group does not show any marketable securities as of December 31, 2010 (PY: MCHF 105.9).

7. Trade accounts receivable

	2010 MCHF	2009 MCHF
Trade accounts receivable	116.6	129.9
Allowance	(7.3)	(7.3)
Total trade accounts receivable	**109.3**	**122.6**

Of trade accounts receivable, MCHF 4.4 was denominated in CHF (PY: MCHF 4.5), MCHF 62.4 in EUR (PY: MCHF 73.7), MCHF 11.0 in USD (PY: MCHF 14.4), and MCHF 6.1 in GBP (PY: MCHF 3.8).

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

	2010 MCHF	2009 MCHF
Allowances for trade accounts receivable		
January 1	**7.3**	**7.9**
Additions	1.7	2.4
Used	(0.3)	(1.5)
Reversed	(0.5)	(1.5)
Translation differences	(0.9)	0.0
December 31	**7.3**	**7.3**

	2010 MCHF	2009 MCHF
Maturity analysis of trade accounts receivable		
Not due	84.0	93.7
Past due < 30 days	17.3	20.6
Past due < 60 days	5.0	4.0
Past due < 90 days	0.6	0.8
Past due < 120 days	0.5	0.7
Past due > 120 days	1.9	2.8
Total trade accounts receivable	**109.3**	**122.6**

8. Other current assets and current financial assets

	2010 MCHF	2009 MCHF
Income tax refunds receivable	6.2	10.6
Value added tax receivables	40.6	44.3
Short-term derivative financial instruments (see Note 33)[1]	2.9	0.4
Prepaid expenses and other current assets	10.0	15.6
Total other current assets and current financial assets	**59.7**	**70.9**

[1] Is not part of the calculation of net working capital

9. Inventories

	2010 MCHF	2009 MCHF
Raw materials, supplies and other inventories	46.8	52.9
Work in progress	26.6	29.6
Finished goods	65.1	87.8
Merchandise	9.4	17.0
Prepayments to suppliers	0.9	0.3
Total inventories	**148.8**	**187.6**

As of December 31, 2010, inventories include allowances for slow-moving and obsolete items of MCHF 20.1 (PY: MCHF 24.8).

10. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./ advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2010					
Cost at beginning of year	990.9	296.7	611.8	37.3	45.1
Changes in Group organization (see Note 2)	0.1			0.1	
Additions	78.6	5.8	33.6	7.4	31.8
Disposals	(37.6)	(0.8)	(31.0)	(5.8)	
Transfers	0.0	18.4	21.6	1.9	(41.9)
Translation differences	(121.8)	(32.6)	(79.9)	(6.2)	(3.1)
Cost at end of year	**910.2**	**287.5**	**556.1**	**34.7**	**31.9**
Accumulated depreciation at beginning of year	414.7	73.2	321.4	20.1	0.0
Depreciation expense	81.8	11.5	63.2	7.1	
Disposals	(36.5)	(0.7)	(30.3)	(5.5)	
Transfers			(0.2)	0.2	
Translation differences	(64.1)	(9.6)	(50.1)	(4.4)	
Accumulated depreciation at end of year	**395.9**	**74.4**	**304.0**	**17.5**	**0.0**
Net carrying amounts at end of year	**514.3**	**213.1**	**252.1**	**17.2**	**31.9**
2009					
Cost at beginning of year	921.1	274.3	540.1	35.9	70.8
Additions	103.4	12.5	45.7	5.3	39.9
Disposals	(29.6)	(3.6)	(21.3)	(4.7)	
Transfers	0.0	14.6	49.8	0.9	(65.3)
Translation differences	(4.0)	(1.1)	(2.5)	(0.1)	(0.3)
Cost at end of year	**990.9**	**296.7**	**611.8**	**37.3**	**45.1**
Accumulated depreciation at beginning of year	365.6	66.8	281.5	17.3	0.0
Depreciation expense	78.9	9.5	61.8	7.6	
Disposals	(28.0)	(2.8)	(20.5)	(4.7)	
Transfers	0.0				
Translation differences	(1.8)	(0.3)	(1.4)	(0.1)	
Accumulated depreciation at end of year	**414.7**	**73.2**	**321.4**	**20.1**	**0.0**
Net carrying amounts at end of year	**576.2**	**223.5**	**290.4**	**17.2**	**45.1**

As of December 31, 2010, buildings were insured at MCHF 432.2 (PY: MCHF 495.9) and equipment at MCHF 862.8 (PY: MCHF 923.1) against fire which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,295.0 (PY: MCHF 1,419.0).

As of December 31, 2010, the Group has entered into firm commitments for capital expenditures of MCHF 8.3 (PY: MCHF 6.2).

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

	2010 MCHF	2009 MCHF
Reinsurance policies for pension obligations (see Note 17)	8.7	8.5
Long-term derivative financial instruments (see Note 33)	0.0	0.1
Other	6.5	7.3
Total other non-current assets and non-current financial assets	**15.2**	**15.9**

12. Goodwill and intangible assets

	Total MCHF	Goodwill MCHF	Patents and technology MCHF	Trademarks and other intangible assets MCHF
2010				
Cost at beginning of year	1,162.6	862.8	127.3	172.5
Changes in Group organization (see Note 2)	0.5	0.5		
Additions	1.9			1.9
Disposals	(4.2)	(0.6)		(3.6)
Translation differences	(132.8)	(129.2)	0.0	(3.6)
Cost at end of year	**1,028.0**	**733.5**	**127.3**	**167.2**
Accumulated amortization at beginning of year	409.5	214.3	114.8	80.4
Amortization expense	5.7		3.2	2.5
Disposals	(3.5)			(3.5)
Translation differences	(42.5)	(39.5)	0.0	(3.0)
Accumulated amortization at end of year	**369.2**	**174.8**	**118.0**	**76.4**
Net carrying amounts at end of year	**658.8**	**558.7**	**9.3**	**90.8**
2009				
Cost at beginning of year	1,161.2	864.0	127.5	169.7
Additions	3.0			3.0
Disposals	(1.1)			(1.1)
Translation differences	(0.5)	(1.2)	(0.2)	0.9
Cost at end of year	**1,162.6**	**862.8**	**127.3**	**172.5**
Accumulated amortization at beginning of year	405.0	214.8	111.8	78.4
Amortization expense	5.4		3.1	2.3
Disposals	(1.1)			(1.1)
Translation differences	0.2	(0.5)	(0.1)	0.8
Accumulated amortization at end of year	**409.5**	**214.3**	**114.8**	**80.4**
Net carrying amounts at end of year	**753.1**	**648.5**	**12.5**	**92.1**

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2010, there was no need for an impairment of these assets. The following table shows the carrying amount of positions which are material for the Group. Furthermore, the table shows the parameters used in the impairment analysis.

	Carrying amount 31.12.2010	Carrying amount 31.12.2009	Calculation of recoverable amount (PY numbers in brackets)			
			Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate pre-tax	Discount rate post-tax
	MCHF	MCHF		%	%	%
Goodwill from LBO Geberit	244.3	276.0	U	3.24 (0.14)	10.14 (9.55)	8.97 (8.26)
Goodwill from Mapress acquisition	295.6	351.0	U	2.10 (0.06)	12.36 (11.95)	9.10 (8.41)
Geberit trademarks	84.6	84.6	U	3.24 (0.14)	10.51 (9.54)	8.97 (8.26)
Total	**624.5**	**711.6**				

The growth rates beyond the planning period are based on Euroconstruct and on history-based internal assumptions about price and market share development. 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

	2010	2009
	MCHF	MCHF
Convertible Bond	0.0	25.7
Other short-term debt	3.3	3.2
Total short-term debt	**3.3**	**28.9**

The Group maintains credit lines of MCHF 46.2 (PY: MCHF 50.3) 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, 2010 and 2009, the Group did not have any outstanding drawings on the above-mentioned credit lines.

14. Other current provisions and liabilities

	2010	2009
	MCHF	MCHF
Compensation-related liabilities	41.9	36.8
Accrued interest	0.4	0.6
Customer-related liabilities	50.0	44.2
Current provisions	3.9	5.2
Value added tax payables	24.8	24.7
Other current liabilities	18.7	18.5
Total other current provisions and liabilities	**139.7**	**130.0**

2010 and 2009 movements of current provisions are shown in the following table:

	2010 MCHF	2009 MCHF
Current provisions		
January 1	**5.2**	**4.9**
Additions	1.8	2.9
Used	(0.9)	(1.4)
Reversed	(1.8)	(1.0)
Transfers	0.0	(0.2)
Translation differences	(0.4)	0.0
December 31	**3.9**	**5.2**

15. Long-term debt

	2010 MCHF	2009 MCHF
Private Placement	60.7	66.7
Revolving Facility	0.0	0.0
Convertible Bond	0.0	25.7
Other debt	12.7	18.5
Total debt	**73.4**	**110.9**
Short-term portion of debt	(3.3)	(28.9)
Total long-term debt	**70.1**	**82.0**

Private Placement

In December 2002, the Group raised MUSD 100.0 from various US insurance companies through a 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 was 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 series A (MUSD 35.0) was paid back on maturity (December 19, 2009).

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. Both conditions were met on December 31, 2010.

– EBITDA/financial result, net:	min.	3.0x
– Net debt/EBITDA:	max.	3.5x

As of December 31, 2010, the fair value of the Private Placement amounted to MCHF 65.2 (PY: MCHF 71.4). 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

At the end of June, 2009, the Geberit Group has agreed with a banking syndicate a firmly committed credit line ("Revolving Facility") of MCHF 250. This credit line is firmly available until June 30, 2013 and can be used to fund working capital requirements, investments in PP&E, and acquisitions. At December 31, 2010, the Revolving Facility bears interest at LIBOR plus an annual interest margin of 1.1%. 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 six months. Furthermore, a commitment fee is paid equal to 35% 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, amongst others the compliance with the following financial ratios:

– EBITDA/financial result, net: min. 5.0x
– Net debt/EBITDA: max. 3.0x
– Equity/total assets: min. 25%

The compliance with the financial ratios was fulfilled on December 31, 2010. In 2010 and 2009, no draw down of the Revolving Facility took place.

Convertible Bond

On June 14, 2004, the Group issued a Convertible Bond at a nominal value of MCHF 170.0. The Convertible Bond was split into 34,000 bond fractions at a par value of CHF 5,000 each. The fair values of the liability and the equity component were determined on issuance of the bond.

Until the maturity date of June 14, 2010, a total of 5,189 fractions of the Convertible Bond in the nominal value of MCHF 25.8 was converted into 266,431 shares in the first half-year. According to paragraph 6a iv) of the conversion conditions ("extraordinary dividends"), the conversion price was reduced from CHF 97.46 to CHF 97.08 on May 4, 2010, and therefore the number of shares for each fraction was increased to 51.50391. Until the maturity of the Convertible Bond, all 34,000 fractions of the Convertible Bond in the nominal value of MCHF 170.0 were converted into 1,718,095 shares. As of December 31, 2010, the total number of issued Geberit shares is 41,238,005.

The liability recognized in the balance sheet shows the following changes from issuance to maturity.

	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 2009	0.8
Conversion in Geberit shares	(4.7)
Liability recognized as of December 31, 2009	25.7
Amortization expense 2010	0.1
Conversion in Geberit shares	(25.8)
Liability recognized as of December 31, 2010	0.0

Amortization expense includes the amortization of the equity component (interest discount) and of transaction costs. The effective interest rate of the Convertible Bond charged to the income statement was 3.56% (PY: 3.57%).

Other debt
As of December 31, 2010, the Group had MCHF 12.7 of other debt (PY: MCHF 18.5). This debt incurred an effective interest rate of 6.0% (PY: 4.81%).

Currency mix
Of the debt outstanding as of December 31, 2010, MCHF 12.3 was denominated in EUR (PY: MCHF 18.2), MCHF 0.0 in CHF (PY: MCHF 25.7) and MCHF 60.9 in USD (PY: MCHF 67.0).

16. Derivative financial instruments

Where required by 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. As at December 31, 2010 and 2009, the following derivative financial instruments were outstanding:

a) Cross currency interest rate hedges
The following instruments were used to hedge foreign exchange rate risks, arising from the intercompany financing of subsidiaries:

	Maturity	Strike price	Contract amount Purchase	Contract amount (Sale)	Fair value 31.12.2010	Fair value 31.12.2009	USD interest rate	EUR interest rate	Calculation method
			MUSD	MEUR	MCHF	MCHF	%	%	
USD buy/EUR sell	19.12.2012	1.004	55.0	(54.8)	(18.9)	(28.7)	5.54	5.9775	DCF[1]

	Maturity	Strike price	Contract amount Purchase	Contract amount (Sale)	Fair value 31.12.2010	Fair value 31.12.2009	CHF interest rate	USD interest rate	Calculation method
			MCHF	MUSD	MCHF	MCHF	%	%	
CHF buy/USD sell	16.12.2011	1.03345	31.0	(30.0)	2.8	0.1	0.37	1.20	DCF[1]

[1] Discounted cash flow

b) Forward foreign exchange contracts and foreign exchange options

	Contract values					Fair value per 31.12.	Calculation method
2010	MEUR	MNOK	MGBP	MPLN	MUSD	MCHF	
Foreign exchange contracts	0.0	(2.5)	(0.3)	(2.0)	(0.9)	0.1	Mark-to-Market
Total	**0.0**	**(2.5)**	**(0.3)**	**(2.0)**	**(0.9)**	**0.1**	
2009							
Foreign exchange options	(20.0)	0.0	0.0	0.0	0.0	0.4	Black-Scholes
Total	**(20.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	

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

c) Interest rate hedges
As of December 31, 2010 and 2009, the Group had no outstanding interest rate hedges.

d) Commodity price hedging instruments
As of December 31, 2010 and 2009, there were no outstanding commodity price hedging instruments.

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:

	2010		2009	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Service cost	19.8	4.6	17.7	4.4
Interest cost on projected benefit obligation	12.7	6.6	12.3	7.4
Expected return on plan assets	(15.4)		(14.0)	
Contributions of employees	(7.9)		(7.7)	
Net periodic pension cost	**9.2**	**11.2**	**8.3**	**11.8**

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:

	2010		2009	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Benefit obligation				
At beginning of year	381.1	139.6	340.8	121.4
Service cost	19.8	4.6	17.7	4.4
Interest cost on projected benefit obligation	12.7	6.6	12.3	7.4
Actuarial (gains)/losses	28.9	7.8	20.2	13.6
Translation differences	(1.4)	(22.8)	0.0	(0.5)
Benefits paid	(10.5)	(6.4)	(9.9)	(6.7)
Benefit obligation at end of year	**430.6**	**129.4**	**381.1**	**139.6**
Plan assets at fair value				
At beginning of year	346.1		314.3	
Expected return on plan assets	15.4		14.0	
Contributions of employees	7.9		7.7	
Contributions of employers	7.2		6.8	
Benefits paid	(10.3)		(9.6)	
Actuarial gains/(losses)	0.8		13.0	
Translation differences	(1.2)		(0.1)	
Plan assets at fair value at end of year	**365.9**		**346.1**	
Funded status at end of year	**(64.7)**	**(129.4)**	**(35.0)**	**(139.6)**
Adjustment according to IAS 19.58	0.0	0.0	0.0	0.0
Total pension asset/(obligation)	**(64.7)**	**(129.4)**	**(35.0)**	**(139.6)**

	2010 Funded plans MCHF	2010 Unfunded plans MCHF	2009 Funded plans MCHF	2009 Unfunded plans MCHF
The pension asset/(obligation) is composed of:				
Reinsurance policies for pension obligations (Note 11)	8.7		8.5	
Accrued pension obligations	(73.4)	(129.4)	(43.5)	(139.6)
Total pension asset/(obligation)	**(64.7)**	**(129.4)**	**(35.0)**	**(139.6)**

The plan assets of funded plans of MCHF 365.9 (PY: MCHF 346.1) are composed of assets of MCHF 357.2 (PY: MCHF 337.6) in two independent Swiss trustee pension funds and MCHF 8.7 (PY: MCHF 8.5) 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 funds. 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, 2010, no underfundings existed for Swiss pension plans in compliance with Swiss GAAP FER (FER 26).

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

	2010 MCHF	2009 MCHF	2008 MCHF	2007 MCHF	2006 MCHF
Benefit obligations	(560.0)	(520.7)	(462.2)	(457.4)	(458.4)
Plan assets	365.9	346.1	314.3	368.8	352.8
Funded status	**(194.1)**	**(174.6)**	**(147.9)**	**(88.6)**	**(105.6)**
Net actuarial (gains) and losses					
on benefit obligations	36.7	33.8	(0.2)	(28.4)	13.7
– of which from changes in actuarial assumptions	40.1	30.9	(6.5)	(34.6)	1.4
– of which from experience adjustments	(3.4)	2.9	6.3	6.2	12.3
Experience adjustments on plan assets	(0.8)	(13.0)	76.5	5.6	(12.0)
Total actuarial (gains) and losses in current year	**35.9**	**20.8**	**76.3**	**(22.8)**	**1.7**
Adjustment according to IAS 19.58, (gains)/losses	0.0	0.0	(36.9)	19.5	1.0
Recorded in OCI[1], current year	**35.9**	**20.8**	**39.4**	**(3.3)**	**2.7**
Recorded in OCI[1] accumulated	**187.7**	**151.8**	**131.0**	**91.6**	**94.9**

[1] Other comprehensive income

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

	2010	2009
Shares	27.9	28.2
Bonds and other debt instruments	32.2	34.7
Real estate property	27.8	26.0
Other	12.1	11.1
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 5.0% in 2010 and 9.5% in 2009. As of December 31, 2010, plan assets include MCHF 2.0 (PY: MCHF 1.5) of equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate property used by the Group.

In 2011, the expected employers' contribution to the plan assets amounts to MCHF 7.0.

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

			2010			2009
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	2.8	4.75	5.0	3.25	5.25	6.0
Annual rate of increase in future compensation levels	2.0	2.5	3.0	2.0	2.5	3.0
Expected rate of future increases in pension benefits	1.0	0-2.0	0.0	1.0	0-2.0	0.0
Expected rate of return on plan assets	4.5			4.5		
Demography	BVG 2000	Tables 2005 G		BVG 2000	Tables 2005 G	

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 1.8 in 2010 (PY: MCHF 1.8).

18. Participation plans

Share plans

In 2010, the employees could purchase a limited number of shares at a discount of 30% (PY: 30%) compared to the market price ("Employee share plan 2010"). The Geberit management was entitled to draw the previous year's results-related salary partly or entirely in shares valued at market price ("Management share plans 2010"). For each of these shares, the management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2010", the members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 30% (PY: 30%). All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2010 are summarized below:

	End of blocking period	Number of partici-pants	Number of shares issued	Issuing price CHF
Employee share plan 2010 (ESPP)	2012	1,024	17,692	132.37
Management share plans 2010 (MSPP)	2013	66	12,731	189.10
Directors program 2010 (DSPP)	2012	8	6,826	132.37

The 37,249 shares required for these plans were held by the Group as treasury shares.

As of December 31, 2010, the Board of Directors, the Geberit Executive Board and the employees combined owned a total of 1,472,884 (PY: 1,503,549) shares, i.e. 3.6% (PY: 3.7%) of the share capital of Geberit AG.

Option plans

For each of the shares purchased in connection with the "Management share plans 2010", 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 vesting 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 2010"), 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 vesting period of two and four years, respectively.

The following is a summary of the options allocated in 2010:

	End of vesting period	Maturity	Number of partici-pants	Number of options allocated	Exercise price CHF
Management share plans 2010 (MSPP)	2012	2015	66	12,731	189.10
Option plan 2010 type A (MSOP)	2012	2015	69	25,253	197.20
Option plan 2010 type B (MSOP)	2014	2015	69	25,253	206.60
Total				**63,237**	

The fair value of the options granted in 2010 amounted to CHF 37.83 for MSOP type A (two-years-vesting period), CHF 35.17 for MSOP type B (four-years-vesting period) and CHF 38.55 for MSPP (two-years-vesting 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	Surcharge %	Exercise price CHF	Expected volatility %	Expected ∅ dividend yield %	Con-tractual period Years	Risk-free interest rate %
Management share plans 2010 (MSPP)	189.10	0	189.10	29.15	2.86	5	0.821
Option plan 2010 type A (MSOP)	187.82	5	197.20	29.87	2.64	5	0.975
Option plan 2010 type B (MSOP)	187.82	10	206.60	29.87	2.64	5	0.975

[1] The reference share price corresponds to the average share price of the Geberit shares for the period from 5 to 18.1.2010 for MSOP and from 4 to 17.3.2010 for MSPP respectively.

The following table summarizes all option plans in place as of December 31, 2010:

End of vesting period	Maturity	Number of options outstanding	∅ exercise price CHF	Number of options in the money	∅ exercise price CHF
Lapsed	2011–2013	82,719	163.08	82,719	163.08
2011	2012–2014	90,505	127.94	75,095	108.76
2012	2013–2015	70,949	172.59	70,949	172.59
2013	2014	47,074	121.60	47,074	121.60
2014	2015	24,273	206.60	24,273	206.60
Total		**315,520**	**152.30**	**300,110**	**148.75**

The following movements took place in 2010 and 2009:

	MSOP		MSPP		Total 2010		Total 2009	
	Number of options	∅ exercise price	Number of options	∅ exercise price	Number of options	∅ exercise price	Number of options	∅ exercise price
		CHF		CHF		CHF		CHF
Outstanding January 1	**265,382**	**136.75**	**96,930**	**135.05**	**362,312**	**136.29**	**300,781**	**136.58**
Granted options	50,506	201.90	12,731	189.10	63,237	199.32	126,249	113.87
Forfeited options	8,272	153.36	410	196.30	8,682	155.39	1,798	155.21
Exercised options	71,642	121.96	29,705	129.43	101,347	124.15	62,920	92.13
Outstanding December 31	**235,974**	**154.60**	**79,546**	**145.48**	**315,520**	**152.30**	**362,312**	**136.29**
Exercisable at December 31	43,925	160.01	38,794	166.54	82,719	163.08	51,510	107.25

The 315,520 options outstanding represent 0.8% of the outstanding shares of Geberit AG. The Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2010, had an exercise price between CHF 96.50 and CHF 221.45 and an average remaining contractual life of 2.6 years.

Costs resulting from participation plans amounted to MCHF 1.5 in 2010 (PY: MCHF 1.5), those for option plans to MCHF 2.3 (PY: MCHF 2.3).

19. Deferred tax assets and liabilities

	2010 Total	Movements 2010 (Charged)/ credited to income	Movements 2010 Through equity/ OCI[1]	Movements 2010 Translation differences	2009 Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets					
Loss carryforwards	6.2	(2.4)		(0.9)	9.5
Accrued pension obligation	17.3	0.1	7.2	(1.1)	11.1
Property, plant and equipment	2.4	0.7		(0.3)	2.0
Goodwill and intangible assets	36.1	(5.0)		(1.0)	42.1
Other	16.5	2.4		(0.6)	14.7
Total deferred tax assets	**78.5**	**(4.2)**	**7.2**	**(3.9)**	**79.4**
Deferred tax liabilities					
Inventories	(5.3)	0.1		0.5	(5.9)
Property, plant and equipment	(32.6)	(1.2)		3.5	(34.9)
Intangible assets	(7.4)				(7.4)
Other	(6.9)	0.7		0.2	(7.8)
Total deferred tax liabilities	**(52.2)**	**(0.4)**	**0,0**	**4.2**	**(56.0)**

[1] Other comprehensive income

	2009 Total	Movements 2009 (Charged)/ credited to income	Through equity/ OCI	Translation differences	2008 Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets					
Loss carryforwards	9.5	(1.3)		0.4	10.4
Accrued pension obligation	11.1	2.1	4.8	(0.1)	4.3
Property, plant and equipment	2.0	0.1		(0.1)	2.0
Goodwill and intangible assets	42.1	32.6			9.5
Other	14.7	(1.0)	0.9		14.8
Total deferred tax assets	**79.4**	**32.5**	**5.7**	**0.2**	**41.0**
Deferred tax liabilities					
Inventories	(5.9)	(0.5)		0.1	(5.5)
Property, plant and equipment	(34.9)	(0.7)		0.1	(34.3)
Intangible assets	(7.4)	4.0	0.1	(0.2)	(11.3)
Other	(7.8)	0.2	0.5		(8.5)
Total deferred tax liabilities	**(56.0)**	**3.0**	**0.6**	**0.0**	**(59.6)**

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, 2010 and 2009, 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	2010	Not deferred tax asset	Deferred tax asset	2009	Not deferred tax asset	Deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
1 year	0.7	0.1	0.6	0.1		0.1
2 years	0.5		0.5	0.0		
3 years	0.2		0.2	0.6		0.6
4 years	0.0		0.0	2.4		2.4
5 years	1.3		1.3	0.3		0.3
6 years	4.2		4.2	1.5		1.5
> 6 years	18.9	0.7	18.2	27.1	0.5	26.6
Total	**25.8**	**0.8**	**25.0**	**32.0**	**0.5**	**31.5**

20. Other non-current provisions and liabilities

	2010 MCHF	2009 MCHF
Provisions for operating risks	22.9	20.6
Accrued grant payments	1.6	1.7
Long-term derivative financial instruments (see Note 33)	18.9	28.7
Other non-current liabilities	15.6	16.9
Total other non-current provisions and liabilities	**59.0**	**67.9**

For details with respect to derivative financial instruments see Note 16. Provisions for operating risks mainly include provisions for warranties. 2010 and 2009 movements are shown in the following table.

	2010 MCHF	2009 MCHF
Provisions for operating risks		
January 1	**20.6**	**18.7**
Additions	13.9	7.9
Used	(8.8)	(4.8)
Reversed	(0.4)	(1.3)
Transfers	0.0	0.2
Translation differences	(2.4)	(0.1)
December 31	**22.9**	**20.6**

21. Contingencies

The Group is involved in various 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 impact on the Group's financial position or operating results. The Group has established insurance policies to cover product liabilities and it accrues for potential product warranty claims.

As of June 23, 2010, the European Community Commission has imposed a fine of MEUR 622 upon various manufacturers of the sanitary industry for participation in illegal price agreements and exchanges of sensitive data in a cartel investigation running since 2004. The investigation against Geberit was closed without imposing a fine. The original charges were not maintained by the European Community Commission. Geberit had constantly stressed that these charges are completely unfounded. Geberit had not booked a provision for a possible fine out of this antitrust case. Therefore, the closing of the investigation has no impact on the annual report 2010.

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 operating results 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 operating results.

22. Capital stock and treasury shares

The total number of issued Geberit shares at December 31, 2010, is 41,238,005.

In 2010, a total of 5,189 fractions of the Convertible Bond in the nominal value of MCHF 25.8 was converted into 266,431 shares.

	2010 pcs.	2009 pcs.
Issued shares		
January 1	**40,971,574**	**43,003,852**
Additional shares from Convertible Bond	266,431	47,812
Capital reduction as at July 20, 2009	0	(2,080,090)
December 31	**41,238,005**	**40,971,574**

As of December 31, 2010, the Group held a total of 1,695,196 (PY: 1,829,992) treasury shares with a carrying amount of MCHF 213.0 (PY: MCHF 227.7). In 2010, the Group recorded a decrease in treasury shares of a net total of 134,796. Treasury shares are deducted at cost from equity.

	2010 pcs.	2009 pcs.
Stock of treasury shares		
From share buyback programs	1,391,000	1,391,000
Other treasury shares	304,196	438,992
Total treasury shares	**1,695,196**	**1,829,992**

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.

	2010	2009
Attributable net income according to income statement (MCHF)	406.8	397.5
Weighted average number of ordinary shares outstanding (thousands)	39,424	39,050
Total earnings per share (CHF)	**10.32**	**10.18**

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 considered the granted share options to the management and until 2009 a Convertible Bond to calculate the potentially dilutive ordinary shares.

	2010	2009
Attributable net income according to income statement (MCHF)	406.8	397.5
Interest and amortization expenses of Convertible Bond, net (MCHF)	0.0	1.0
Net income to determine diluted earnings per share (MCHF)	406.8	398.5
Weighted average number of ordinary shares outstanding (thousands)	39,424	39,050
Adjustments for share options (thousands)	54	7
Adjustment for Convertible Bond (thousands)	0	266
Weighted average number of ordinary shares outstanding (thousands)	39,478	39,323
Total diluted earnings per share (CHF)	**10.30**	**10.13**

24. Cash discounts and customer bonuses

	2010 MCHF	2009 MCHF
Cash discounts	62.9	63.6
Customer bonuses	184.0	186.6
Total cash discounts and customer bonuses	**246.9**	**250.2**

25. Other operating expenses, net

	2010 MCHF	2009 MCHF
Outbound freight costs and duties	61.4	66.3
Energy and maintenance expenses	70.2	73.3
Marketing expenses	69.9	59.9
Administration expenses	41.0	38.1
Other operating expenses	75.8	72.9
Other operating income	(11.9)	(11.0)
Total other operating expenses, net	**306.4**	**299.5**

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

In 2010, costs of MCHF 8.9 (PY: MCHF 10.9) were capitalized as property, plant and equipment including particular tools and assembly lines, which are part of the production process. The amount was deducted pro-rata from “personnel expenses”, “cost of materials”, and “other operating expenses, net”.

26. Financial result, net

	2010 MCHF	2009 MCHF
Interest expenses	(7.7)	(10.8)
Amortization of deferred financing fees	(0.5)	(0.6)
Other financial expenses	(2.7)	(2.5)
Total financial expenses	**(10.9)**	**(13.9)**
Interest income	3.9	4.2
Other financial income	0.0	0.7
Total financial income	**3.9**	**4.9**
Foreign exchange (loss)/gain	(7.3)	(4.5)
Total financial result, net	**(14.3)**	**(13.5)**

27. Income tax expenses

	2010 MCHF	2009 MCHF
Current taxes	60.5	151.2
Deferred taxes	4.6	(35.5)
Total income tax expenses	**65.1**	**115.7**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.4% (PY: 26.2%) and the effective income tax expenses were as follows:

	2010 MCHF	2009 MCHF
Income tax expenses, at applicable rate	63.0	134.5
Operating losses with no current tax benefit	0.1	0.1
Changes in future tax rates	(0.1)	1.4
Non-deductible expenses including goodwill amortization, net	(1.9)	(2.2)
Other	4.0	(18.1)
Total income tax expenses	**65.1**	**115.7**

The decrease in the weighted average tax rate of 12.8% resulted from one-time tax charges in the previous year. The position "Other" mainly contains the effects from the building / (reversal) of tax provisions due to current, respectively completed tax audits.

The expected business development in the different regions and markets will not lead to a material change of the weighted average tax rate of the Group.

28. Cashflow figures

Net cashflow is calculated as follows:

	2010 MCHF	2009 MCHF
EBITDA[1]	573.7	611.0
Financial result, net	(14.3)	(13.5)
Income tax expenses	(65.1)	(115.7)
Deferred taxes charged/(credited) to net income (see Notes 19 and 27)	4.6	(35.5)
Changes in non-current provisions	34.7	28.7
Changes in other non-current assets and liabilities and other	(0.2)	0.4
Net cashflow	**533.4**	**475.4**

[1] **EBIT + Depreciation + Amortization**

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

	2010 MCHF	2009 MCHF
Net cashflow	533.4	475.4
Purchase of property, plant and equipment and intangible assets, net	(78.4)	(103.5)
Changes in net working capital	51.8	(11.3)
Payments charged to non-current provisions	(13.0)	(10.9)
Free cashflow	**493.8**	**349.7**

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

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

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

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

29. Segment reporting

The Geberit Group consists of one single business unit with the purpose to develop, produce and distribute sanitary products and systems for the residential and industrial construction industry. All products are distributed using the same distribution channel – the wholesale – in general to the installers, who resell the products to the end customer. The products are produced by plants, which are specialized in particular production processes. As a general rule, one specific article is only produced at one location. The distribution is made by country or regional distribution companies, which sell to wholesalers. A distribution company is always responsible for the distribution of the whole range of products in its sales area. The main task of the distribution companies is the local market development, which contains as a main focus the support of installers, sanitary planners and wholesalers. Research and development of the whole range of products is made centrally by Geberit International AG. All corporate tasks are also centralized at Geberit International AG.

Due to the unity and focus of the business, the top management (Group Executive Board) as well as the management structure of the Geberit Group are organized by function (overall management, products, sales, finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on the sales by markets and product lines as well as on the consolidated income statements, balance sheets, and statements of cashflows.

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

The information is as follows:

	2010 MCHF	2009 MCHF
Sales by product lines		
Installation Systems	800.0	802.1
Cisterns and Mechanisms	231.4	223.9
Faucets and Flushing Systems	129.9	131.6
Waste Fittings and Traps	94.4	92.5
Sanitary Systems	**1,255.7**	**1,250.1**
Building Drainage Systems	298.3	312.7
Supply Systems	592.9	618.4
Piping Systems	**891.2**	**931.1**
Total	**2,146.9**	**2,181.2**

	2010 MCHF	2009 MCHF
Sales by markets		
Germany	724.2	738.9
Switzerland	291.5	282.5
Italy	216.9	226.8
Other Europe	725.4	757.6
Other markets	188.9	175.4
Total	**2,146.9**	**2,181.2**

	2010 MCHF	2009 MCHF
Share of sales by customers		
Customers with more than 10% of sales: customer A	286.0	278.3
Total > 10%	**286.0**	**278.3**
Remaining customers with less than 10% of sales	1,860.9	1,902.9
Total	**2,146.9**	**2,181.2**

30. Related party transactions

In 2010 and 2009, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2010 MCHF	2009 MCHF
Salary and other short-term benefits	3.9	3.6
Share-based payments	2.5	2.3
Expenditure on pensions	0.8	0.7
Total	**7.2**	**6.6**

Further information according to the Swiss Code of Obligation regarding compensations and investments of the Group management are disclosed in the notes of the financial statements of Geberit AG.

In 2010 and 2009, there were no further material related party transactions.

31. Foreign exchange rates

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

	Currency		2010 Balance sheet	2010 Income statement	2009 Balance sheet	2009 Income statement
European Currency Union	EUR	1	1.2499	1.3852	1.4862	1.5101
United Kingdom	GBP	1	1.4507	1.6139	1.6608	1.6971
USA	USD	1	0.9371	1.0451	1.0304	1.0858
Poland	PLN	100	31.5500	34.5790	36.0270	34.7610
China	CNY	100	14.2000	15.3610	15.0930	15.7070
Denmark	DKK	100	16.7660	18.5600	19.9710	20.2680
Australia	AUD	1	0.9532	0.9565	0.9274	0.8540
Czech Republic	CZK	100	4.9840	5.4860	5.6210	5.7060
Hungary	HUF	100	0.4482	0.4990	0.5450	0.5370
Norway	NOK	100	15.9920	17.2120	17.8720	17.3280
Sweden	SEK	100	13.9170	14.4860	14.4660	14.2480
Singapore	SGD	1	0.7307	0.7667	0.7354	0.7444
South Africa	ZAR	100	14.1300	14.2420	13.9690	12.9890
India	INR	100	2.0900	2.2820		

32. Subsequent events

The Board of Directors of Geberit AG has decided to initiate a share buyback program in 2011 and 2012. Shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased via a separate trading line, less withholding tax, and retired by means of a capital reduction. Based on the closing price of Geberit registered shares on January 11, 2011, the value of the shares to be bought back is approximately CHF 440 million.

These financial statements are subject to approval by the General Meeting and they were released by the Board of Directors on March 1, 2011.

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

	Carrying amount as of 31.12.10 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	586.6	586.6		
Trade accounts receivable	109.3	109.3		
Other current assets	56.8	56.8		
Other non-current assets	6.5	5.5	1.0	Level 2
Derivative financial instruments	2.9		2.9	Level 2
Total	**762.1**	**758.2**	**3.9**	

	Carrying amount as of 31.12.10 MCHF	Financial liabilities at amortized cost MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.3	3.3		
Trade accounts payable	66.7	66.7		
Private Placement	60.7	60.7		
Other financial liabilities	9.4	9.4		
Derivative financial instruments	18.9		18.9	Level 2
Total	**159.0**	**140.1**	**18.9**	

Fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets
Level 2: observable prices, either directly or indirectly
Level 3: input factors that are not based on observable market data

	Carrying amount as of 31.12.09 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	300.6	300.6		
Marketable securities	105.9		105.9	Level 1
Trade accounts receivable	122.6	122.6		
Other current assets	70.5	70.5		
Other non-current assets	7.3	6.2	1.1	Level 2
Derivative financial instruments	0.5		0.5	Level 2
Total	**607.4**	**499.9**	**107.5**	

	Carrying amount as of 31.12.09 MCHF	Financial liabilities at amortized cost MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.2	3.2		
Trade accounts payable	69.8	69.8		
Private Placement	66.7	66.7		
Convertible Bond	25.7	25.7		
Other financial liabilities	15.3	15.3		
Derivative financial instruments	28.7		28.7	Level 2
Total	**209.4**	**180.7**	**28.7**	

Fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets
Level 2: observable prices, either directly or indirectly
Level 3: input factors that are not based on observable market data

Maturity analysis of financial instruments

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

	Carrying amount 31.12.2010 MCHF	Maturity 2011 MCHF	2012 MCHF	2013 MCHF	2014 MCHF	2015 and later MCHF
Short-term debt	3.3	3.5				
Trade accounts payable	66.7	66.7				
Private Placement	60.7	3.4	64.3			
Other financial liabilities	9.4	0.6	2.6	2.3	1.8	4.3
Total non-derivative financial liabilities	**140.1**	**74.2**	**66.9**	**2.3**	**1.8**	**4.3**
Derivative financial liabilities	18.9	4.1	72.6			
Derivative financial assets	(2.9)	30.7				
Total derivative financial instruments	**16.0**	**34.8**	**72.6**	**0.0**	**0.0**	**0.0**
Total	**156.1**	**109.0**	**139.5**	**2.3**	**1.8**	**4.3**

	Carrying amount 31.12.2009 MCHF	Maturity 2010 MCHF	2011 MCHF	2012 MCHF	2013 MCHF	2014 and later MCHF
Short-term debt	3.2	3.4				
Trade accounts payable	69.8	69.8				
Private Placement	66.7	3.7	3.7	70.7		
Convertible Bond	25.7	26.2				
Other financial liabilities	15.3	0.8	2.8	2.4	2.1	10.0
Total non-derivative financial liabilities	**180.7**	**103.9**	**6.5**	**73.1**	**2.1**	**10.0**
Derivative financial liabilities	28.7	4.9	4.9	86.3		
Derivative financial assets	(0.5)	0.4	31.3			
Total derivative financial instruments	**28.2**	**5.3**	**36.2**	**86.3**	**0.0**	**0.0**
Total	**208.9**	**109.2**	**42.7**	**159.4**	**2.1**	**10.0**

34. Group companies as of December 31, 2010

Switzerland	Ownership 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 Verwaltungs AG, Rapperswil-Jona	100	○
Geberit Vertriebs AG, Rapperswil-Jona	100	△
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	100	△
Geberit Produktions AG, Rapperswil-Jona	100	□
Geberit Apparate AG, Rapperswil-Jona	100	□
Geberit Fabrication SA, Givisiez	100	□
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	△
Geberit Shanghai Investment Administration 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., Rungis Cedex	100	△
Germany		
Geberit Beteiligungs GmbH & Co. KG, Pfullendorf	100	○
Geberit Deutschland GmbH, Pfullendorf	100	○
Geberit Management GmbH, Pfullendorf	100	○
Geberit Vertriebs GmbH, Pfullendorf	100	△
Geberit Produktions GmbH, Pfullendorf	100	□

Germany	Ownership in %	Activity
Geberit Logistik GmbH, Pfullendorf	100	○
Geberit Mapress GmbH, Langenfeld	100	□
Geberit RLS Beteiligungs GmbH, Langenfeld	100	○
Geberit Lichtenstein GmbH, Lichtenstein	100	□
Geberit Weilheim GmbH, Weilheim	100	□
Hungary		
Geberit Kft, Budapest	100	△
India		
Geberit Plumbing Technology India Pvt. Ltd., Bangalore	100	△
Geberit India Manufacturing Pvt. Ltd., Bangalore	100	□
Italy		
Geberit Produzione S.p.a., Villadose	100	□
Netherlands		
Geberit Holding B.V., Nieuwegein	100	○
Geberit 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

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zurich
Phone +41 58 792 44 00
Fax +41 58 792 44 10
www.pwc.ch

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Geberit AG, which comprise the balance sheets, income statements, statements of comprehensive income, statements of changes in equity, statements of cashflows and notes (page 60 to 96), for the year ended December 31, 2010.

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, 2010 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

Martin Knöpfel
Audit expert

Zurich, March 1, 2011

This page has been left blank intentionally

Financial Statements Geberit AG

Financial Statements

	31.12.2010 MCHF	31.12.2010 MCHF	31.12.2009 MCHF
Balance Sheets			
Current assets			
Cash and cash equivalents		0.0	0.0
Treasury shares		157.3	157.3
Accounts receivable			
– Third parties		3.9	3.6
– Group companies		377.8	181.2
Total current assets		**539.0**	**342.1**
Non-current assets			
Investments		818.9	818.9
Total non-current assets		**818.9**	**818.9**
Total assets		**1,357.9**	**1,161.0**
Current liabilities			
– Third parties		1.7	1.6
– Group companies		3.3	3.8
– Convertible Bond		0.0	25.9
Total current liabilities		**5.0**	**31.3**
Shareholders' equity			
Capital stock		4.1	4.1
Legal reserves			
– General reserve, share premium		0.8	5.5
– Reserve for treasury shares		179.8	227.7
– Reserve from capital contributions			
– share premium, reserves from capital contributions	25.8		
– Reserve for treasury shares from capital contributions	33.2	59.0	
Total legal reserves		239.6	
Free reserves			
– Reserve from capital contributions		553.1	
– other free reserve		99.1	
Total free reserves		652.2	667.9
Retained earnings		457.0	224.5
Total shareholders' equity		**1,352.9**	**1,129.7**
Total liabilities and shareholders' equity		**1,357.9**	**1,161.0**

	2010 MCHF	2009 MCHF
Income Statements		
Income		
Dividends from Group companies	450.0	220.0
Financial income	4.9	2.3
Other operating income	0.3	0.3
Total income	**455.2**	**222.6**
Expenses		
Administrative expenses	2.8	2.5
Financial expenses	0.1	0.4
Taxes	0.2	0.0
Total expenses	**3.1**	**2.9**
Net income	**452.1**	**219.7**

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

	31.12.2010	31.12.2009
	MCHF	MCHF
Guarantee Revolving Facility	250.0	250.0
Guarantees in connection with Private Placement (2009: MUSD 65)	60.9	67.0

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

1.2 Convertible Bond

The terms of the CHF 170,000,000 1% Convertible Bond 2004–2010, issued on June 14, 2004, and due on June 14, 2010, 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 3, 2010, into 51.30310 registered shares of Geberit AG. Since May 4, 2010, until May 31, 2010, bonds of CHF 5,000 each are convertible into 51.50391 registered shares of Geberit AG at any time; fractions exceeding CHF 10 were paid out in cash.
Conversion period:	The bonds were 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 3, 2010, CHF 97.46 per registered share of Geberit AG Since May 4, 2010, CHF 97.08 per registered share of Geberit AG
Dividend rights:	The shares issued upon conversion 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 171,810
Conversions:	In 2010, 5,189 bonds (PY: 932) were converted into 266,431 shares (PY: 47,812). A total of 34,000 bonds were converted into 1,718,095 shares since the Convertible Bond was issued. The bonds are completely converted.

1.3 Significant investments

	Ownership in %	capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39,350
Geberit Finance Ltd., Jersey[1]	77	TEUR 401,975
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2

[1] The remaining 23% are hold by Geberit Companies.

1.4 Share capital

The share capital of Geberit AG consists of 41,238,005 ordinary shares with a par value of CHF 0.10 each.

	2010	2009
Number of shares issued		
Beginning balance	40,971,574	43,003,852
Additional shares from Convertible Bond	266,431	47,812
Capital reduction as at July 20, 2009		(2,080,090)
Ending balance	**41,238,005**	**40,971,574**

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, 2009	1,829,992			
Purchases	4,030	171.70	171.70	171.70
Sales	(138,826)	218.90	190.47	160.34
Balance at December 31, 2010	**1,695,196**			
Number of treasury shares held by Geberit AG	1,391,000			

The Board of Directors of Geberit AG approved a share buyback program in the amount of MCHF 200.0 in January 2006. The buyback program was closed as at 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. Geberit AG plans to propose to the General Meeting on April 19, 2011 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

	31.12.2010 MCHF	31.12.2009 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. By the end of the contract period, 1,718,095 shares have been issued out of this conditional capital. The Board of Directors proposes to cancel the remaining conditional capital at the General Meeting on April 19, 2011.

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

	G.F.Kelm Chairman	H.Reuter Vice Chairman.	R.Hanslin	R.Heber-lein	H.Hess	S.Ruoff	R.Spoerry	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2010								
Remuneration of the Board of Directors								
Accrued remuneration[1]		13,334	13,333			59,999	59,999	146,665
Shares[2]	292,337	182,942	146,421	146,421	212,548	80,111	80,111	1,140,891
Expenses	10,000	10,000	10,000	10,000	10,000	10,000	10,000	70,000
Expenditure on pensions								
– Contributions to social insurance	14,569	10,993	6,854	6,854		5,123	5,123	49,516
Total	**316,906**	**217,269**	**176,608**	**163,275**	**222,548**	**155,233**	**155,233**	**1,407,072**

	CHF
Remuneration to former members of the Board of Directors	
Accrued remuneration[1]	(30,000)
Shares[2]	31,304
Contributions to social insurance	1,858
Withholding tax	10,597
Total	**13,759**

	G.F.Kelm Chairman	H.Reuter Vice Chairman	R.Hanslin	R.Heber-lein	H.Hess	S.Ruoff	R.Spoerry	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2009								
Remuneration of the Board of Directors								
Accrued remuneration[1]	40,000	81,666	20,000	23,333	21,667	66,667	66,667	320,000
Shares[2]	243,527	84,268	122,150	118,113	179,297			747,355
Expenses	10,000	10,000	10,000	10,000	10,000	6,667	6,667	63,334
Expenditure on pensions								
– Contributions to social insurance	12,113	5,387	5,696	5,483				28,679
Total	**305,640**	**181,321**	**157,846**	**156,929**	**210,964**	**73,334**	**73,334**	**1,159,368**

	CHF
Remuneration to former members of the Board of Directors	
Accrued remuneration[1]	(100,001)
Shares[2]	142,766
Contributions to social insurance	7,321
Withholding tax	27,536
Total	**77,622**

[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 168.30 (PY CHF 85.90), made up of CHF 189.10 (PY CHF 96.50) market value at grant date less CHF 20.80 (PY CHF 10.60) tax benefit for blocking period. The number of shares allocated is calculated on the base fee divided by the net price of CHF 132.37 (CHF 189.10 less 30% discount) (PY CHF 67.55 [CHF 96.50 less 30% discount]). The description of the program can be seen in Note 18 "Participation plans" of the consolidated financial statements.

	2010		2009	
	A. Baehny CEO	Total	A. Baehny CEO	Total
	CHF	CHF	CHF	CHF
Remuneration of the Group Executive Board				
Cash/deposits				
– Fixed salary	836,810	2,629,930	836,810	2,669,043
– Variable salary[1]	140,971	988,281	(74,246)	544,197
Shares/options				
– Shares (instead of variable salary)[1,2]	407,670	783,431	484,704	873,828
– Call options MSOP A[3]	62,949	202,654	63,222	203,410
– Call options MSOP B[4]	58,523	188,407	58,228	187,344
– Call options MSPP[5]	98,996	190,243	93,291	168,185
Non-cash benefits				
– Private share of company vehicle[6]	9,180	38,534	9,180	37,008
Expenditure on pensions				
– Pension plans and social insurance	230,134	717,233	165,600	632,622
– Contribution health/accident insurance	2,443	13,092	2,362	12,890
Total[7, 8]	**1,847,676**	**5,751,805**	**1,639,151**	**5,328,527**

[1] The variable salary which consists of shares and cash is not paid out in the current business year but in the following year. Therefore, the figures disclosed in the table follow the accrual principle, which means that the figures disclosed represent the amount accrued and charged to the P&L in the current year for payment in the following year. In the table, this amount corresponds to the sum of the two lines "Variable salary" and "Shares (instead of variable salary)". The amount of the line "Shares (instead of variable salary)" is based on the number of shares granted in the current business year (which is equal to the whole or a part of the variable salary accrued in the previous year). As the total of the two lines represent the costs for the current business year correctly, the line "Variable salary" can show a negative amount if the overall variable salary component has decreased compared to previous year.

[2] Registered shares in the company with a par value of CHF 0.10 each, 3-year blocking period, valued at CHF 158.75 (PY CHF 81.00), made up of market value at grant date of CHF 189.10 (PY CHF 96.50) less CHF 30.35 (PY CHF 15.50) tax benefit for blocking period.

[3] Call options A on registered shares of 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 197.20 (PY CHF 116.05); definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 37.83 (PY CHF 18.23) using the binomial method.

[4] Call options B on registered shares of 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 206.60 (PY CHF 121.60); definitive acquisition of the option ("vesting") dependent on various conditions, 4-year blocking period, market value of CHF 35.17 (PY CHF 16.79) using the binomial method.

[5] Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 189.10 (PY CHF 96.50); definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 38.55 (PY CHF 15.59) using the binomial method.

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

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

[8] B. Kuhlin has left the Group Executive Board on 18.5.2010. The employment contract ended on 30.11.2010.

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. Reuter Vice Chairman	R. Hanslin	R. Heber-lein	H. Hess	S. Ruoff	R. Spoerry	Total
2010										
Shareholdings Board of Directors										
Shares			661,936	2,138	368,270	88,957	7,027	486	1,376	1,130,190
Share of voting rights			1.61%	< 0.1%	0.89%	0.22%	< 0.1%	< 0.1%	< 0.1%	2.74%
Call options[1]										
End of blocking period:										
Lapsed	2011	120.77			5,250					5,250
2011	2012									
Total options					**5,250**					**5,250**
Potential share of voting rights					< 0.1%					< 0.1%

[1] Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christen-sen	M. Reinhard	Total
2010							
Shareholdings Group Executive Board							
Shares			29,467	20,000	6,617	4,051	60,135
Share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.15%
Call options[1]							
End of blocking period:							
Lapsed	2011-2013	164.03	15,915	5,639	1,140	1,870	24,564
2011	2012-2014	144.67	10,892	3,906	3,234	4,776	22,808
2012	2013-2015	178.37	6,782	3,983	1,370	3,314	15,449
2013	2014	121.60	3,468	2,040	1,489	2,121	9,118
2014	2015	206.60	1,664	980	715	1,018	4,377
Total options			**38,721**	**16,548**	**7,948**	**13,099**	**76,316**
Potential share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.19%

[1] Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	G. F. Kelm Chairman	H. Reuter Vice Chairman	R. Hanslin	R. Heber-lein	H. Hess	S. Ruoff	R. Spoerry	Total
2009										
Shareholdings Board of Directors										
Shares			660,199	1,051	367,056	88,087	5,903	10	900	1,123,206
Share of voting rights			1.61%	< 0.1%	0.90%	0.21%	< 0.1%	< 0.1%	< 0.1%	2.74%
Call options[1]										
End of blocking period:										
Lapsed	2010–2011	103.05			10,090					10,090
2010	2011	122.00			2,400					2,400
Total options					**12,490**					**12,490**
Potential share of voting rights					< 0.1%					< 0.1%

[1] Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Chris-tensen	B. Kuhlin	M. Reinhard	Total
2009								
Shareholdings Group Executive Board								
Shares			25,789	20,000	4,416	1,194	4,295	55,694
Share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.14%
Call options[1]								
End of blocking period:								
Lapsed	2010–2012	147.55	16,060	6,360	1,140	770	1,870	26,200
2010	2011–2013	136.87	10,315	5,949	2,556	2,008	4,590	25,418
2011	2012–2014	144.67	10,892	3,906	3,234	3,458	4,776	26,266
2012	2013	148.80	2,550	1,530	655	1,462	1,530	7,727
2013	2014	121.60	3,468	2,040	1,489	2,040	2,121	11,158
Total options			**43,285**	**19,785**	**9,074**	**9,738**	**14,887**	**96,769**
Potential share of voting rights			0.11%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.24%

[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:

	31.12.2010	31.12.2009
Capital Group Companies, Inc., Los Angeles	9.72%	10.07%
Geberit AG, Rapperswil-Jona	4.11%	4.47%
Black Rock, New York	3.23%	
CS Management Funds AG, Zürich	3.00%	

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

a) Capital Contribution Reserves

Reclassification of capital contribution reserve from the free reserves to the legal reserves:
CHF 553,096,946

b) Appropriation available earnings

	2010 CHF	2009 CHF
Available earnings		
Net income	452,150,596	219,698,597
Balance brought forward	4,858,062	4,808,500
Withdrawal from legal capital contribution reserves	239,082,030	
Withdrawal from free reserves		35,000,000
Total available earnings	**696,090,688**	**259,507,097**
Transfer to free reserves	450,000,000	
Proposed distribution of capital contribution reserves	239,082,030	
Proposed/paid dividend		254,649,035
Balance to be carried forward	7,008,658	4,858,062
Total appropriation of available earnings	**696,090,688**	**259,507,097**
Transfer of the share premium resulting from conversion to free reserves		4,638,838

Dividend payments/Distribution of capital contribution

Instead of a dividend, the Board of directors proposes a redemption of capital contribution of CHF 6.00 per share. In the previous year, an ordinary dividend of CHF 5.40 per share and an additional special dividend of CHF 1.00 per share were paid out.

In line with the new capital contribution law which is effective from January 1st, 2011, similar to a redemption of the nominal value of the shares, this distribution is not subject to withholding tax.

The number of shares with dividend rights might change as the amount of shares held by Geberit AG changes. The Board of Directors may adapt the total amount of the proposed withdrawal from legal capital contribution reserves and the proposed distribution to the number of shares with dividend rights at the General Meeting.

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zurich
Phone +41 58 792 44 00
Fax +41 58 792 44 10
www.pwc.ch

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Geberit AG, which comprise the balance sheets, income statements and notes (pages 102 to 111), for the year ended December 31, 2010.

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, 2010 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

Martin Knöpfel
Audit expert

Zürich, March 1, 2011

Geberit Key Figures

		2010	2009
Sales	MCHF	2,146.9	2,181.2
Change on previous year	%	-1.6	-11.2
Operating profit (EBIT)	MCHF	486.2	526.7
Margin	%	22.6	24.1
Net income	MCHF	406.8	397.5
Margin	%	18.9	18.2
Operating cashflow (EBITDA)	MCHF	573.7	611.0
Margin	%	26.7	28.0
Free cashflow	MCHF	493.8	349.7
Margin	%	23.0	16.0
Financial results, net	MCHF	-14.3	-13.5
Research and development expenses	MCHF	44.2	45.6
In % of sales	%	2.1	2.1
Earnings per share*	CHF	10.32	10.18
Earnings per share, adjusted**	CHF	10.32	10.18
Capital expenditure	MCHF	80.5	106.4
Number of employees	31.12.	5,820	5,608
Annual average		5,793	5,634
Sales per employee	TCHF	370.6	387.1

		31.12.2010	31.12.2009
Total assets	MCHF	2,171.2	2,212.2
Liquid funds and marketable securities	MCHF	586.6	406.5
Net working capital	MCHF	108.5	180.9
Property, plant and equipment	MCHF	514.3	576.2
Goodwill and intangible assets	MCHF	658.8	753.1
Corporate debt	MCHF	73.4	110.9
Equity	MCHF	1,520.9	1,509.2
Equity ratio	%	70.0	68.2
Gearing	%	-33.7	-19.6

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

** Adjusted for amortization of goodwill.

2008	2007	2006	2005	2004	2003	2002	2001
2,455.1	2,486.8	2,183.5	1,922.9	1,906.8	1,403.9	1,273.0	1,165.1
-1.3	+13.9	+13.6	+0.8	+35.8	+10.3	+9.3	-3.6
563.4	553.8	482.2	366.9	305.5	206.4	186.3	157.1
22.9	22.3	22.1	19.1	16.0	14.7	14.6	13.5
466.3	463.3	355.0	262.5	194.4	147.0	118.1	92.1
19.0	18.6	16.3	13.7	10.2	10.5	9.3	7.9
649.1	637.9	569.1	455.9	453.4	329.8	295.7	261.7
26.4	25.7	26.1	23.7	23.8	23.5	23.2	22.5
407.9	362.7	355.5	290.2	273.4	206.0	200.1	142.8
16.6	14.6	16.3	15.1	14.3	14.7	15.7	12.3
5.4	-11.4	-16.3	-17.2	-30.0	-23.4	-23.0	-29.1
46.0	48.1	44.3	43.5	43.4	35.7	30.1	34.1
1.9	1.9	2.0	2.3	2.3	2.5	2.4	2.9
11.90	11.67	8.86	6.41	4.73	3.63	2.92	2.30
11.90	11.67	8.86	6.47	6.04	4.37	3.64	3.01
152.5	103.5	81.3	79.5	87.8	69.8	59.6	76.6
5,697	5,344	5,269	5,162	5,516	4,412	4,436	4,144
5,684	5,360	5,199	5,237	5,469	4,419	4,307	4,189
431.9	464.0	420.0	367.2	348.7	317.7	295.6	278.1

31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004	31.12.2003	31.12.2002	31.12.2001
2,054.1	2,298.3	2,010.7	1,946.6	1,937.1	1,507.8	1,500.2	1,445.1
302.6	450.1	182.4	180.0	81.6	181.3	137.5	101.5
156.5	168.7	131.9	120.8	130.9	77.6	85.0	86.4
555.5	529.3	533.9	528.3	538.8	490.9	492.0	492.3
756.2	828.8	825.1	812.4	878.8	469.7	510.3	512.0
152.3	273.9	323.1	393.4	535.3	297.2	432.0	505.3
1,311.9	1,404.4	1,065.9	958.0	816.8	739.0	630.2	546.8
63.9	61.1	53.0	49.2	42.2	49.0	42.0	37.8
-11.5	-12.5	13.2	22.3	55.5	15.7	46.7	73.8

This page has been intentionally left blank.

Text: Geberit AG, Rapperswil-Jona, sustainserv, Zurich and Boston; concept and design: schneiter meier külling AG, Zurich; layout, picture editing, press: Linkgroup, Zurich; Prepress/Press: Linkgroup, Zurich; photos Geberit Management: Markus Frietsch, Zurich; photos pages: 35, 36, 37, 38, 39, 40: Stefan Thurmann, Hamburg; photos page 41: Thomas Ripkens, Studio Casa.

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 AG
Schachenstrasse 77
8645 Jona

T +41 55 221 63 00
F +41 55 221 67 47

→ www.geberit.com