

Geberit Group 2012

Annual Report

Busi- ness Report

Geberit Group 2012

Highlights business year



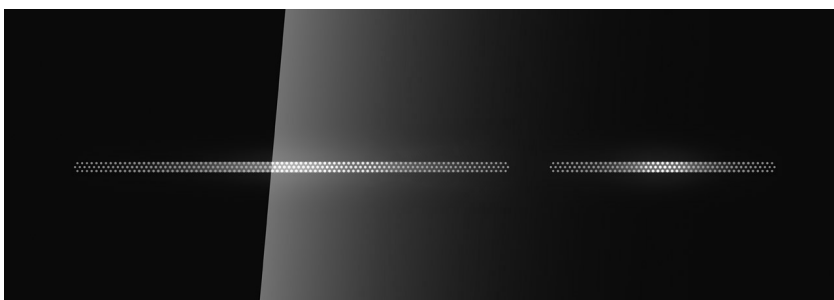
"In" Rather than "Out"

Where other companies are outsourcing, Geberit is creating new value by insourcing the labor-intensive manufacture of shower toilets: easy access to the target markets in Europe, around 80 jobs and the greatest possible proximity to bundled expertise at the headquarters in Rapperswil-Jona.



Il Spirito del Design

On the fringes of Milan's Salone Internazionale del Mobile, Geberit held a vernissage at the heart of the artistic neighborhood of Brera. The motto of the event was "Innovation democracy". Video installations and performance interludes provided the exclusive framework for a happening that enabled everyone to experience the Geberit design brand.



Just a Wave

There are no buttons to be found on the Sigma80 actuator plate. Instead, two colored light bars appear on the black or mirrored glass plate as soon as you approach it. A wave of the hand at the right point suffices to trigger the dual flush.



For Tiger and Dragon

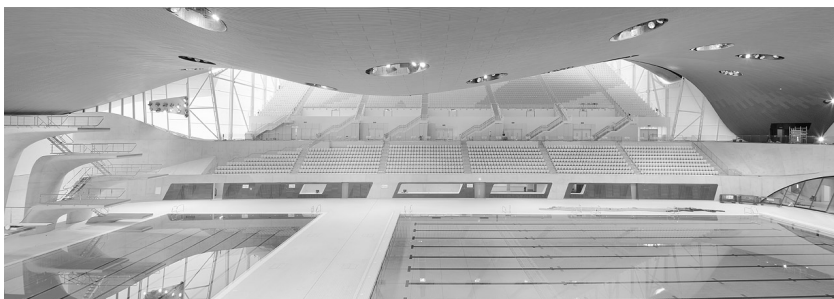
Clocks tick differently in India and China. With the Alpha concealed cistern and a version of the Monolith sanitary module for WCs, Geberit has special solutions for these booming markets, tailored in function, appearance and price.

Highlights business year



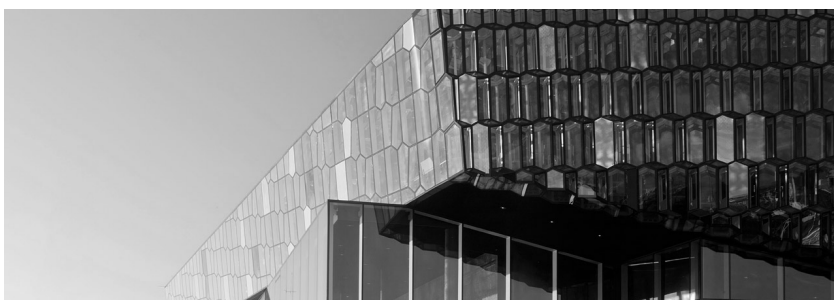
Inner Power

With the Geberit lavatory taps type 185 and 186, ecology and functionality go hand in hand. A small generator uses the energy of the tap water to ensure that the taps are supplied with electricity in a self-sufficient and hence sustainable manner.



Olympic Heights

No other arena proved as eye-catching during the Summer Olympics in London as the Aquatics Centre with its curved roof. Even the diving platforms harmonize with its distinctive shape. The same applies to the precision-worked Geberit PE piping system.



Sparkling Crystal

Harpa is the name of the new concert and conference building in the port of Reykjavík. Its glass facade reflects the unique play of light across the Icelandic capital. Highlights inside include Duofix installation elements and the Mapress piping system.



Once-in-a-Lifetime Mission

Port Elizabeth was the scene of Geberit's latest social aid project. The company's apprentices spent two weeks renovating the WC facility at Fontein Primary School. The 850 children are not the only ones to benefit – the apprentices themselves have gained a unique experience in life.

Highlights financial year

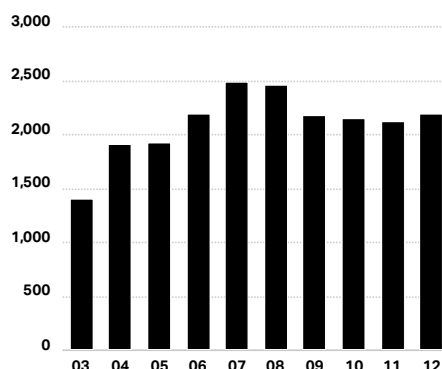
Sales

+4.5%

Currency-adjusted sales growth in 2012

Sales development 2003 – 2012

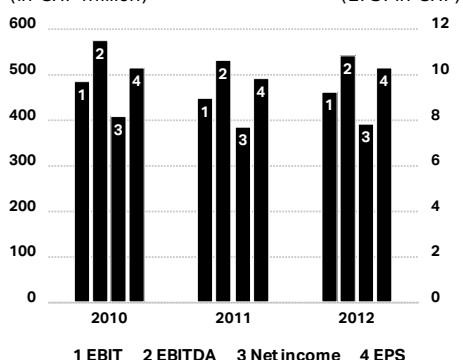
(in CHF million)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2010 – 2012

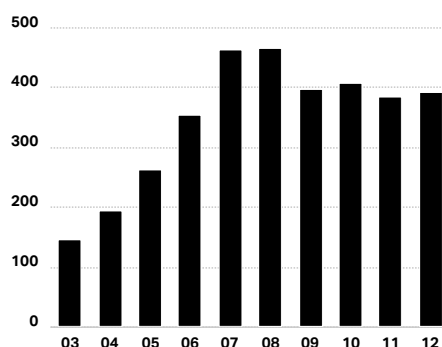
(in CHF million)

(EPS: in CHF)



Net income development 2003 – 2012

(in CHF million)



Operating cashflow margin (EBITDA margin)

24.8%

At the upper end of the mid-term target corridor of 23 to 25%

Free cashflow (in CHF)

391.0 mio.

1.3% above prior year's level

Highlights financial year

Earnings per share
(in CHF)

10.29

+4.8% versus prior year

Payout ratio

63.6%

The payout ratio is in the upper range of the target corridor of 50 to 70%

Expenditures for property, plant and equipment (in CHF)

86.0 mio.

- 7.1% versus prior year

R&D expenditures
(in CHF)

49.8 mio.

+1.4 million versus prior year

Sales
(in CHF)

≈ 30 mio.

negative currency effects

Operating profit (EBIT)
(in CHF)

≈ 8 mio.

negative currency effects

Geberit key figures

2008 – 2012

		2012	2011	2010	2009	2008
Sales	MCHF	2,187.8	2,122.6	2,146.9	2,181.2	2,455.1
Change on previous year	%	+3.1	-1.1	-1.6	-11.2	-1.3
Operating profit (EBIT)	MCHF	462.3	449.2	486.2	526.7	563.4
Margin	%	21.1	21.2	22.6	24.1	22.9
Net income	MCHF	392.3	384.0	406.8	397.5	466.3
Margin	%	17.9	18.1	18.9	18.2	19.0
Operating cashflow (EBITDA)	MCHF	542.4	532.0	573.7	611.0	649.1
Margin	%	24.8	25.1	26.7	28.0	26.4
Free cashflow	MCHF	391.0	386.0	493.8	349.7	407.9
Margin	%	17.9	18.2	23.0	16.0	16.6
Financial result, net	MCHF	-7.2	-7.3	-14.3	-13.5	5.4
Capital expenditures	MCHF	86.0	92.6	80.5	106.4	152.5
Research and development expenses	MCHF	49.8	48.4	44.2	45.6	46.0
In % of sales	%	2.3	2.3	2.1	2.1	1.9
Earnings per share¹	CHF	10.29	9.82	10.32	10.18	11.90
Earnings per share, adjusted ²	CHF	10.29	9.82	10.32	10.18	11.90
Number of employees	31.12.	6,134	6,004	5,820	5,608	5,697
Annual average		6,150	5,992	5,793	5,634	5,684
Sales per employee	TCHF	355.7	354.2	370.6	387.1	431.9
		31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Total assets	MCHF	2,007.4	2,122.7	2,171.2	2,212.2	2,054.1
Liquid funds and marketable securities	MCHF	423.1	542.0	586.6	406.5	302.6
Net working capital	MCHF	134.4	114.1	108.5	180.9	156.5
Property, plant and equipment	MCHF	521.2	516.2	514.3	576.2	555.5
Goodwill and intangible assets	MCHF	638.1	645.2	658.8	753.1	756.2
Total debt	MCHF	14.7	75.6	73.4	110.9	152.3
Equity	MCHF	1,431.3	1,419.5	1,520.9	1,509.2	1,311.9
Equity ratio	%	71.3	66.9	70.0	68.2	63.9
Gearing	%	-28.5	-32.9	-33.7	-19.6	-11.5

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

² Adjusted for amortization of goodwill

Geberit key figures

2003 – 2007

		2007	2006	2005	2004	2003
Sales	MCHF	2,486.8	2,183.5	1,922.9	1,906.8	1,403.9
Change on previous year	%	+13.9	+13.6	+0.8	+35.8	+10.3
Operating profit (EBIT)	MCHF	553.8	482.2	366.9	305.5	206.4
Margin	%	22.3	22.1	19.1	16.0	14.7
Net income	MCHF	463.3	355.0	262.5	194.4	147.0
Margin	%	18.6	16.3	13.7	10.2	10.5
Operating cashflow (EBITDA)	MCHF	637.9	569.1	455.9	453.4	329.8
Margin	%	25.7	26.1	23.7	23.8	23.5
Free cashflow	MCHF	362.7	355.5	290.2	273.4	206.0
Margin	%	14.6	16.3	15.1	14.3	14.7
Financial result, net	MCHF	-11.4	-16.3	-17.2	-30.0	-23.4
Capital expenditures	MCHF	103.5	81.3	79.5	87.8	69.8
Research and development expenses	MCHF	48.1	44.3	43.5	43.4	35.7
In % of sales	%	1.9	2.0	2.3	2.3	2.5
Earnings per share¹	CHF	11.67	8.86	6.41	4.73	3.63
Earnings per share, adjusted ²	CHF	11.67	8.86	6.47	6.04	4.37
Number of employees	31.12.	5,344	5,269	5,162	5,516	4,412
Annual average		5,360	5,199	5,237	5,469	4,419
Sales per employee	TCHF	464.0	420.0	367.2	348.7	317.7
		31.12.2007	31.12.2006	31.12.2005	31.12.2004	31.12.2003
Total assets	MCHF	2,298.3	2,010.7	1,946.6	1,937.1	1,507.8
Liquid funds and marketable securities	MCHF	450.1	182.4	180.0	81.6	181.3
Net working capital	MCHF	168.7	131.9	120.8	130.9	77.6
Property, plant and equipment	MCHF	529.3	533.9	528.3	538.8	490.9
Goodwill and intangible assets	MCHF	828.8	825.1	812.4	878.8	469.7
Total debt	MCHF	273.9	323.1	393.4	535.3	297.2
Equity	MCHF	1,404.4	1,065.9	958.0	816.8	739.0
Equity ratio	%	61.1	53.0	49.2	42.2	49.0
Gearing	%	-12.5	13.2	22.3	55.5	15.7

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

² Adjusted for amortization of goodwill

Care in the square

Geberit creates sustainable quality of life. With innovative water management, a comprehensive approach to sustainability and the know-how of first-class employees.



At Geberit, good solutions have always been further developed and perfected. This generates a continuous supply of know-how, which in turn leads to new innovations. First-class employees are essential in this regard.

In the past, Geberit exercised reserve when communicating its own strengths as an employer. However, global competition for the best talent calls for a prominent employer brand. As a result, Geberit is now going on the offensive on the employment market.

At the same time, our existing employees continue to drive the issue of sustainability. In 2012, for example, this included an innovative energy supply concept and continuous optimizations in logistics operations.

With its resource-efficient products, Geberit is also a fixture once again in some of the world's top buildings and global aid projects – such as this year's project in South Africa. After all, this too falls under our "Care in the square" concept.



"The people behind Geberit make it the market leader in sustainable water management. With know-how, ambition and success. Worldwide."

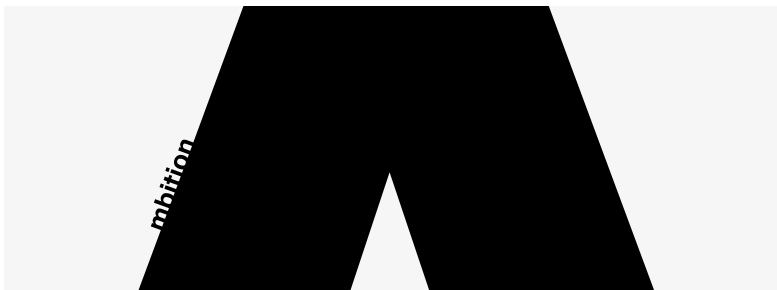
Roland Held, Head Corporate Human Resources

Sustainability has many faces:

- Geberit is securing the best talent in a competitive global market by investing in its own employer brand.
- Geberit is implementing a pioneering project for energy efficiency and climate protection together with farmers and environmental organizations.
- Geberit has always offered resource-efficient products for green building – and is once again a fixture in ground-breaking buildings in 2012.
- With green logistics, Geberit is focusing on resource efficiency and environmental protection – a strategy that certainly pays off.
- Geberit is committed to aid projects around the globe, including this year's project in South Africa.

First-class employees

Know-how is the most important resource. To secure the best talent in a competitive global market, Geberit is therefore investing in its own employer brand.



A survey of just under 2,000 students from technical universities in Switzerland provides interesting – and in some cases, surprising – insights. According to those surveyed, attaining a good work-life balance is now the most important career objective, closely followed by the desire to be intellectually challenged or to be involved in a creative and innovative role. However, in terms of the employer of choice, the survey reveals that Geberit currently only occupies a mid-table place in the ranking.

Geberit intends to close this gap between how it is perceived and its true qualities as an employer by investing in its own employer brand. The memorable combination of images and text defines the conceptual and visual umbrella under which Geberit has been taking a more offensive-minded approach on the employment market since 2012 – whether at job fairs, online or with advertising and information documents aimed at specific target groups.

The goal is to focus on Geberit's profile as a company that offers opportunities to develop internationally. There are no better ambassadors for these benefits and qualities than the employees themselves.



The people behind Geberit: First-class employees are the best ambassadors for the employer brand. Worldwide.



"Our studies show that young talent attach great importance to aspects such as ecological sustainability, high ethical standards, innovation and managers who promote personal development. Geberit is very much on the same wavelength in this regard."

Yves Schneuwly, Universum, Country Manager
Switzerland

First-class employees



Daniel Raissle, Head of Faucets and Flushing Systems for the Group: "My work changes constantly between general tasks and those with a high attention to detail."



Fanny Li, Key Account Manager, shower toilets, China: "I can grow with my responsibilities here."



Jürgen Dewald, Technical Sales Manager, Germany: "I was able to further develop myself because I was always supported by my team."



Menno Portengen, Managing Director, Netherlands: "Whenever I had questions about my career, I got support and advice."



Sieglinde Just, Head Human Resources, Germany: "I did not need to change companies to be able to make a career."



Wolfgang Büstrow, Managing Director, India: "Ten years ago I started as an intern, and today I am already in my second management position. That is unique."

In dialog on energy efficiency and climate protection

Geberit brings farmers and environmental experts to the round table for a showcase project with a pioneering touch.



When it comes to energy efficiency and renewable energies, "hot air" is all too often the only end result. In contrast, Geberit achieves tangible results by means of strict targets and the step-by-step successes set out in the sustainability strategy – plus groundbreaking pioneering projects. 2012 was another positive year in this regard.

After discussions with farmers and environmental experts, Geberit built a block heating station at its largest production site in Pfullendorf (DE). This block heating station is entirely supplied by a biogas plant under the ownership of four nearby family-run farms.

The Pfullendorf plant requires process heat all year round, thus offering ideal conditions for operating a block heating station. As a result, Geberit carefully examined the farmers' proposal for a biogas plant, recognized the huge potential and set itself the goal of exceeding the minimum ecological requirements – not least in light of the fact that electricity generated from biogas is often the subject of heated debate. The result is a ten-point program that sets out all aspects required to ensure that biogas is produced in an environmentally and nature-compatible manner.

This pioneering project proves that Geberit knows how to reconcile ecological and economic concerns. It also represents a further step towards the optimization of energy management at all Geberit production plants and an active contribution to climate protection.

"What's unique about this project is that three completely different partners – namely farmers, environmental experts and industry – got together to work jointly on finding the ideal solution. There is something symbolic about this partnership – after all, sustainability is always about reconciling various positions with one another."

Roland Högger, Head of Environment and Sustainability

Green electricity
produced

3.5 GWh

Waste heat
used

4.1 GWh

Efficiency level

81%

Excerpt from the ten-point program

- At least 50% liquid manure or agricultural waste
- No monocultures, meaning the proportion of corn is limited to 35%
- No genetically modified organisms
- 10% ecological compensation areas

In dialog on energy efficiency and climate protection



"Geberit is continuously seeking greater energy efficiency. A block heating station operated by biogas was therefore a logical step for us in our efforts in climate protection and CO₂ reduction."

Markus Heim, Head of Production at Geberit Pfullendorf (DE)



"What's special about our cooperation is the fact that we produce biogas while also satisfying the most stringent sustainability criteria."

Ulfried Miller, BUND Union for the Environment and Nature Conservation Germany



"The cooperation with Geberit is of vital importance to us. Without a reliable partner who supported us from the outset and provided assurances for use of the biogas, we would never have dared to construct this plant."

Georg Rauch, farmer and operator of Energiepark Hahnennest (DE)



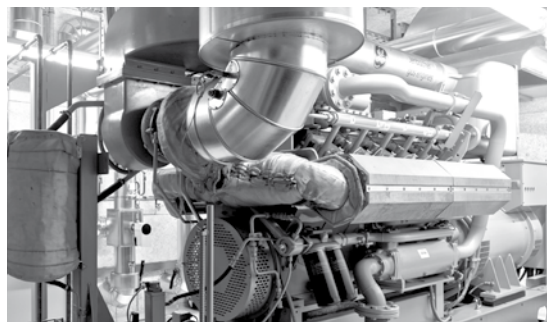
In dialog: Farmer Georg Rauch is one of the co-founders of Energiepark Hahnennest (DE). He is proud of his plant, which produces around 45 GWh of biogas a year.



Step 1: In the fermenters, liquid manure, agricultural waste and plant substrates ferment, producing raw gas.



Step 2: The raw gas is then refined into biogas in the gas processing plant and fed into the nearby natural gas pipeline.



Step 3: The block heating station at Geberit Pfullendorf (DE) produces a total of around 3.5 GWh of green electricity and uses an additional 4.1 GWh of waste heat for internal processes. This results in an impressive efficiency level of 81%.

Leading the way in green logistics

Geberit is making no compromises in its pursuit of green logistics – but is doing it in a variety of ways.



Logistics offers great potential in terms of eco-balance optimization, meaning continuous optimization on both small and large scales pays off.

The mega-trailers that have been traveling for the past two years between the logistics center in Pfullendorf (DE) and the production plants in Rapperswil-Jona (CH) and Pottenbrunn (AT) are a good example of this. Mega-trailers are vehicles that have a greater loading capacity due to their greater loading heights. Instead of 66 pallets, there are now 99 – a step in the right direction towards reducing CO₂ emissions.

When it comes to logistics, sustainability goes far beyond what we do within the company. Geberit selects logistics partners according to clearly defined quality criteria and also encourages them to initiate their own environmental protection programs by means of an environmental code of conduct. Examples of this include training courses for drivers on fuel-efficient driving techniques, climate-neutral logistics facilities and the bundling of transports to reduce empty mileage.

With green logistics, Geberit focuses on a holistic approach for the resource-efficient and environmentally friendly transportation of goods. This sophisticated transport management system pays off both from a business and ecological perspective.



"Ecological progress while also increasing efficiency – this is also Geberit's goal and motivation in logistics. The new mega-trailers carry 50 per cent more pallets and are just one example of the measures being undertaken as part of our green logistics strategy."

Michael Stehle, Head of Transport Management, Pfullendorf (DE)

Transport journeys

-414

Distance traveled

-126,000 km

Fuel consumption

-37,500 liters

CO₂ emissions

-155 metric tons

Leading the way in green logistics



Intelligent concept: Mega-trailers have smaller wheels, thus offering a greater loading height than conventional semi-trailers.



Improvement in efficiency: Thanks to a greater loading height, 99 pallets can now be stacked as opposed to 66 as before.



Comprehensive perspective: Switching to mega-trailers is just one small part of the puzzle of permanent optimization in logistics operations.

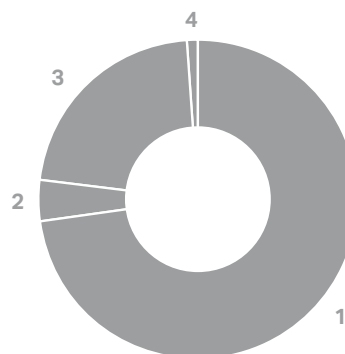


Award-winning: In 2011, Geberit was awarded the German Logistics Prize for the radical restructuring of its logistics.



Optimized: Thanks to mega-trailers, 414 less transport journeys are made each year. The 126,000 km saved correspond to three circum-navigations of the globe.

Transport services by mode of transport

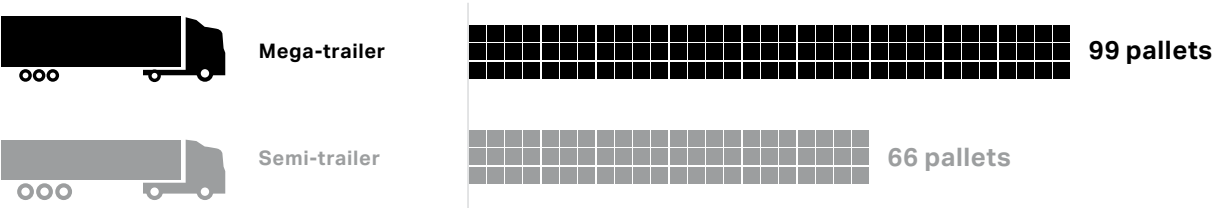


- 1 Truck (73%)
- 2 Rail (4%)
- 3 Seagoing vessel (22%)
- 4 Aircraft (1%)

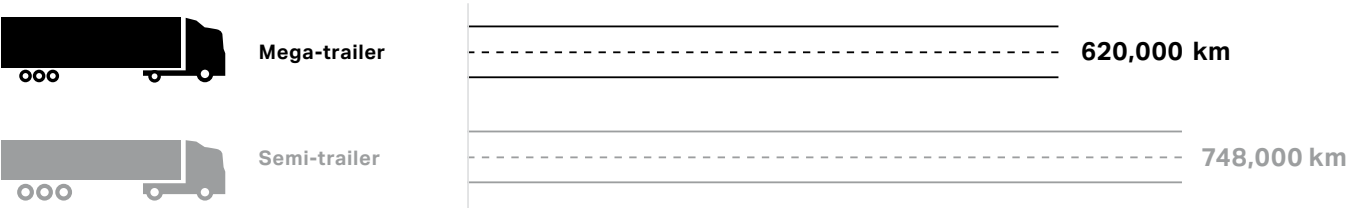
Leading the way in green logistics

Mega-trailers and semi-trailers in comparison

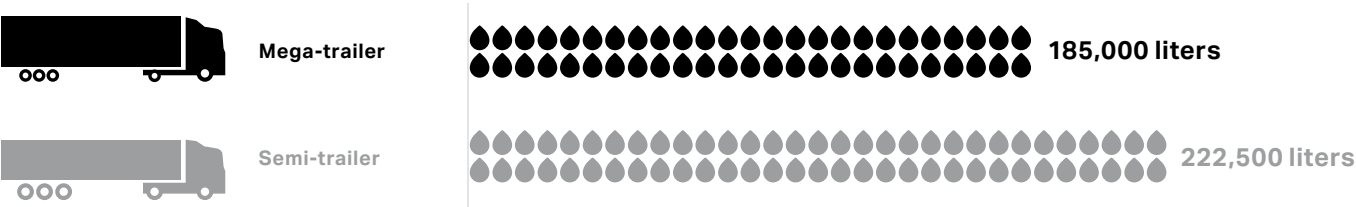
Loading capacity (pallets)



Kilometers traveled



Fuel consumption (liters)



Green building – setting the new standard

Geberit has always offered resource-efficient products – and is also a fixture in groundbreaking green buildings once again in 2012.



Building with sustainability in mind was once the domain of ecological pioneers. Today, properties constructed in compliance with sustainable building standards and with the appropriate quality seal are the new benchmark. After all, only buildings that take the increasing scarcity of resources into account are both sustainable and economical.

As a result, investors, architects, builders and house owners throughout the world are all asking the same questions – what can be done to counteract the increasing scarcity of water and how can the best possible energy balance, flexibility and durability be achieved?

The Danish Ministry of Economics also considered these questions and created a code of practice aimed at keeping the resources used in buildings to a minimum. Viborg city hall is one of the first public buildings to meet the strict conditions of low-energy class 1.

Some of the requirements relate to the use of rainwater. The evaluation criteria also include the durability and safety of the installed products. Geberit products were chosen for this reason – with its Pluvia roof drainage system, Geberit know-how makes a significant contribution towards the building meeting the requirements of low-energy class 1.



«Geberit Pluvia roof drainage contributed to the sustainable aspects of the Viborg City Hall by facilitating a durable and environmentally sound solution. Pluvia plays an important role in securing reliable drainage for the roof of this innovative building.»

Lars Risager, Managing Director, Nordic countries

Geberit is a member of important sustainable building councils:

MINERGIE®
FACHPARTNER



Green building – setting the new standard



Viborg city hall in Denmark is one of the first public buildings in Denmark to fulfill the requirements of a green building.



The large atrium at the heart of the city hall facilitates communication between the administration and the public.



At Viborg city hall, the Pluvia roof drainage system contributed to the fulfillment of the sustainability requirements of the Danish low-energy class 1.



In the UK, the University of Exeter's Environment and Sustainability Institute is BREEAM-certified. The building is therefore also a yardstick for high standards when it comes to its environmental impact.



At the Institute, Geberit Mapress piping systems were largely responsible for ensuring that the highest environmental standards were adhered to.

Accepting responsibility

Geberit takes its social responsibility seriously. Among other things, we have been undertaking social projects in developing countries for several years – including one at a school in South Africa in 2012.



2.6 billion people worldwide currently live without any basic sanitary facilities whatsoever. Not only is this undignified, it also puts the health of those affected acutely at risk.

This is why we are actively committed to undertaking social projects in newly industrialized countries. Geberit not only makes money and materials available, but also plans, manages and coordinates the projects with apprentices from various European locations, who spend two weeks working on site. In our social projects, the future professionals work in an international team in an unfamiliar culture and are charged with completely new tasks. These projects are therefore an important platform within our training philosophy, which then enables the young people to acquire abilities and social skills at first hand that aid their personal development and shape their future actions.

In 2012, eight apprentices from a variety of professions traveled to Port Elizabeth in South Africa together with a supervisor and trainer as well as a technical advisor. Together with three additional young people – the Young Explorers from our partner project Pangaea/Mike Horn – they spent two weeks renovating sanitary facilities and also found time to carry out playful activities with the some 850 schoolchildren on the topics of hygiene and saving water.

The basic sanitary facilities and access to water not only bring a sense of dignity to the schoolchildren in Port Elizabeth – the project has also helped the Geberit apprentices to mature into company ambassadors during their training to become first-class employees.



The Geberit apprentices renovate the sanitary installations at a school in Port Elizabeth and learn lessons for life in a whole new environment.

Geberit social projects

2012 South Africa

2011 Serbia

2010 India

2009 Solomon Islands

2008 Ecuador

In addition to our social projects, we have also been working together with the Swiss development organization Helvetas for a number of years. Sanitation, basic waste water systems and latrine construction are just some of the issues that we also actively advocate.

Accepting responsibility



Geberit apprentices are confronted with tasks that are not part of their everyday working life – for example, as a commercial employee or designer – as they passionately pitch in during the aid projects.



In addition to the installation of sanitary technology, renovation work is also carried out at the school. In South Africa, this included carrying out paintwork on the buildings.



In playful workshops, the young people explain to the schoolchildren the importance of hygiene and how to use water economically.



The children are delighted that the school now has a garden thanks to Geberit. Vegetables and fruit are now on the menu both in school and at home.



Having completed their social aid work, the young people are overwhelmed by a wealth of impressions and return home with some lasting memories.

Editorial

Despite the challenging environment, the Geberit Group can look back on a convincing 2012. It once again successfully defended its excellent market position and gained market shares. Healthy sales growth was a major factor in raising the results slightly above the prior-year level, and this despite substantial additional investments in organic growth.

Sales reached CHF 2,187.8 million for 2012 as a whole, which represents growth of 3.1%. At +4.5% in local currencies, total sales were in line with the medium-term growth expectation of 4 to 6%. Operating margins were negatively affected by rising customer bonuses, higher personnel expenses and the substantial price reductions introduced in Switzerland at the end of the previous year. The stabilization in the cost of materials and the effects of the insourcing of shower toilet production at the new plant in Rapperswil-Jona (CH) supported margins. Operating profit (EBIT) grew by 2.9% to CHF 462.3 million. The EBIT margin reached 21.1% (prior year 21.2%). Net income increased by 2.2% to CHF 392.3 million, with a return on sales of 17.9% (prior year 18.1%). Earnings per share rose by 4.8% to CHF 10.29. Free cashflow grew by 1.3% to CHF 391.0 million.

In addition to the successful development of the business, 2012 was also marked by a number of highlights. Against the prevailing trend, the labor-intensive production of shower toilets was newly integrated within the Geberit organization. Easy access to the target markets in Europe, around 80 new jobs in Rapperswil-Jona (CH) and the greatest possible proximity to bundled know-how at headquarters were convincing arguments in favor of insourcing, which was completed during the course of 2012. The Italian sales company symbolizes the move to more design: On the fringes of Milan's Salone Internazionale del Mobile, Geberit held a vernissage at the heart of the artistic neighborhood of Brera under the motto of "Innovation Democracy". Video installations and performance interludes provided the exclusive framework, enabling everyone to experience the Geberit design brand. In terms of new products, there were two outstanding highlights: the revolutionary Sigma80 touchless actuator plate, which only requires a wave of the hand to initiate the dual flush process, and the lavatory taps, which perfectly combine ecological and functional aspects. A small generator uses the energy of the tap water to ensure that the taps are supplied with electricity in a self-sufficient and hence sustainable manner. Products were also introduced for the growing markets in Asia. The Monolith sanitary module was launched in China and the Alpha cistern in India. Port Elizabeth in South Africa was the scene of Geberit's latest aid project, where the company's own apprentices from Europe spent two weeks renovating the WC facilities at a schoolhouse. The 850 children are not the only ones to benefit – the apprentices themselves returned home having gained another valuable experience in life. Last but not least, 13 years after going public (IPO) we were delighted to be admitted to Switzerland's most important stock index, the SMI, at the beginning of June 2012. We view this promotion to the top league of Swiss listed companies primarily as recognition of the excellent work of Geberit's employees.

The Board of Directors intends to let the shareholders participate in the positive development of the business and will maintain the attractive distribution policy of the previous years. A distribution of CHF 6.60 will be proposed to the General Meeting, an increase of 4.8% over that of 2012. CHF 2.80 of the distribution will be paid out – as in the previous year – in the form of a tax-exempt payment to shareholders taken from reserves from capital contribution, CHF 3.80 as a regular dividend. The payout ratio of 63.6% of net income would therefore be in the upper range of the 50 to 70% corridor, 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. The share buyback program launched in January 2011, by means of which additional liquid funds flowed back to the shareholders, was concluded at the end of December 2012, earlier than planned.

Due to scheduling conflicts, Susanne Ruoff has decided to step down from the Board of Directors at the next General Meeting in order to concentrate fully on her new role as CEO of Swiss Post, which she took over at the beginning of September 2012. It will be proposed to the 2013 General Meeting that Felix R. Ehrat be elected to the Board of Directors as a new member for a three-year term of office. From the point of view of the Board of Directors, his high reputation and broad legal expertise in an international environment make him a suitable candidate, capable of playing a significant role in shaping the future success of the Geberit Group. Alongside his wide-ranging legal knowledge, Felix R. Ehrat brings to the Geberit Board of Directors great leadership skills and practical experience of working for large listed companies. The current Lead

Director and Vice Chairman of the Board of Directors, Robert F. Spoerry, is standing for reelection for another three years.

We credit the convincing results in 2012, which surpassed those of the prior year, to the outstanding commitment, high motivation and skills of our employees in 41 countries. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors are again deserving of special thanks 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.

Owing to the challenging parameters, 2013 will be a demanding business year for the Geberit Group. The construction industry will continue to be dominated by a slowdown in growth momentum and by political and macroeconomic uncertainties. The objective, not only in the construction markets that are still healthy, but also in those that are shrinking, is to achieve convincing market performances. The focus in this connection will again be on the concerted marketing of the products newly introduced in recent years, on various organic growth initiatives, on developing new markets and on the very promising shower toilet business. The Geberit Group remains well equipped to achieve the ambitious goals that have been set. With the performance capability of our competent and motivated managers and employees, our effective, efficient and market-oriented organization and the continued cooperation based on trust that we enjoy with our market partners, we look to the future with confidence.



Albert M. Baehny
Chairman and CEO



Robert F. Spoerry
Lead Director and
Vice Chairman

Geberit share information

Share price performance in the year under review

In 2012 the price of the Geberit share benefited substantially from the favorable climate on the equity markets. Beginning the year at CHF 181.00, the share price mostly kept pace with the benchmark indices in the first half-year. Admission to the Swiss Market Index (SMI) bolstered the price substantially as of May – in particular following the announcement of definitive admission at the beginning of June – as was reflected in considerably higher daily trading volumes. From mid-year the positive mood on the stock markets led to a steady upward trend that received additional support from Geberit's gratifying half-year figures. This phase came to an abrupt end when the figures for the third quarter were published at the end of October, signaling a more cautious outlook for the year as a whole. Within the space of a few days the Geberit share lost almost 10% of its value, but made a clear recovery by the end of the year, closing at CHF 201.40. This corresponds to a rise of 11.3% compared with the end of the previous year. In the same period the SMI posted a slightly stronger performance, advancing by 14.9%. Viewed over the past five years, the Geberit share posted an annual average increase in value of 5.3% (SMI: -4.3%). The Geberit Group's market capitalization reached CHF 7,819 million at the end of 2012.

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

At the end of 2012, the free float as defined by SIX was 100%.

Distribution

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

Over the last five years, around CHF 1.8 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of Geberit shares has risen from CHF 155.50 at the end of 2007 to CHF 201.40 at the end of 2012.

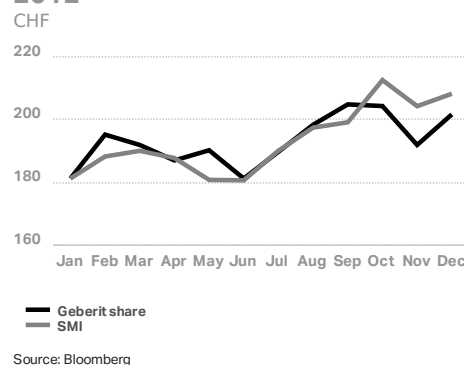
The Board of Directors will propose to the General Meeting of Geberit AG on April 4, 2013 a distribution of CHF 6.60, an increase of 4.8% over that of 2012. As such, the shareholder-friendly distribution policy will be continued. CHF 2.80 of the distribution will be paid out as in the previous year, in the form of a tax-exempt payment to shareholders taken from reserves from capital contribution, and CHF 3.80 as a regular dividend. The payout ratio of 63.6% of net income is in the upper range of the 50 to 70% corridor, 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.

Subject to the shareholders' approval, the distribution will be paid on April 11, 2013.

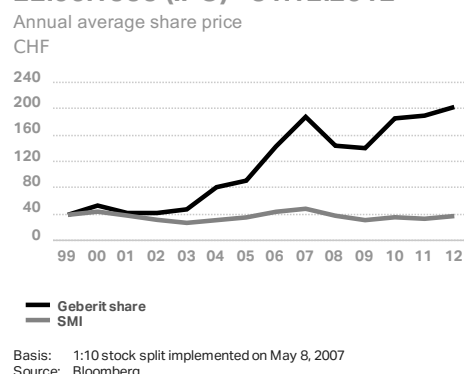
The share buyback program launched by the Board of Directors of Geberit AG at the beginning of 2011 was concluded on December 20, 2012, earlier than planned. In total, 2,048,578 registered shares – in the amount of CHF 390,172,725 and corresponding to 5.28% of the share capital currently registered in the Commercial Register – were repurchased as originally planned. The share buyback program was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 190.46.

The General Meeting of April 4, 2012 approved a capital reduction in the amount of the shares repurchased in 2011. The 1,026,000 shares were canceled with effect from June 29, 2012 following expiry of a two-month deadline and the publication of three notices to creditors in the Swiss Commercial Gazette. The shareholding registered in the Commercial Register now stands at 38,821,005 shares. With regard to the remaining 1,022,578 shares repurchased in 2012, it is planned to propose a capital reduction and the subsequent cancellation of the shares to the General Meeting on April 4, 2013.

Share price development January 1 until December 31, 2012



Share price development 22.06.1999 (IPO) - 31.12.2012



Distribution paid (CHF per share)

	2008	2009	2010	2011	2012
Dividend	5.20	5.40	6.40*	-	-
Capital redemption	-	-	-	6.00	6.30
Total	5.20	5.40	6.40	6.00	6.30

* Inclusive special dividend of CHF 1.00

Total distribution to shareholders (CHF million)

	2008	2009	2010	2011	2012	Total
Distribution	207	211	253	236	242	1,149
Share buyback	311	-	-	193	198	702
Total	518	211	253	429	440	1,851

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 (→ www.geberit.com/maillinglist) in order to receive the most recent information relating to the company.

CEO Albert M. Baehny, CFO Roland Iff and Head of Corporate Communications & Investor Relations 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

Comprehensive share information can be found under

→ www.geberit.com > investors > share information

Major data relating to the Geberit share (as of December 31, 2012)

Registered shareholders	19,978
Capital stock (CHF)	3,882,101
Number of registered shares of CHF 0.10 each	38,821,005
Registered shares	24,853,159
Treasury stock:	
- Treasury shares	212,767
- Share buyback program	1,022,578
Total treasury stock	1,235,345
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Reuters	GEBN.VX

Key figures (CHF per share)

	2011	2012
Net income	9.82	10.29
Net cashflow	12.65	13.22
Equity	36.31	37.52
Distribution	6.30	6.60 ¹

¹ Subject to approval of the General Meeting 2013

Time schedule

	2013
General Meeting	April 04
Dividend payment	April 11
Interim report first quarter	April 30
Half-year results	August 13
Interim report third quarter	October 31

2014

First information 2013	January 14
Results full year 2013	March 11
General Meeting	April 03
Dividend payment	April 10
Interim report first quarter	April 29

(Subject to minor changes)

Management structure

as of December 31, 2012

Board of Directors

Chairman Albert M. Baehny	Vice Chairman and Lead Director Robert F. Spoerry
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CEO Division	Sales Europe	Sales International	Products	Finance
Chief Executive Officer Albert M. Baehny	Member Executive Board Karl Spachmann	Member Executive Board William J. Christensen	Member Executive Board Michael Reinhard	Member Executive Board Roland Iff
Human Resources Roland Held	Germany Christian Buhl	North America Andreas Nowak	Accredited Test Laboratory Markus Tanner	Controlling Beat Gresser
Communications Roman Sidler	Italy Giorgio Castiglioni	Far East/Pacific Ron Kwan	Quality Christian Englisch	Treasury Thomas Wenger
Marketing Egon Renfordt-Sasse	Switzerland Hanspeter Tinner	China Edward Qiao	Purchasing Adriaan 't Gilde	Internal Audit Martin Reiner
Strategic Planning Andreas Lange	Austria Clemens Rapp	Singapore Eugene Foo	Logistics Gerd Hailfinger	Information Technology Roland Iff a.i.
Environment/Sustainability Roland Högger	Netherlands Menno Portengen	Australia Tony Rusten	Technology/Innovation Felix Klaiber	Legal Services Albrecht Riebel
Shower Toilet Martin Baumüller	Belgium Paul Forier	Middle East/Africa Christian Steinberg	Products Sanitary Systems Michael Reinhard a.i.	Service, Finance and Holding Companies Werner Frei/Jürgen Haas
	Nordic Countries Lars Risager		Installation Systems Mario von Ballmoos	
	France Patrick Jouvét		Cisterns and Mechanisms Marcel Heierli	
	United Kingdom Mark Larden		Faucets and Flushing Systems Daniel Raissle	
	Poland Andrzej Dobrut		Waste Fittings and Traps Thomas Kiffmeyer	
	Czech Republic Vladimir Sedlacko		Shower Toilet Armin Gierer	
	Slovakia Vladimir Sedlacko		Product Development Appliance Engineering Hansjörg Rohr	
	Hungary Tamás Kőszeghy		Project Manager Pool Rolf Kuster	
	Adriatic region Miran Medved		Product Development Sanitary Systems Erwin Schibig	
	Spain David Mayolas		Products Piping Systems Pietro Mariotti	
	Portugal José Seabra		Building Drainage Systems Sandro à Porta	
	OEM Tobias Beck		Supply Systems Michael Schüpbach	

Management structure

as of December 31, 2012

CEO Division	Sales Europe	Sales International	Products	Finance
			Project Manager Pool Pietro Mariotti	
			Product Development Piping Systems Remy Stoll	
			Production Plant IBA* Robert Lernbecher	
			Pfullendorf (DE) Robert Lernbecher	
			Rapperswil-Jona (CH) Bruno Bünzli	
			Pottenbrunn (AT) Helmut Schwarzl	
			Ruše (SI) Matjaz Lesjak	
			China Christian Steiger	
			Production Plant EXM* Martin Ziegler	
			Langenfeld (DE) Ulrich Wagner	
			Lichtenstein (DE) Thomas Schweikart/ Hartmut Müller	
			Weilheim (DE) Jürgen Kress	
			Matrei (AT) Josef Rapp	
			Givisiez (CH) Michel Pittet	
			Villadose (IT) Rainer Prügl	
			Rapperswil-Jona (CH), Shower Toilet Karl Zahner	
			USA Andreas Nowak	

* IBA: Injection and Blow Moulding/Assembly

* EXM: Extrusion/Metal Processing

Business and financial review

In 2012, the Geberit Group once again successfully defended its excellent market position in a challenging market environment. Sales growth in local currencies was in line with the medium-term objectives. Although the results were affected negatively by rising customer bonuses, personnel expenses, the substantial price reductions introduced in Switzerland at the end of the previous year and the persistently strong Swiss franc, the Group performed better than in the previous year. The Group thereby noticeably outperformed some of its European competitors, expanded its position as the leading provider of sanitary technology and gained additional market shares.

Market environment

Challenging parameters

The uncertain economic and political parameters of the past few years continued in 2012. The construction industry in the individual geographic markets relevant to Geberit saw strongly divergent developments in the reporting year. While some markets were still robust, others remained caught up in a serious crisis.

Euroconstruct revised its December 2012 data on construction volumes in **Europe** for the reporting year downward from earlier estimates. For building construction, the sector that is relevant for Geberit, volumes were corrected by 2.3 percentage points (from -1.5% to -3.8%). This correction highlights the difficulty of making reliable forecasts in the current environment overshadowed by the debt crisis in Europe. New building construction project volumes in the reporting year were down 5.6% from the previous year and around one-third below 2007's record levels. Although renovation projects contracted by only 2.3%, volumes were still around 5% lower than in 2007.

Geberit benefited from the fact that at -7.5%, the civil engineering sector - which is not relevant for the company - trended substantially weaker than the building construction sector (-3.8%). The more stable situation in the building renovation sector mentioned before and positive developments in the building construction sector in countries such as Austria (+1.5%), Germany (+0.9%) and Switzerland (+0.8%) also had a positive effect. Supported by this comparatively favorable situation, Geberit can assume that it clearly outperformed some of its competitors in Europe in the reporting year.

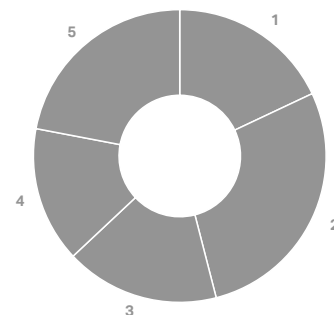
Of the total construction volume for Europe in 2012 of EUR 1,291 billion, 78% relates to building construction. Residential construction accounted for just under 60% of this, and non-residential construction for just over 40%. Within the building construction sector, slightly more than half pertained to renovation projects, primarily as a result of the high proportion of residential construction.

In the **US**, gross domestic product (GDP) rose by 2.2% and the economy grew slightly stronger than in 2011 (+1.8%). Investments in building construction increased by 10.0% year-on-year, which is a clear reversal of the trend in the previous year (-2.5%). However, a return to the long-term average is still a long way off. Investments in non-residential construction increased by 5.8% in total (previous year -3.3%). While offices, hotels and commercial buildings increased noticeably, the trend for the healthcare/hospital and school/university sectors important to Geberit remained weak. Residential construction performed substantially better than non-residential construction: The number of building permits for new private residential units increased by 30.7% in the reporting year (previous year +3.2%), while the number of permits for single-family houses rose by 22.9% (previous year -6.4%). The number of finished private residential units increased by 11.4% year-on-year (previous year -10.3%).

Although the slowdown in global economic growth was very noticeable in 2012 in the **Far East/Pacific region**, more than 40% of total global growth was reported in this region. The gross domestic product for Asia (including India) grew by 4 to 5% in real terms in 2012, mainly driven by China and India. Based on the data of IHS Global Insight, the construction industry in this region continued its solid growth in 2012 at around +6%, whereby investments in the civil engineering sector, which are not relevant for Geberit, grew more strongly at +8% than those in the building sector (approximately +4%). This increased focus on infrastructure investments could be observed in almost all Asian markets. Given its size (more than 40% of Asian construction volumes) and growth (+8.5%), China remained the most important driver of growth; in 2012, the infrastructure development aimed at by China caused a particularly big gap between civil engineering (+14%) and building construction (+6%).

Total construction output Europe 2012

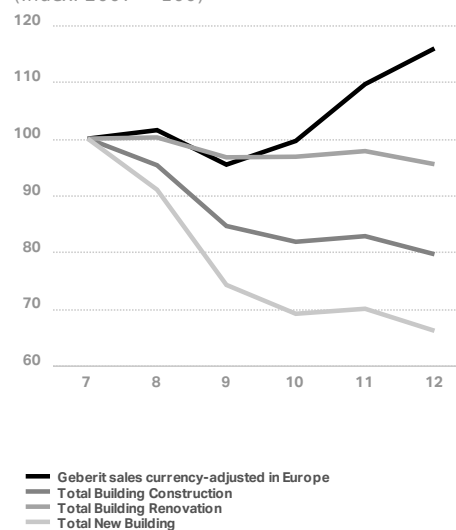
(EUR 1,291 billion)



- 1 Residential - New (18%)
- 2 Residential - Renovation (28%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (15%)
- 5 Civil engineering (22%)

Construction output and Geberit sales in Europe 2008-2012

(Index: 2007 = 100)



Source: 74th Euroconstruct Conference, Munich, December 2012; Geberit

Sales

Currency-adjusted sales growth within medium-term target range

Sales reached CHF 2,187.8 million for 2012 as a whole, which represents growth of 3.1%. At +4.5% in local currencies, total sales were in line with the medium-term growth expectations of 4 to 6%. The negative currency effect of 1.4% was more than compensated by a positive price effect of 1.3% and a positive volume effect of 3.2%.

In spite of the restrained sales growth experienced since 2008, the longer-term trend remains encouraging. Average growth for the last ten years was 5.6%.

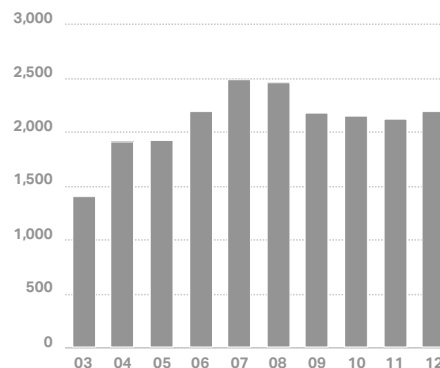
Strongly diverging performance in individual markets

The following changes in sales figures by markets and regions refer to local currencies.

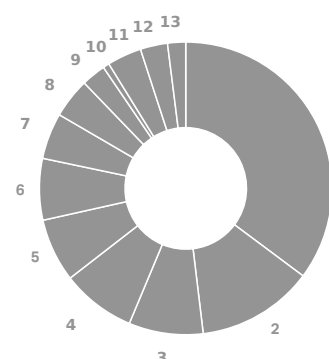
Most markets recovered again after a decline in the third quarter. European sales rose by 4.7% for the year as a whole. Double-digit growth was posted in Austria (+12.6%), the Nordic Countries (+10.8%) and Central/Eastern Europe (+10.2%). Good growth was also recorded for France (+9.5%), Germany (+8.9%) and the UK/Ireland (+5.9%), while the Benelux Countries performed more or less on a par with the previous year (+1.2%). In contrast, Switzerland (-4.4%), which was affected by substantial price reductions, Italy (-6.6%) and the Iberian Peninsula (-19.5%) had to accept – in some cases – drastic reductions in growth. The other regions Middle East/Africa (+5.6%), America (+2.6%) and the Far East/Pacific (+1.5%) ended the reporting period with positive figures in spite of sometimes extremely challenging conditions.

Sales development 2003 – 2012

(in CHF million)



2012 sales by markets/regions



- 1 Germany (35.2%)
- 2 Switzerland (12.9%)
- 3 Italy (8.2%)
- 4 Benelux (8.2%)
- 5 Austria (7.0%)
- 6 Central/Eastern Europe (6.8%)
- 7 Nordic Countries (5.1%)
- 8 France (4.4%)
- 9 United Kingdom/Ireland (2.7%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.8%)
- 12 Far East/Pacific (3.0%)
- 13 Middle East/Africa (2.0%)

Product areas reported more or less equal growth

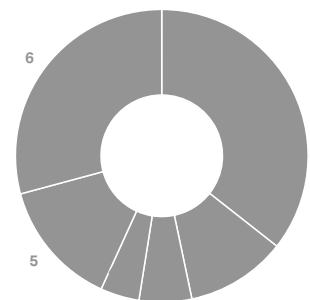
Sales for the **Sanitary Systems** product area increased by 2.8% in Swiss francs to CHF 1,242.8 million. Growth in local currencies was 4.3%.

Sales for the **Installation Systems** product line, at 35.6% of Group sales the most important product line, rose by 3.9% in local currencies. In the reporting year, drywall elements and designer actuator plates were again mostly responsible for this growth. At +8.6%, the strongest growth was posted by the **Cisterns and Mechanisms** product line, which accounts for 11.1% of total sales. Sales were boosted by the strong growth of the AquaClean shower toilet – in particular as a complete solution – and the Monolith toilet module, which is breaking into ever more markets. Sales of filling and flush valves recovered from the slump experienced in the previous year, mainly because of the good performance of the generally volatile OEM business. In contrast, sales of traditional exposed cisterns stagnated as a consequence of Geberit's efforts over many years to convert to concealed solutions. Sales for the **Faucets and Flushing Systems** product line, which accounts for 5.8% of total sales, increased slightly by 1.5% in 2012. Compared to the extremely positive trend in the previous year, this product range was affected more strongly by the challenging market conditions faced by the US subsidiary Chicago Faucets. Sales of urinal flush controls remained stable at the previous year's level. Sales for the **Waste Fittings and Traps** product line, representing 4.3% of total Group sales, improved only slightly by 1.0%. Double-digit growth for floor outlets was offset by weaker sales for bathtub drains and sink drains.

Sales for the **Piping Systems** product area grew by 3.4% to CHF 945.0 million. The increase in local currencies was 4.8%. Sales for this product area thus improved only slightly more than those for the Sanitary Systems area in the reporting year – in contrast to the previous year when Piping Systems sales increased more substantially.

Sales for the **Building Drainage Systems** product line were more or less on a par with the previous year (+0.2%), contributing 14.0% to total sales. The Pluvia roof drainage system and Silent-PP did well. The successful **Supply Systems** product line posted 7.2% growth. The contribution of this product line, which is the second largest measured by Group sales, climbed to 29.2%. The Mapress product range in stainless steel, carbon steel and copper and the Mepla multilayer piping system in particular delivered impressive growth rates.

2012 sales by product areas and product lines



Sanitary Systems (56.8%)

- 1 Installation Systems (35.6%)
- 2 Cisterns and Mechanisms (11.1%)
- 3 Faucets and Flushing Systems (5.8%)
- 4 Waste Fittings and Traps (4.3%)

Piping Systems (43.2%)

- 5 Building Drainage Systems (14.0%)
- 6 Supply Systems (29.2%)

Results

Negative impact of foreign currencies smaller than in previous year

Although the foreign currency effects for the Group, triggered by the strength of the Swiss franc against all the main currencies, declined sharply in the reporting year, they still had a seriously negative impact on the income statement. Seen overall, foreign currency effects reduced sales by around CHF 30 million, with the strongest impact measured from the euro. In 2012, Geberit generated 68% of its sales in the eurozone, 5% in US dollars and 3% in British pounds. Accumulated currency effects cut sales by 1.4%. Operating profit (EBIT) contracted by around CHF 8 million as a result of the strong Swiss franc.

Additional negative effects were warded off with an efficient natural hedging strategy. This entailed making sure that costs are incurred in the same proportion in the currencies in which sales are generated. This hedging strategy was almost completely successful for the euro and US dollar in particular, but the higher costs in Swiss francs compared to sales in Swiss francs led to slight deviations. Consequently, the currency losses resulted primarily from translation effects and only to a small degree from transaction effects.

In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or 10% stronger:

- Sales: +/-7% to +/-9%
- EBIT: +/-9% to +/-11%
- EBIT margin: approximately +/- 0.5 percentage points

For more information on the management of currency risks, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 4. Risk Assessment and Management, Management of Currency Risks** and the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 16. Derivative Financial Instruments**.

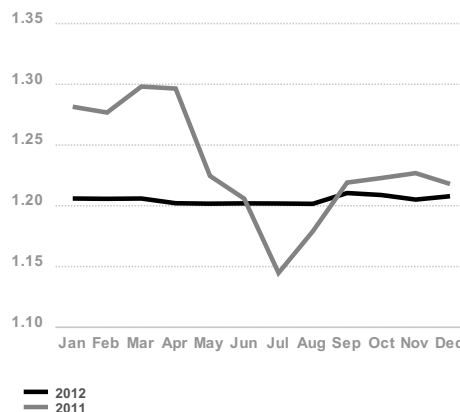
Results improved – profitability maintained at high level

Thanks to its healthy sales growth, the Geberit Group managed in the 2012 financial year to improve its results in a challenging environment in spite of substantial additional investments in organic growth.

Operating cashflow (EBITDA) rose by 2.0% year-on-year to CHF 542.4 million. At 24.8%, the EBITDA margin was slightly below the previous year (25.1%) but still stood at the upper end of the medium-term target range. Over the last decade, average EBITDA growth of 6.3% was better than the corresponding increase in sales of 5.6%. Operating profit (EBIT) improved by 2.9% to CHF 462.3 million, and the EBIT margin was 21.1% (previous year 21.2%). Net income increased by 2.2% to CHF 392.3 million, with a return on sales of 17.9% (previous year 18.1%). Earnings per share rose by 4.8% to CHF 10.29.

EUR/CHF exchange rates 2011/2012

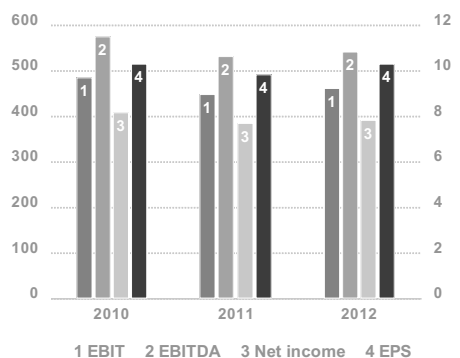
(Period-end exchange rates)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2010 – 2012

(in CHF million)

(EPS: in CHF)



Operating expenses only slightly higher

Customer bonuses and cash discounts increased by 5.2% to CHF 268.2 million or from 12.0% to 12.3% of total sales, primarily as a result of sales growth.

In 2012, total operating expenses advanced by 2.7% to CHF 1,457.3 million or to 66.6% of total sales (previous year 66.8%). As in previous years, operating expenses benefited from positive foreign currency effects, thereby compensating for some of the decline in sales caused by negative currency trends. Strict cost management, continued process optimization and the insourcing of shower toilet production to the new plant in Rapperswil-Jona (CH) also contributed to the reduction. In historical terms, raw materials prices remain very high although the situation stabilized somewhat in the reporting period, with industrial metals actually easing slightly. The substantial reduction in sales prices for the Swiss market introduced at the end of 2011 in reaction to the strong Swiss franc had a negative impact. The cost of materials as a percentage of sales dropped from 27.7% in the previous year to 27.0%. The absolute cost of materials rose slightly by 0.5% to CHF 590.7 million. Personnel expenses increased by 6.4% to CHF 463.5 million or 21.2% of sales, compared to 20.5% in the previous year. This is explained by the rise in staff numbers in the wake of ongoing organic growth initiatives, the new jobs that were created to handle the in-house production of the shower toilet and capacity increases at the production plants, as well as salary increases. Depreciation contracted by 3.4% to CHF 74.3 million because special writedowns burdened the result in the previous year. Amortization of intangible assets fell from CHF 5.9 million to CHF 5.8 million. Other operating expenses grew by 3.5% to CHF 323.0 million year-on-year due to newly intensified marketing activities, the effects of organic growth initiatives, and higher costs for energy, indirect materials, freight and customs triggered by the growth in volumes.

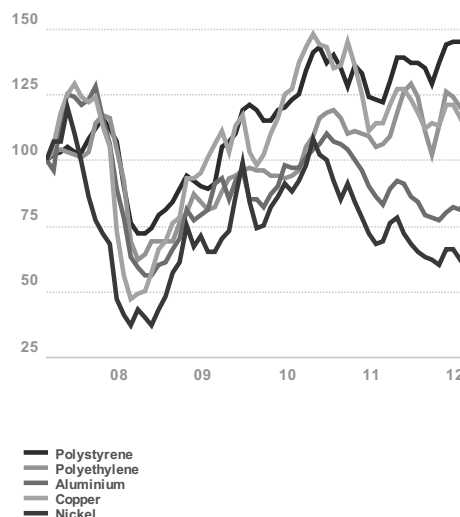
At CHF -7.2 million, the financial result is similar to the previous year. As interest rates dropped even lower in the reporting year, financial expenses were up year-on-year (valuation loss on marketable securities) but were compensated by smaller currency losses. The tax expense increased by CHF 4.9 million to CHF 62.8 million, resulting in a tax rate of 13.8% (previous year 13.1%).

Increase in free cashflow

The upturn in operating cashflow (EBITDA) led to an increase in net cashflow of 1.9% to CHF 504.1 million. Free cashflow grew by 1.3% to CHF 391.0 million. The lower growth posted in comparison to net cashflow resulted from the sales-driven rise in net working capital, which was only compensated in part through lower investments in property, plant and equipment. Free cashflow was largely used to pay distributions of CHF 241.7 million to shareholders and to repurchase shares totaling CHF 197.6 million as part of the share buyback program that was completed at the end of 2012.

Raw material price development

(Market price; index: December 2007 = 100)



Financial structure

Solid financial foundation

In spite of the share buyback program that continued until the end of the reporting year, free cashflow made a substantial contribution to the very solid financial foundation of the Geberit Group.

Total assets declined from CHF 2,122.7 million to CHF 2,007.4 million as the strong Swiss franc again had a dampening effect on many balance sheet items.

The cash reserve shrunk appreciably as a result of the buyback of own shares and the scheduled repayment of debts. In addition to liquid funds and marketable securities of CHF 423.1 million (previous year CHF 542.0 million), the Group had access to an undrawn operating credit line of CHF 197.9 million. In the wake of the repayment of debts mentioned above, debt decreased by CHF 60.9 million to CHF 14.7 million. This resulted in a positive net cash level in the form of net debt of CHF -408.4 million at the end of 2012 (previous year CHF -466.4 million).

Net working capital grew by CHF 20.3 million to CHF 134.4 million, mainly as a result of sales growth. Property, plant and equipment strengthened slightly from CHF 516.2 million to CHF 521.2 million, while goodwill and intangible assets contracted from CHF 645.2 million to CHF 638.1 million.

The ratio of net debt to equity (gearing) declined from -32.9% in the previous year to -28.5%. The equity ratio improved from 66.9% to a very solid 71.3%. Based on average equity, the return on equity (ROE) was 28.1% (previous year 26.0%). Average invested operating capital, comprising net working capital, property, plant and equipment, goodwill and intangible assets amounted to CHF 1,346.0 million at the end of 2012 (previous year CHF 1,327.6 million). The return on invested capital (ROIC) was 29.3% (previous year 28.8%). For details on the gearing, ROE and ROIC calculations, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital.**

The Geberit Group held 1,235,345 treasury shares on December 31, 2012, which equals 3.2% of the shares entered in the Commercial Register. Of these, 1,022,578 (2.6% of the shares entered in the Commercial Register) were acquired as part of the share buyback program that started at the beginning of 2011. The remaining 213,000 treasury shares are mostly earmarked for share participation plans. The share buyback program ended prematurely on December 20, 2012. In total, 2,048,578 registered shares in the amount of CHF 390,172,725, corresponding to 5.28% of the share capital currently entered in the Commercial Register, were repurchased as originally planned. The buyback program was carried out through a second trading line set up specially for this purpose. The average purchase price per share was CHF 190.46. The General Meeting of April 4, 2012, approved a share capital reduction in the amount of the shares repurchased in 2011. The capital reduction was carried out on June 29, 2012, following expiry of a two-month deadline and the publication of three notices to creditors in the Swiss Commercial Gazette. The total number of shares entered in the Commercial Register now stands at 38,821,005 shares. As far as the remaining 1,022,578 shares repurchased in 2012 are concerned, the intention is to propose a share capital reduction to the General Meeting on April 4, 2013, and to cancel these shares.

Debt (in CHF million)

	12/10	12/11	12/12
Long-term debt	70.1	10.8	10.9
Total debt	73.4	75.6	14.7
Liquid funds and marketable securities	586.6	542.0	423.1
Net debt	-513.2	-466.4	-408.4

Investments

Declining investment volume

Investments in property, plant and equipment and intangible assets amounted to CHF 86.0 million in 2012 or CHF 6.6 million (-7.1%) less than in the previous year. As a percentage of sales, the investment ratio was 3.9% (previous year 4.4%). As before, the strong Swiss franc had a slightly diminishing effect on the total investment volume when translating investment amounts from the euro. As in previous years, all scheduled larger investment projects were carried out in spite of the challenging parameters.

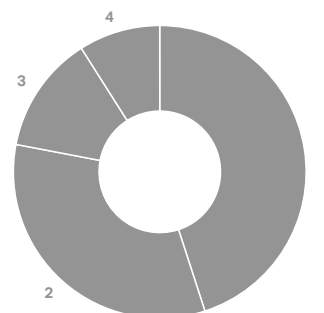
In 2012, 45% of all investments or CHF 38.6 million was used for infrastructure expansion. Geberit used 9% or CHF 7.7 million to acquire tools and equipment for new product developments. 33% or CHF 28.8 million was invested in the modernization of property, plant and equipment, while 13% or CHF 10.9 million was used for rationalization measures relating to property, plant and equipment.

The lion's share was invested in the machine fleet, in renovation and new building projects and in the procurement of tools and molds for new products. Among other things, projects for the building of new plants in Slovenia and India were started and continued respectively, the manufacturing of actuator plates at the Rapperswil-Jona plant was comprehensively upgraded, and other parts of the headquarters in Rapperswil-Jona were renovated.

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

	2008	2009	2010	2011	2012
	152.5	106.4	80.5	92.6	86.0
In % of sales	6.2	4.9	3.7	4.4	3.9

Investments by purpose



- 1 Capacity expansion (45%)
- 2 Modernization (33%)
- 3 Rationalization (13%)
- 4 New products (9%)

Employees

More employees again

The number of employees rose once again. At the end of 2012, the Geberit Group employed 6,134 people worldwide, 130 persons or 2.2% more than in the previous year. The increase is primarily due to the – to some extent temporary – adjustment of capacities in the production plants in reaction to volume growth, focused organic growth initiatives in individual markets, and the effects of the implementation of the final steps to insource the production of the AquaClean shower toilet previously manufactured by a subcontractor.

Based on the average number of 6,150 employees, sales per employee amounted to TCHF 355.7 or 0.4% more than in the previous year.

In view of the increase in market activities, the number of employees in marketing and sales business processes rose from 28.8% to 29.1%. As a result of volume growth and the insourcing of the production of the shower toilet, the share of employees in production strengthened from 54.4% to 54.8%. In contrast, the share of employees in administration dropped from 9.4% to 8.9%. The other employee categories did not see any material changes: At the end of 2012, 3.5% worked in research and development and 3.7% were apprentices.

External strengthening of employer brand

First-rate employees are key to the sustained success of any company. Not only the best, but also the right employees are to be acquired and retained for Geberit. This requires a prominent image on the labor market. Employer branding as a component of superordinate corporate branding creates a unique employer identity. Since 2012 Geberit has marketed itself with a new concept in terms of content and visual appearance. Part of this more proactive behaviour is a stronger presence at job fairs and in online media as well as more target-group oriented information documents. The objective is to sharpen its profile as a company that offers attractive international development opportunities at the interface between the craft, engineering and sales sectors. The company's employees and their career paths are presented in short profiles – as ambassadors for the qualities and opportunities that Geberit can offer as an employer. In addition to international development opportunities and an open corporate culture, innovation can be created that shapes the market – with the support of Geberit employees, who are the best in their class.

For internal communication with employees, there is a focus on interactive, real-time communication that is accessible to all. The intranet introduced in 2009 plays a central role here, while special newsletters and/or communal large-screens provide the production employees without access to personal computers with the information they need. The CEO, Albert M. Baehny, regularly informs the employees of the current state of the business, the economic parameters, the future prospects and general topics of interest in videos that are accessible on the intranet as well as via electronic newsletters. The employee magazine is published four times a year and contains articles on issues relevant to the world of Geberit.

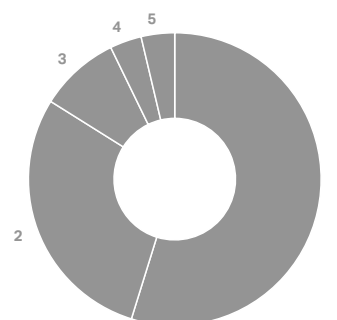
The employees are regularly questioned on their identification and satisfaction with the company. The most important results of the 2011 survey show that the employees identify with the company to a high degree and are very satisfied with their employment conditions, although there seems to be room for improvement with regard to salaries and personnel development.

A Group-wide process was developed in 2012 in reaction to the results of the most recent survey, bundling the sub-processes performance assessment, development and remuneration. The objective was to come up with a standardized global core process that applies a uniform approach to performance and talent management, based on a standardized IT solution. This process should help to further develop the performance culture, increase transparency and make it easier to discover talent. Remuneration policies are based on standardized job assessments and salary levels for the relevant country. A central element of the new process is that several line managers together assess the performance, development and salary of an employee. The process is concluded with a feedback interview between the employee and the direct line manager. Also in reaction to the employee survey, implementation measures were started in some of the local companies in areas that were shown to harbor improvement potential.

Employees by countries (as of December 31)

	2011	Share in %	2012	Share in %
Germany	2,345	39	2,351	38
Switzerland	1,184	20	1,259	21
China	764	13	758	12
Austria	490	8	491	8
USA	250	4	237	4
Slovenia	214	3	224	4
Italy	101	2	113	2
Others	656	11	701	11
Total	6,004	100	6,134	100

Employees 2012 by business processes (as of December 31)



- 1 Production (54.8%)
- 2 Marketing and Sales (29.1%)
- 3 Administration (8.9%)
- 4 Research and Development (3.5%)
- 5 Apprentices (3.7%)

Sharper international focus is needed

Geberit offers its employees attractive employment conditions. In 2012, salaries and social benefits amounted to CHF 463.5 million (previous year CHF 435.6 million), please also refer to the → **Notes to the Income Statement**. The employees can also participate in share participation plans at attractive conditions, see: → **Financial Statements of the Geberit Group, 18. Share Purchase Plans**, as well as → **Corporate Governance, 5. Remuneration, Shareholdings and Loans**.

Equal opportunities and equal pay for women and men are self-evident. The proportion of female employees at the end of 2012 was 31% (previous year 29%), and for upper management this figure was 7% (previous year 5%). The six-member Board of Directors consists of one woman and five men.

One specific topic is constantly gaining in importance: the internationalization of the employees. The expansion of Geberit's activities to new countries and collaboration between the individual Group units are growing ever more intense. Competition on the global market demands additional skills and work experience abroad.

For Geberit, investment in its employees, also with regard to training and further education, continues to be of central importance. In the reporting year, employees attended around 17 hours of internal and external training and further education courses on average (previous year 15 hours). In 2012, 229 apprentices (previous year 232) were employed. The transfer rate to a permanent employment relationship was 92%. The target is a transfer rate of 75%. At the apprentice camp at the headquarters in Rapperswil-Jona (CH), apprentices from all training programs playfully learn project management skills. Generally speaking, all apprentices should work at several different locations during their apprenticeship. As the company would also like to motivate them to work abroad, they are given the opportunity during or following the apprenticeship to voluntarily go abroad for a short period of a few weeks to six months. The trainers have also been made aware of this objective to promote work experience abroad for apprentices. A survey among the apprentices received positive feedback, confirming that they meet the conditions for more mobility (language skills, interest in foreign cultures, career ambitions, etc.). In October 2012, the company introduced a concept for possible trainee positions in China, the US and India.

For managerial employees, the watchword is continuous advancement. The Potential Management process supports selected internal candidates on their way to middle or upper management, or to their first management, project management or specialist functions, with individual development measures and collective modules designed to ensure that at least half of the open management positions can be filled by internal candidates. Currently, as many as 77% of all positions in Group management can be filled internally. A new international advanced training program has been developed in collaboration with the International Institute for Management Development (IMD) in Lausanne for 160 members of the Group and country management. Managers take part in this one-week program in groups of 40 persons. The course topics include strategic management, leadership and finance. This tailor-made training program started in autumn 2012.

Various activities to promote employee health

In 2010, an anonymous survey showed that the Geberit employees in Switzerland are generally healthy. At that time, the principal health complaints included back pain and psychosocial factors (such as stress and noise pollution). In reaction to this survey, a number of different improvement measures were implemented successfully. In 2012 the agenda was dominated by the topic of burnout. Known burnout cases show that employees at certain hierarchical levels are affected by symptoms much more often than others. This finding is being used to develop an additional package of measures.

In Austria – and in a very similar way also in Germany – the Vitality program includes, among other things, subsidized gym membership, healthy food in the staff canteen, the provision of fruit and water at work, as well as vaccination campaigns and health check-ups. This standard program is supplemented by annual focus campaigns such as non-smoking or initiatives such as eye examinations or anti-glare glasses for computer work. The employees at the biggest Geberit Group site in Pfullendorf (DE) were invited to a special health day in 2012.

Group-wide, the absenteeism rate was 3.53% for the reporting year (previous year 3.20%). Of this, 3.37% (previous year 3.04%) was due to sickness and 0.16% (previous year 0.16%) to occupational accidents. The accident frequency rate (AFR) dropped to 11.7 in 2012 (previous year 13.9), also because of the constant efforts of the production plants to ensure safer working conditions. The two Chinese production plants have been certified in accordance with OHSAS 18001 since 2009, the sales company in the UK since 2010, and the production plant in Givisiez (CH) since 2011. To meet the Group's

ambitious standards, the objective is to reduce the frequency and seriousness of accidents by 5% per year or by 50% between 2010 and 2020.

Integrity line creates transparency on internal grievances

Geberit aims to be a model of ethically unimpeachable, environmentally compatible and socially responsible operations. In this regard, the Code of Conduct for Employees and the Geberit Compass – which formulates the self-image of Geberit (what we do, what motivates us, what is responsible for our success, how we work together) – serve as the applicable guidelines.

The → **Code of Conduct for Employees**, which will be updated in 2013, summarizes the standards of conduct that employees at all levels must meet. It applies worldwide and is available on the intranet in 14 languages. As before, new employees were again introduced to the Code of Conduct at the Welcome events in 2012. Using short animatic films, the training focuses on the gray areas of four important topics: bribery, sexual harassment, workplace bullying and IT misuse.

An important innovation in the reporting year was the introduction of an Integrity Line. All Group employees were informed of this measure in December 2012. The Integrity Line itself was launched on January 1, 2013, and allows all employees to anonymously report internal irregularities in their mother tongue (35 languages). This makes an important contribution to the maintenance of high → **Compliance Standards** within the Group. This patented system, which is managed by an external service provider, can be used by telephone or via a secure website. Geberit itself does not have any access. Messages are forwarded anonymously to two internal managers appointed for this task, who jointly initiate measures or, depending on the circumstances, forward the report to the Group Executive Board or the Legal department. Geberit must react to every report. Replies are given within one week and can be read online by the person who made the report. All information is subject to data protection. The exchange of information is therefore as direct as possible without jeopardizing the anonymity of the employee who reports the matter.

Customers

Customer focus takes center stage

As Geberit prefers to generate mostly organic sales growth in order to ensure the Group's long-term success, it needs to increase its penetration of its existing markets and selectively develop new markets. Against this background, the optimization of market cultivation is very important. Customer focus therefore plays a central role in the company's integrated, sustainable corporate evolution.

Around 500 technical advisors working in the field are in daily contact with plumbers, planners and architects in particular. During the reporting year, around 30,000 customers were provided with training in Geberit systems and software tools in the 25 information centers in Europe and overseas. Additionally, external events held by local sales companies provided a special setting for training courses offered in cooperation with partners. In this way, another 80,000 or so customers came into contact with Geberit know-how and products during the past year. These efforts are regularly recognized. In 2012, the new training center in Prague (Czech Republic) was ranked as the best for the year by a local trade magazine.

Thanks to the extensive campaigns of the past few years, recognition of the Geberit brand is also increasing among end customers. Marketing campaigns that target end customers mainly address people who are interested in home and interior design, as well as architects and interior designers.

More emotion in communication with customers

Geberit's most important target group is and remains plumbers. The current, tried-and-tested market cultivation activities such as customer visits, training, the provision of technical documentation, etc., were continued successfully. In addition, Geberit again invested in efforts to communicate directly with and improve the emotional bond to plumbers in the reporting year. To this end the → **"Geberit On Tour"** events and the → **"Geberit Challenge"** competition for plumbers were developed further. "Geberit On Tour" is a mobile exhibition that allowed plumbers in 2012 to experience the advantages of Geberit products up close and personally at more than 600 events in 15 European countries. In Switzerland alone, 3,500 customers were informed and trained, which is 16% more than in the previous year. In 2012, the successful "Geberit Challenge" competition, incorporating many emotional elements, was held in Denmark, Germany, France, the UK, the Netherlands, Norway, Austria, Sweden and Switzerland. Garnering much media attention, the best team of plumbers in each of these countries was chosen on the basis of professional competitions comprising theoretical and practical challenges. The winners received an exclusive trip to Dubai.

The leading position is also to be cemented in other areas. For example, since 2012 all technical advisors in Germany have been equipped with iPads. The advisors are supported by animated sales apps during sales talks where they have all the relevant sales documentation available online and can even send it directly to the customer. As a premium provider, Geberit also aims to present its products in premium format.

In 2012, Geberit again found trade fairs to be a good platform for maintaining customer contact and advertising the company's innovative power. The most important trade fairs were Batibouw in Brussels (BE), Mostra Convegno in Milan (IT), Kitchen & Bath China in Shanghai (CN), Swissbau in Basel (CH), Mosbuild in Moscow (RU), Idéo Bain in Paris (FR), SHK in Essen (DE), Aquatherm in Vienna (AT), and the Kitchen & Bath Industry Show in Las Vegas (US). Architects and designers were also addressed directly at the Fuori Salone – the international design meeting point – in Milan and at Architect@Work in Shanghai.

In contrast to plumbers and planners, it is less the technical facts than the emotional and design aspects that count in communication with end customers, designers and architects. For this reason, Geberit introduced a new branding concept for the whole Group in 2011, aiming to evolve the brand while at the same time improving the focus on the needs of the business-to-consumer sector, which is a relative newcomer among the company's target groups. The new brand image integrates two different worlds: A more emotional one for architects and end customers, and a more technical one for plumbers and planners. Both worlds are based on the five central Geberit brand values - know-how, innovation, partnership, reliability and quality of life - and the same design principles. In the reporting year, the exhibition stands for the first time had the same look worldwide. The Group's (→ www.geberit.com) internet site was redesigned at the

end of 2011, and in 2012 preparations started for the redesign of the local country sites to reflect the Group's enhanced focus on its specific target groups.

High degree of customer satisfaction of utmost importance

A high degree of customer satisfaction in the individual regional markets is central to Geberit's success. A customer survey among 5,400 plumbers and planners in Switzerland at the end of 2011/beginning of 2012 had a high response rate and satisfactory results: On a scale of 1 (not satisfied at all) to 7 (completely satisfied), Geberit received a total mark of 6.0. Above-average marks were given for the question "Would you recommend Geberit to others?" and for the company's innovative ability and its competence, its technical documentation and the quality of its products. In a satisfaction survey among Dutch wholesalers of sanitary technology, Geberit was ranked first, while BSS Industrial in the UK chose Geberit as the supplier of the year for the second year running.

Innovation

Innovation as central Geberit brand value

Because a clear commitment to innovation is key to Geberit's success, the Group again invested substantial resources in the development of new products and the improvement of existing products and technologies in 2012. In addition to features such as top-class quality, longevity and ease of installation, the new products also use water and energy efficiently while guaranteeing the highest possible level of hygiene and optimized acoustic features.

The Group's innovative power, which is above-average in a sector comparison, helps to ensure its sustained success. As successful research and development (R&D) is a prerequisite for success, the Group invested CHF 49.8 million (previous year CHF 48.4 million) or 2.3% of sales in the future of its products. Expenditures increased by 2.9% year-on-year. Additionally, as part of the → **investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for new product developments. The company applied for 22 patents in the past financial year, bringing the total for the last five years to 100.

All new product developments at Geberit go through a structured innovation and development process, which ensures that the Group's creative potential is used to the optimum extent and that the development activities focus on the needs of the market. To support its internationalization efforts, the Group maintains development competence centers of its own in China and the US. Customer benefits and the system approach are of central importance in all new developments.

Growing internationalization also affects new product launches

Various new products were launched on the market in 2012:

- Following the very successful launch of the **Monolith sanitary module for toilets**, the success story was continued in 2012 with the introduction of modules for the → **washbasin and bidet**. This bundles together the various usable spaces in a bathroom. Using the sanitary washbasin module as an example, this means that functions such as countertops, storage space and towel rails, as well as all the technology for fastening, water connections and traps, form a single unit that can be fitted with numerous commercially available faucets and washbasins. The same philosophy is behind the modules for toilets and bidets. The Monolith sanitary modules have been rewarded with several internationally recognized design awards.
- Last year, a → **sanitary toilet module for the Chinese market** which is unique in its segment and tailored to local needs was introduced.
- With the **electronic lavatory taps**, environmentally friendly products for the public sphere that reduce water consumption have been offered for several years. These taps have been rated in the top A category by the WELL water efficiency label, and their electronic controls ensure economical consumption. In 2012 a → **new generator unit** has been introduced which uses the energy of the flowing tap water to generate the required electricity, making these electronic taps entirely **independent of mains current**. The new generator is based on intelligent energy management that expediently unites use, ecology and practical installation in one device.
- The new → **Sigma80 actuator plate** works **touch-free** and thus meets the highest standards for design, hygiene and comfort. The excellent dual-flush mechanism, which has been rated in the top A category by the WELL water efficiency label, can be activated easily by placing the hand in front of the light field available in five different colors. Everything else is done by the servo technology integrated in the cistern.
- In the reporting year Geberit also launched a → **concealed cistern** developed specifically for the needs and installation methods of the **Indian market**. This product will be manufactured in time-tested quality from the second half of 2013 in the new Geberit plant currently being built in India.

R&D expenditures (in CHF million)

	2008	2009	2010	2011	2012
	46.0	45.6	44.2	48.4	49.8
In % of sales	1.9	2.1	2.1	2.3	2.3

Several new product launches are planned for 2013:

- With its simple, modern lines and wealth of innovative technology, the → **new Geberit AquaClean Sela shower toilet** is a compelling product offering a high level of convenience. In adding this model, Geberit is supplementing its line of shower toilets with a complete solution that has been fundamentally redesigned and fits into nearly any style of bathroom. The shower function, which uses aerated water for cleaning, is the main feature of the new shower toilet. This not only gives a pleasant feeling of cleanliness, but also reduces energy consumption.
- The company's → **market position in China and Southeast Asia will be extended further with new and innovative products and an expanded product range** that will set new bathroom trends. In 2012 Geberit was right on target with the Monolith sanitary toilet module adapted specifically to the needs of the Chinese market. This success was reason enough to make this exceedingly well-accepted product even more appealing with new colors and patterns. The concealed cistern launched successfully in India in 2012, which is sold together with the ceramic bowl, will now also be introduced in China and Southeast Asia. The cistern has an environmentally compatible dual-flush mechanism that reduces water consumption and is more efficient than traditional pressure flushing valve systems, as it needs less water pressure and smaller piping diameters. This product should replace the old in-wall cisterns.
- Following their **optical and technical redesign**, the → **Sigma10 and Sigma50 actuator plates** are expected to set new trends in the design market.
- The new → **sound insulation for the Pluvia roof outlet** solves the problem of irritating gurgling sounds in the roof outlet by removing the source of the noise. This adds a totally new and unique product to the globally successful Pluvia roof drainage system. This innovative product should further cement Geberit's position in the market as an acoustic specialist.
- To ease the daily work of Geberit's most important customers, i.e. plumbers, the tried-and-tested → **welding machines for polyethylene pipes** were improved further with the aim of reducing the weight without sacrificing their robustness, improving the functionality and operation in many small details, and simplifying the conversion of the machine from one pipe diameter to another.

For more details on new products, see the → **Product Magazine 2013**.

Sustainability

Sustainable thinking as part of the Geberit culture

As the European market leader in the sanitary industry, Geberit stands for clear objectives and their successful implementation as well as visible pioneering projects with a view to resource efficiency, economic water consumption and green building. The Group has been proving for decades that long-term business success is compatible with environmentally friendly and socially responsible action. Sustainable business management helps cut costs while at the same time minimizing risks. In this respect, Geberit aims to be a role model and to set standards for customers, suppliers and other partners. This applies to water-saving, sustainable products; safe, environmentally friendly and resource-efficient production; procurement and logistics with high environmental and ethical standards, and good working conditions for the more than 6,000 committed and competent employees worldwide. Geberit's corporate social responsibility is realized among other things within the scope of global social aid projects relating to its core competence of water and is intensified through partnerships such as that with Swiss WaterKiosk aimed at supplying the population in Bangladesh with drinking water. There is also a long-term partnership with the Swiss development organization Helvetas.

Water as scarce future commodity

With its Millennium Development Goals of 2000, the United Nations intends by 2015 to halve the number of people without access to clean drinking water and sanitary installations. This demonstrates the great importance of the topic of water for world health, world nutrition and peacekeeping. The increase in the world's population, migration, urbanization, climate change and natural catastrophes can lead to regions that are currently well supplied with water becoming problem regions in the future. These global trends will have a significant impact on future sanitary technology: Water-saving, resource-efficient products are becoming increasingly important. Geberit is the industry's sustainability leader and makes use of its know-how to set industry-wide standards for water conservation. For example, it has actively promoted reducing the applicable norm for the diameter of waste water piping systems. This is important for ensuring that the pipes still have sufficient water carriage capacity in view of increasingly economic technologies and lower volumes of waste water. Smaller pipe dimensions require less material and space and offer enhanced performance with small quantities of waste water.

Geberit also supported the launch in 2011 of WELL (Water Efficiency Label), a product classification system for water-saving and resource-efficient products that serves as an information and orientation aid for purchasing decisions. More and more Geberit products are being classified. The seven product groups represented in the top A class (highest classification category) already account for just under 20% of Group sales. The water-efficiency labels are being attached to Geberit product packages and specified in the catalogs as of 2013. Increasing numbers of customers also wish to benefit from Geberit's expertise as sustainability leader. For example, in 2012 two major European customers, Saint Gobain (FR) and the GC Group (DE), made use of Geberit's best practice experience in the fields of eco-design and sustainability for their internal training programs.

Water footprint throughout the value chain (2012)

Provision of raw materials

0.5% of the total amount of water is required in the manufacture of raw materials for Geberit products.



0.5%
(14 million m³)

Manufacturing

A mere 0.01% of the water is used in the manufacturing of products at Geberit in 2012.



0.01%
(0.14 million m³)

Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2012 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.4%
(2,555 million m³)

Disposal

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



0.01%
(0.2 million m³)

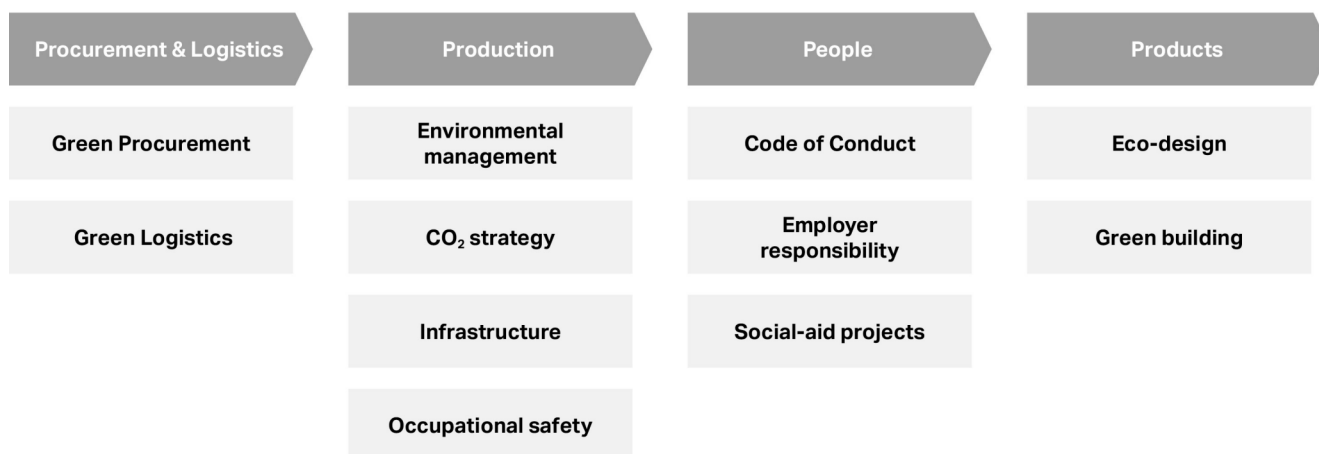
→ **Green building** has long been more than just a trend. European norms in this area are becoming more and more important and new standards are setting out the basic rules for environmental declarations for products within the construction industry. Geberit published the first Environmental Product Declaration for lavatory taps in 2012; others are set to follow. Investors, project developers, owners and tenants are increasingly looking for service providers with holistic expertise regarding green building. This is opening up a future market with major potential in which Geberit is present with water and energy-saving, low-noise and durable products that meet sustainable construction standards. The Group is well positioned as a leading system provider of sanitary solutions in green building and plays an active role in the relevant associations. The importance of the topic is also reflected in numerous green building reference projects in which Geberit products are installed. The reporting year saw the completion of some architecturally impressive examples such as the Vodafone headquarters in Milan (IT). Various Geberit products such as concealed cisterns and waste water piping systems are integrated into the sustainable super complex (also known as "the Vodafone Village"). The six-story → **city hall in Viborg (DK)** fulfills all the requirements of a green building. The roof drainage system from Geberit made a substantial contribution toward meeting the strict sustainability requirements concerning the use of rainwater. The new → **National Stadium in Warsaw (PL)** also has a sustainable water supply thanks to Geberit's know-how: The stadium's 2,100 or so toilets and urinals are equipped with water-saving and long-life concealed flushing systems.

Geberit's positioning as a sustainable company is playing an increasingly important role in various stakeholder groups' expectations, as is reflected by a large number of awards

→ Awards.

The consistent implementation of the sustainability strategy is an essential guideline for the development of all internal organizational units. The strategy focuses on individual sustainability modules. Among these are → **green procurement**, → **Green Logistics**, → **environmental management in production**, → **occupational safety**, → **eco-design in product development** and → **social-aid projects**. Each module contains a clear objective, derived measures and quantified key figures for effective monitoring. Overall, objectives were achieved to a great extent in 2012. For more information, see the → **sustainability strategy**.

Sustainability strategy landscape 2012



Geberit is committed to internationally recognized principles of sustainability and since 2008 has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalization more socially responsible and environmentally friendly. → **Communication on progress** regarding measures in the areas of human rights, labor practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local Swiss network of the UN Global Compact. The formal anchoring of the subject of sustainability is reinforced by the → **Code of Conduct for Employees** and the → **Code of Conduct for Suppliers**. Compliance with the directives is ensured by continuously improved compliance processes. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Corporate Governance, 3. Board of Directors, Information and Control Instruments vis-à-vis the Group Executive Board**.

A sustainability performance review is published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). All aspects of the guidelines can be found in the → **Sustainability Performance Report**. When preparing the sustainability reporting for 2012, an external stakeholder panel was initiated and consulted for the first time. Its mandate consisted of providing feedback on the company's sustainability strategy and reporting, as well as reviewing whether the key topics were included in the sustainability reporting and whether the needs of the stakeholder groups were taken into consideration. The results are summarized in a panel statement. The information disclosed within the scope of the report and the review by the external panel both fulfill the maximum transparency grade A+ set out in the GRI guidelines, as has been verified and confirmed by GRI (see → **GRI-Statement**).

The efforts in terms of sustainable corporate management are also being rewarded by the capital market. At the end of 2012, more than 10% of Geberit stock was held by sustainability-conscious investors. Geberit is well represented in the sustainability stock indices and sustainability funds segment. Thus Geberit shares are listed in the STOXX Europe Sustainability Index as well as the FTSE4Good Index (Europe/Global), in which the Geberit share is among the supersector leaders in Construction & Materials. In addition, renowned sustainability funds hold Geberit shares in their portfolios. Geberit's objective is to continue to play a significant role in the future in the "Sustainability" and "Water" investment segments that are still gaining in importance. The fact that, in the reporting year, Geberit received several awards in the German-speaking world for clear and transparent communication with its various stakeholder groups underlines the fulfillment of this objective.

Saving water with Geberit products

With industry-leading research and development, Geberit has for decades concentrated on environmentally friendly products and meeting the needs of the worldwide growth market for green building. The products also impress thanks to their high recyclability and environmental compatibility. The Company's greatest environmental achievement, however, is a result of its contribution to the increasingly important global topic of water conservation. According to one model calculation, the entire dual-flush and flush-stop "fleet of cisterns" produced since 1998 has so far saved around 13,800 million cubic meters of water in comparison with traditional flushing systems. In 2012 alone, the water saved amounted to 1,850 million cubic meters. This is more than half of the annual consumption of all German households.

The basis for sustainable products is a systematic innovation process in which the most environmentally friendly materials possible are chosen, risks are minimized along the value chain and a high level of resource efficiency is targeted for both the production process and the usage of the product. Eco-design workshops, in which different disciplines cooperate and ensure that every new product outperforms 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 in this respect and provide arguments for the use of products that conserve resources in construction projects. Detailed life cycle assessments have already been prepared for the following products: drainage/supply pipes, AquaClean 8000plus, electronic lavatory taps of type 185/186, concealed cisterns and urinal flush control. For the first time an Environmental Product Declaration (EPD) was issued in accordance with the new European norm EN 15804. The new EPD for lavatory taps provides relevant, comparable and verified information about the environmental performance of the product. Environmental declarations for other products are in the pipeline and will support the Company's clear positioning as a provider of system solutions for green building.

Eight products with WELL label

The WELL label (Water Efficiency Label) introduced in 2011 by the European umbrella organization for faucet manufacturers (EUnited) is intended to address the growing environmental awareness of consumers. It takes its direction from the well-known and well-established efficiency labels for electrical household appliances and fulfills a similar function. WELL provides consumers with information about the product's water efficiency at a glance. The new classification system will also encourage responsible use of water as a resource. WELL uses a scale of A to D for products for home use and A to F for products for use in public areas. Eight Geberit product groups (comprising over 330 sales products) already bore the WELL label in the reporting year, seven of which are represented in the top A class and one in the B class. This also includes one of the most important products in the Geberit range, the Sigma concealed cistern.

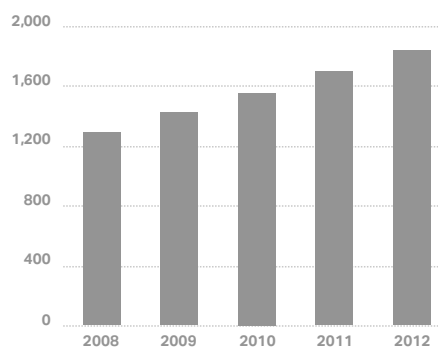
Resource-efficient production

All production sites and logistics are subject to systematic, Group-wide environmental management and certified in accordance with → **ISO 14001 and ISO 9001**. Certification for the entire Group was extended for a further three years in 2012. A comprehensive corporate eco-balance is prepared each year as the basis for targeted measures to improve environmental performance. Systematic controlling will be supported as of 2013 through a newly launched software program for Group-wide monitoring of the corporate eco-balance, the master plan energy and occupational safety.

Although currency-adjusted Group sales rose by 4.5% in the reporting year, the absolute environmental impact over the same period declined by a marked 5.1% (previous year: increase of 0.4%). The consumption of energy in the form of electricity, combustibles and fuels represents Geberit's greatest environmental impact. Despite the sales growth, the consumption of electricity fell in 2012 (113.4 GWh; previous year 114.2 GWh). The Company likewise consumed lower volumes of the combustibles natural gas (38.1 GWh compared to 42.9 GWh in the previous year) and heating oil (0.24 GWh compared to 0.40 GWh in the previous year). However, fuel consumption increased slightly (17.9 GWh compared to 17.3 GWh in the previous year). The sharp increase in the procurement of green electricity (20 GWh compared to 13 GWh in the previous year) and the deployment for the first time of 9.4 GWh of biogas reduced the environmental impact and CO₂ emissions, as did numerous technical measures. The number of injection molding machines retrofitted with energy-efficient drive technology (reduction in energy consumption of up to 50%) rose from 28 to 74 in 2012. The powder coating facility launched in the German plant of Lichtenstein in the middle of the year enabled productivity to be increased significantly and the energy consumption per component produced to be cut by around 40%, while simultaneously reducing the use of hazardous substances.

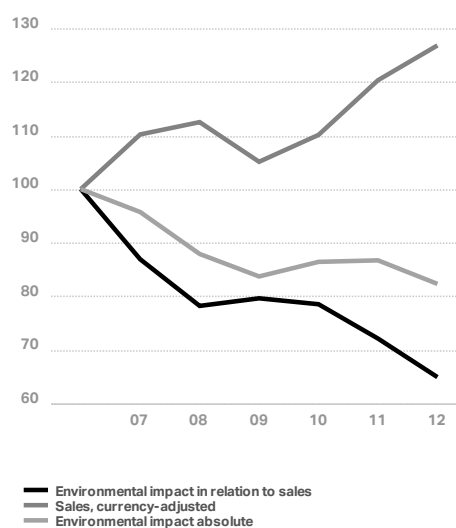
Water-saving through Geberit products 2008–2012

(in m³ million)



Environmental impact 2007–2012

since launch of the CO₂ strategy
(Index: 2006 = 100)

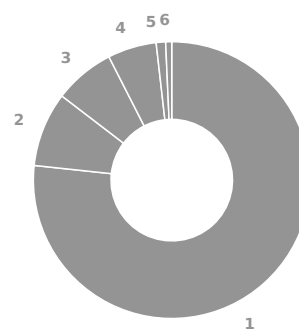


CO₂ emissions in 2012 amounted to 71,853 metric tons (previous year 76,903 metric tons). The ratio of CO₂ emissions to currency-adjusted sales was reduced by 10.6%. This enabled the targets set out in the long-term → **CO₂ strategy** to be met. The growing use of renewable energies plays a significant role here. In 2012 the amount of green electricity supplied to the largest production site in Pfullendorf (DE) was increased by another 2 GWh to 12 GWh. A further increase of 2 GWh is planned for 2013. The Daishan site in China used about 3 GWh of wind power in the reporting year, which corresponds to approximately 60% of the plant's energy consumption. The share of renewable energies in combustibles is also being gradually increased. The commissioning in 2012 of the combined → **block heating station in Pfullendorf (DE)** that is fed with 9.4 GWh of regionally generated biogas, represents a milestone. Ongoing effective initiatives also contributed to the improved CO₂ balance: the master plan energy for saving energy and enhancing energy efficiency at the production plants, and the binding requirements for energy-efficient, low-emission new vehicles and the associated lowering of CO₂ emissions for new vehicles by 10% every three years until 2012. For the first time the CO₂ emissions caused by air travel were measured: In the reporting year they came to 603 tons. All the corresponding targets and measures are disclosed in detail as part of the company's participation in the Carbon Disclosure Project (COP).

Successes were also achieved with respect to other environmental factors. Internal water consumption, for which Geberit acts as a role model, is at a very low level thanks to the exploitation of far-reaching savings potential. Targeted improvements contribute to the careful handling of water resources: Examples include the reuse of water in laboratories and the optimization of fresh water test runs in development. Altogether 136,669 cubic meters of water were consumed in the reporting year (previous year 130,037 cubic meters). The total amount of waste disposed of came to 12,185 metric tons (previous year 11,516 metric tons), with 85% (previous year 84%) sent to external recycling processes. Individual examples serve to illustrate significant progress achieved here over the years: In Weilheim (DE), production waste was reduced by 80% within five years, above all through the deployment of a new foaming plant. The pioneering project was tested and implemented in several stages. Core aspects include cleaning with rainwater, which is added to the foaming process as process water, and the prevention of residue accumulation in the plant thanks to enhanced cleaning cycles.

Geberit invested in the energy-efficient infrastructure of tomorrow through appropriate planning for its new buildings. These efforts include the development of a comprehensive energy strategy for the new production plant in Slovenia and the implementation of the use of rainwater, external shading and enhanced ventilation and cooling at the new production plant in India.

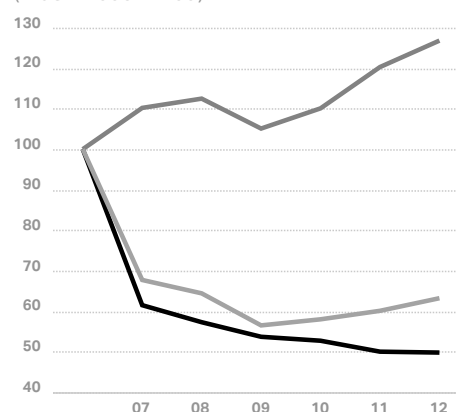
Distribution environmental impact 2012



- 1 Electricity (76.7%)
- 2 Fuels (8.7%)
- 3 Combustibles (7.1%)
- 4 Disposal (5.7%)
- 5 Solvents (1.1%)
- 6 Water (0.7%)

Water consumption of Geberit production sites 2007–2012

Long-term target for water consumption
(Index: 2006 = 100)



- Water consumption in relation to sales
- Sales, currency-adjusted
- Water consumption absolute

Logistics and procurement

Logistics established as core competency

Following the radical restructuring of Group logistics that was completed by the end of 2010, (→ **German Award for Supply Chain Management 2011**), this area has been given top priority and is viewed as a core competency. Integrated logistics processes along the entire value chain improve customer closeness and thus represent an important link to customers. The planned certification of Geberit Logistik GmbH, which is responsible for Group logistics, to ISO 9001 and ISO 14001 standard was successfully completed in December 2012.

As the interface between plants, markets and transport service providers, Transport Management coordinates the activities in question. The centralized management of transport service providers facilitates intelligent transport solutions, for example, by enabling transport runs between plants to be linked with deliveries to customers. This reduces the number of empty kilometers and increases truck capacity utilization. Geberit currently works with six main transport service providers for land transport in Europe, whereas it used to be more than 70. These service providers undertake to pursue a sustainable corporate policy, which can take the form of training their drivers in eco-friendly driving, for example. In addition, these main transport service providers must deliver regular reports to Geberit on their quality and environmental management systems – including the reduction of energy consumption and emissions. Geberit's logistics calculator records data on the composition of the vehicle fleet, transportation performance and the environmental impact of the transport service providers and prepares an eco balance sheet. In the reporting year, the 12 largest transport service providers handled 169.7 million ton-kilometers (previous year 168.1 million ton-kilometers), resulting in 26,883 tons of CO₂ emissions (previous year 25,501 tons), with a fleet consisting of 84% Euro5 vehicles (previous year 85%).

One important aim in the reporting year was to expand the use of → **mega-trailers**. These vehicles allow more load volume to be transported. Thanks to the use of mega-trailers between the Rapperswil-Jona (CH) and Pfullendorf (DE) as well as between the Pfullendorf and Pottenbrunn (AT) sites as opposed to conventional vehicles, 414 fewer transport runs were made in 2012. This translates into a reduction of 126,000 kilometers. Moreover, diesel consumption was reduced by 37,500 liters and CO₂ emissions were lowered by 155 tons.

In 2013, as part of a pilot project, an eco-friendly, gas-driven truck is to run between Pfullendorf and Rapperswil-Jona. This pioneering project is being conducted in collaboration with a transport service provider and a truck manufacturer.

Supplier management further optimized

Geberit's business partners and suppliers are obligated to maintain comprehensive standards. Not just with regard to quality, but also to socially responsible and healthy working conditions as well as environmental protection and fair business practices. A quality audit is an absolute must when choosing a supplier. If such an audit shows up inconsistencies in the area of sustainability, an additional, in-depth environmental, health and safety (EHS) audit is conducted. The EHS audit is based on the → **Code of Conduct for Suppliers**. The Code, which was adopted in 2007, is aligned with the principles of the United Nations Global Compact and is binding for every new supplier. Up to the end of 2012, 671 suppliers had signed this Code (previous year 603 suppliers). This equates to 95% of the total procurement value (previous year 93%). Among the top 200 suppliers, the proportion of companies that have signed is 99% (previous year 99%).

When evaluating suppliers, Geberit strives to achieve the greatest possible degree of transparency. All new and existing suppliers are thus assessed by means of standardized processes according to the same criteria: Company and financials, quality and EHS, price and costs, procurement chain and delivery, production and technology. The across-the-board implementation of this uniform supplier management was successfully concluded at the end of 2011 already. In 2012, a start was made on gradually digitalizing the exchange of data with the aim of cutting paper consumption.

In the interests of the systematic planning and performance of audits, which are generally conducted every three years, the existing risk management approach was further developed in 2012 based on the division of suppliers into risk classes – depending on production location (country) and production processes. To increase the number of audits, Geberit cooperated with external partners for the first time: In China

an external consultancy firm carried out the required EHS audits in three cases. Performing such audits makes an important contribution to enhancing credibility in supplier management. To anchor this aspect even more firmly, it has now been incorporated in the annual objectives of the respective purchasing managers. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedying the situation and additional follow-up audits are conducted. For example, one Chinese supply company failed to pay either wages or social benefits for several months. Geberit gave the company a two-month ultimatum by which to remedy the situation; the requirements were subsequently met within the deadline.

Compliance

Compliance processes of high standing

Geberit takes compliance extremely seriously. The relevant processes are continually optimized by the departments involved. The five topic areas "antitrust legislation", "prevention of corruption", "employee rights", "product liability" and "environmental protection" are at the forefront of these efforts. Price-fixing, cartels and other competition-distorting activities are categorically rejected. Adherence to the compliance guidelines in all organizational units is subject to binding controls each year as part of the report on the employee Code of Conduct. The reporting process involves a total of around 50 questions on the five topic areas mentioned. This survey has been carried out annually since 2009 and forms the basis for the annual compliance report submitted to the Group Executive Board. In addition, on-site audits are performed and corrective measures taken in the event of misconduct. The results are published in the **→ Sustainability Performance Report**. In 2012 a breach of the Code of Conduct was identified and corresponding measures were taken to remedy the situation.

After training on the subject of antitrust legislation was given to around 700 employees in Europe (managing directors, employees in the sales companies at management level and field service employees) in 2011, the comprehensive e-learning program was made available at further locations in the reporting year. In the first quarter of 2013 training will be held at the sites in China, India, South Africa, Singapore, Australia and the US.

As an active member of Transparency International, Geberit is committed to high standards in combating corruption, which it implements accordingly. In 2012, all managing directors in all countries were questioned in detail about their practice of donations (last survey: 2009). The questionnaire was revised and expanded for this purpose. The survey results serve as input for the compliance report.

A code of conduct can only be effective if it is actually "lived". For that reason an "Integrity Line" was set up in 2012 and began operating on January 1, 2013. The aim is to identify breaches of the Code and to either put a stop to them or introduce sanctions (for further details see **→ section on Employees**). Overall, since the introduction of the Code of Conduct and the related training, employees' awareness of misconduct and their understanding of compliance topics have been considerably strengthened.

Social engagement

Social projects with focus on water

As defined in its vision, Geberit wants to make a sustainable contribution to improving the quality of life for people. To this end, social aid projects in developing regions are supported with products, expertise and financial contributions. Care is taken to ensure that the topic of water plays a central role and that the projects exhibit a substantial relationship to Geberit's core competencies and corporate culture. Geberit not only makes money and materials available, but also plans, manages and coordinates the projects with employees and – vitally important – also with apprentices from various locations. These projects are an important platform within our training philosophy and provide the young people with the opportunity to develop abilities and social skills that aid their personal development. At the same time, these social projects also contribute to the implementation of the Millennium Goal of the United Nations for global access to clean drinking water and basic sanitation.

Social engagement on-site around the world

In 2012, eight apprentices together with a supervisor and a technical advisor spent two weeks → **renovating sanitary facilities at a school in a township in Port Elizabeth** in South Africa. In playful workshops, they also equipped the some 850 schoolchildren with basic knowledge on the topic of hygiene and the economical use of water. During this project, the apprentices worked together for the first time with the so-called "Young Explorers" from the partner project "Pangaea" headed up by Mike Horn. This partnership between Horn and Geberit was launched in 2008 with the goal of using Horn's four-year expedition around the globe to help raise awareness of environmental concerns worldwide. In 2012, Mike Horn and his sailing boat also stopped off in Abu Dhabi, where Geberit customers were given the opportunity to pay the expedition leader and his boat a visit and learn more about the project and its background.

In the reporting year, Geberit and Swiss WaterKiosk supported a pilot project in Bangladesh aimed at supplying the population with safe drinking water by means of a solar water pasteurization system. In Ordahat in the south of Bangladesh, people had been falling ill for years with unknown symptoms due to the ground water being contaminated with arsenic. The purification technology and the initiative for the project came from the University of Applied Sciences Rapperswil-Jona in Switzerland. The goal is to construct ten solar water treatment systems, with the locals taking over responsibility for the operation of these installations so that they also benefit economically from the project.

Geberit has been working together with the Swiss development organization Helvetas for a number of years. The two partners are guided in their core business of water and sanitation by a joint vision – namely clean water and sanitary facilities for a better quality of life. Basic waste water systems and latrine construction – these are central needs in developing countries and regions for which Geberit cannot provide solutions with its own products. As a result, Geberit has been supporting a Helvetas campaign since 2010 with the goal of providing one million people in the world's poorest regions with access to clean drinking water and basic sanitation by the end of 2013. This goal had already been reached by the end of 2012, one year earlier than expected. Helvetas was able to raise CHF 23.7 million in donations during the reporting year, up 8% on the previous year. Spurred on by this success, Geberit and Helvetas want to provide a further 300,000 people with access to drinking water and sanitary facilities during the fourth year of the campaign. In addition, as part of a Christmas campaign, employee donations to Helvetas were doubled by the Company and Geberit's Swiss sales company also contributed the sum it saved on complementary gifts to Helvetas on the customers' behalf.

Furthermore, the Company became a member of the non-profit organization "Swiss Water Partnership" in 2012. The goal of this platform is to bring together all those involved in the topic of water supply (from academic, economic as well as public and private spheres) to collectively address future water challenges. This partnership also aims to promote the international dialogue on water.

Donations and financial contributions – including product donations – totaling CHF 2.7 million were made during the reporting year (previous year CHF 2.7 million). In addition, employees contributed 2,335 hours of charitable work as part of social projects (previous year 2,390 hours). All donations and related commitments are neutral from a party political point of view. Geberit also supported facilities for disabled persons and

long-term unemployed, where simple installation and packaging work in the amount of around CHF 4.8 million was carried out in 2012 (previous year CHF 3.5 million). As a rule, no donations are made to parties or politicians, no political statements are made and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

Changes in group structure

No significant changes in the Group structure took place during the reporting year. For details see → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group Organization.**

Targets and strategy

Value-oriented management

Value orientation aspects are applied in many areas of the Company.

The remuneration model for Group management as a whole involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the return on operating assets. In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. For details see → **Corporate Governance**.

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

Also in the interests of value-oriented management, Group-relevant projects are tracked over the long term following project completion and the achievement of objectives is evaluated. To this end, a controlling report is presented twice annually to the Group Executive Board for discussion by this body.

Strategic success factors

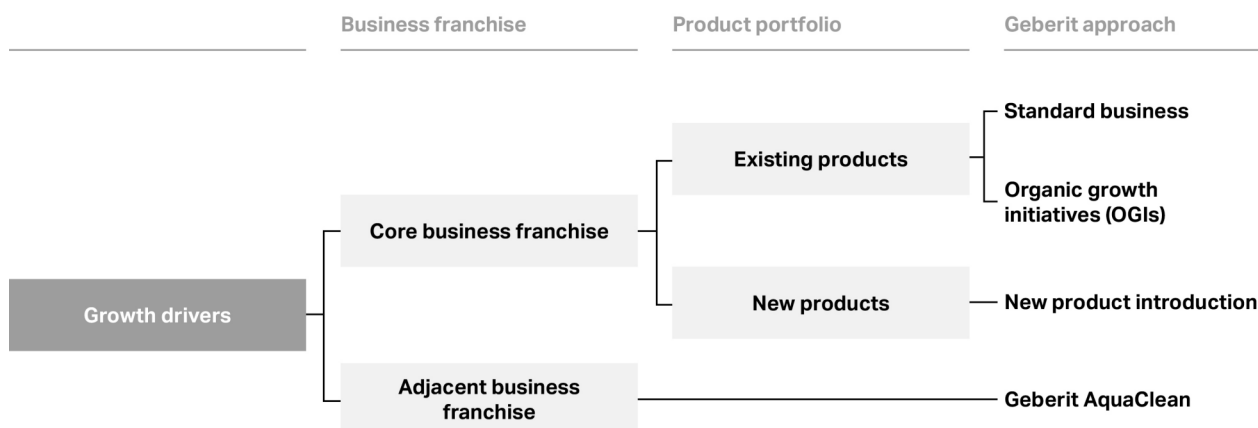
The success of the Geberit Group is based on a series of success factors. The most important are:

- a clear, long-term strategy,
- significant sustainable growth drivers that enable many of the already existing Geberit markets which remain underpenetrated to be developed on the basis of the current innovative product range, the AquaClean product range and various organic growth initiatives (OGIs),
- an attractive competitive position, substantiated by the strong brand, comprehensive know-how in the sanitary market, relationships with decision-makers built up over years by the sales team, and the sizable field service team,
- an innovative and comprehensive product range, developed in accordance with the needs of the customers,
- a proven push-and-pull business model,
- and a lean, high-performance organization with optimized processes.

Ambitious medium-term goals

Geberit has made the setting of standards in sanitary technology worldwide its goal and aims to entrench these standards in the long term by acting sustainably. This approach is to be reflected among other things in sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. Additional growth through acquisitions has not been ruled out. However, any potential acquisition will have to satisfy strict strategic and financial criteria. In the medium-term, average currency-adjusted sales growth of 4 to 6% and an operating cashflow margin of between 23 and 25% should be achieved annually.

Source of growth contribution



Medium-term contributions to growth are to come from standard business activities, organic growth initiatives (OGIs), new product launches and from the Geberit AquaClean business. Overall, around one-third of growth should result from newly launched products and from Geberit AquaClean.

OGIs are organic growth initiatives in sales that are based on the existing product portfolio – albeit selectively adapted to local requirements. Additional financial and personnel resources are provided for these initiatives in order to achieve defined financial targets by means of an implementation plan. Value is placed on the intermediate and final targets being clearly measurable. Up to the end of 2012 a total of nine OGIs were underway: four in the European Sales Area (Nordic Countries, United Kingdom, France and Spain) and five in the International Sales Area (Russia, India, China, Australia and North America). The initiatives were on track at the end of the reporting year. From 2013, these growth initiatives will once again become an integral part of standard business and will no longer be measured and disclosed separately. In addition, at the beginning of 2009 a concerted internationalization strategy was launched for the Geberit AquaClean business with the objectives of establishing shower toilets as a product category in Europe and positioning Geberit as the market leader in this category. The goals set as part of the internationalization strategy have been exceeded to date. Group-wide, growth of the AquaClean business since the start of the initiative has averaged between 15 and 20% per year.

Taken as a whole, these measures (OGIs and AquaClean) have a negative effect on operating margins. However, in the medium term these activities should generate substantial contributions to growth.

In order to be prepared for the expected growth, Geberit also intends to invest around CHF 100 million in property, plant and equipment in the coming years.

Strategy

In accordance with its vision, Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology. Its proven, focused strategy for doing so is based on the four strategic pillars "Focus on sanitary technology", "Commitment to innovation", "Selective geographic expansion", and "Continuous business process optimization". These are practiced daily by the highly motivated and qualified employees.

Geberit concentrates on sanitary technology, focusing on those business areas in the sanitary industry for which in-depth know-how and core competencies are available within the company. Essentially, these are sanitary systems and piping systems for the transport of water in buildings. Here, superior quality, integrated, water-saving sanitary technology is offered.

Continuously optimizing and extending the product range is crucial 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 applied 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 concentrates on the most promising markets. These

include North America, China, Southeast Asia, Australia, the Gulf region and India. With the exception of North America and Australia, the company mainly engages in project business in these regions. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.

A further strategic focus relates to the permanent optimization of business processes. This is intended to ensure a leading, competitive cost structure in the long term and is partly achieved through Group-wide projects and partly through employees identifying improvement potential in their day-to-day work, thus making a major contribution toward positive development.

Outlook

Strongly diverging construction industry in individual markets

The construction industry will remain challenging in 2013 under pressure of less growth momentum and political and macroeconomic uncertainties. As it was seen in 2012, the different regions/markets and construction sectors will develop very differently. Generally speaking, it is extremely difficult to make a reliable forecast of trends in the global construction industry.

In Europe, volumes in the construction industry are likely to contract overall in the wake of the saving measures introduced in the public sector largely influenced by a lower readiness to provide debt financing. The non-residential construction sector will still not recover, but this will at least partially be compensated by a flat to slightly positive trend for residential construction. The renovation sector can also be expected to develop better than the new building sector. Positive growth is forecast for markets such as Germany, Switzerland, Austria, Norway, Poland and Russia, while Belgium, Denmark and Finland are expected to experience lower growth rates than in the previous year. The construction industry is unlikely to reverse its downward trend in the UK and France, while Portugal, Spain, the Netherlands and Italy will remain deep in negative territory.

North America will see an upswing in the construction of residential units, but public outlays for construction projects will continue to decline.

In Asia, the outlook for the respective local markets is very different. Since Q4 2011, China has been clearly feeling the impact of government measures to prevent the real estate market from overheating. This will continue to dampen residential construction for at least the first half of 2013. In contrast, the Chinese non-residential construction sector remains robust. Generally speaking, many Chinese indicators are currently trending flatter than the long-term growth rates. Prospects for the Indian construction industry are positive and growth rates of 10 to 15% are expected for mid- to top-range residential units. The Australian construction market on the other hand remains stuck at a low level.

In the face of the uncertain political situation in many parts of the Middle East and North Africa, it is difficult to formulate an outlook for this region. The general rule here is to exercise caution. South Africa, however, is expected to see continued growth.

Persistent volatility for raw materials prices

Raw materials prices have been very volatile in the past few years, but in 2012 the market situation stabilized somewhat compared to the previous year. However, it remains difficult to make predictions for 2013. Assuming volatility remains high for individual categories of material, compared with the previous year stable prices are expected for specialty plastics and rising prices for commodity plastics in the first two quarters. Prices for industrial metals are expected to remain at the previous year's level. Longer-term forecasts are not possible in the current situation.

Geberit

Owing to the challenging environment, 2013 will be a demanding business year for the Geberit Group. The objective, not only in the construction markets that are still healthy but also in those that are shrinking, is to provide a convincing market performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, on various organic growth initiatives, on developing new markets and on the very promising shower toilet business. In line with the Geberit culture, these measures will be accompanied by efforts to further optimize our business processes. The management is convinced that the company is very well equipped for its upcoming tasks. With experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-centric organization, an established cooperation based on trust with our market partners in both commerce and trade and – as a result of our industry leadership in terms of financial results in recent years – an extremely solid financial foundation, Geberit can look to the future with confidence.

1. Group structure and shareholders

Group structure

Operational Group structure is shown in the diagram → **"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 → **"Geberit share information"**.

The Group's consolidated subsidiaries are listed in → **Note 34, "Group companies as of December 31, 2012"** to the Consolidated Financial Statements. The scope of consolidation does not include any listed companies.

"Clearly defined, transparent corporate governance is integral to our success. It enables us to build trust outside and inside the company."

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.

The significant shareholders within the meaning of Art. 663c of the Swiss Law of Obligations (Schweizer Obligationenrecht) listed at right were entered in the share register on December 31, 2012, as holding more than 3% of share capital.

Notifications reported to Geberit and the Disclosure Office of the SIX Swiss Exchange AG during 2012 and published via electronic publishing platform of SIX 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.

31.12.2012	
	In %
Capital Group Companies, Inc., Los Angeles	9.72
Black Rock, New York	3.23
Geberit AG, Rapperswil-Jona	3.18
Marathon Asset Management	3.00

2. Capital structure

Capital

Ordinary capital:	MCHF 3.9
Conditional capital:	–
Authorized capital:	–

For more details, please refer to the following subchapters.

Conditional and authorized capital details

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.

Following the repayment of the bond, the Board of Directors saw no further need to retain this conditional capital and therefore proposed its cancellation. A decision was taken to cancel the existing conditional capital in the amount of CHF 28,190.50 by deleting without replacing Article 3a of the then-current Articles of Incorporation at the General Meeting of April 19, 2011.

As of December 31, 2012, the Geberit Group had no conditional or authorized capital.

Changes in capital

For Geberit AG's changes in capital see table to the right.

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2012 (→ **consolidated statements of changes in equity and consolidated statements of comprehensive income** and → **Note 22, "capital stock and treasury shares"**), to the information in the → **Financial Statements of Geberit AG** as well as to the 2010 figures in the → **2011 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**).

	31.12.2010	31.12.2011	31.12.2012
	MCHF	MCHF	MCHF
Share capital	4.1	4.0	3.9
Reserves	891.8	947.1	918.5
Available earnings	457.0	401.7	301.6

Shares, participation and profit-sharing certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 3,882,100. It is divided into 38,821,005 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. A total of 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**.

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, 2012, the Board of Directors was composed of six members.

Albert M. Baehny (1952)

Executive Chairman of the Board of Directors since 2011, elected until 2014

Swiss citizen

Resident in Arlesheim (CH)

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



Robert F. Spoerry (1955)

Vice Chairman and Lead Director of the Board of Directors since 2011, non-executive, independent member of the Board of Directors since 2009, elected until 2013

Swiss citizen

Resident in Schindellegi (CH)

Chairman of the Board of Directors Mettler-Toledo International Inc., Greifensee (CH); President of the Board of Directors Sonova Holding AG, Stäfa (CH); member the Board of Directors Conzzeta AG, Zurich (CH)

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.



Hartmut Reuter (1957)

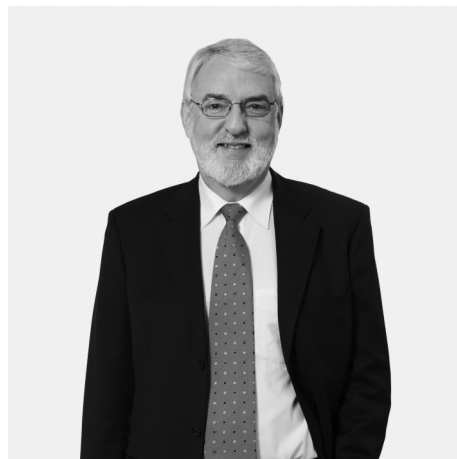
Non-executive, independent member of the Board of Directors since 2008, elected until 2014

German citizen

Resident in Steckborn (CH)

Member of the Shareholders Committee and Supervisory Board of Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board of GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors of Elmove AG, Zurich (CH); Member of the Board of Directors of Wilkhahn GmbH + Co KG, Bad Münden (DE)

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 a 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.



Susanne Ruoff (1958)

Non-executive, independent member of the Board of Directors since 2009, elected until 2015

Swiss citizen

Resident in Crans-Montana (CH)

CEO Swiss Post, Bern (CH); member of the Industry Advisory Board Computer Science, ETH Zurich (CH); member of the Board of Directors Bedag Informatik AG (CH)

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 positions 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. From April 1, 2009, she held the position of CEO at British Telecom, Switzerland. On September 1, 2012, she took over the management of Swiss Post, as CEO. Susanne Ruoff has had no significant business relations with the Geberit Group in the past five years.



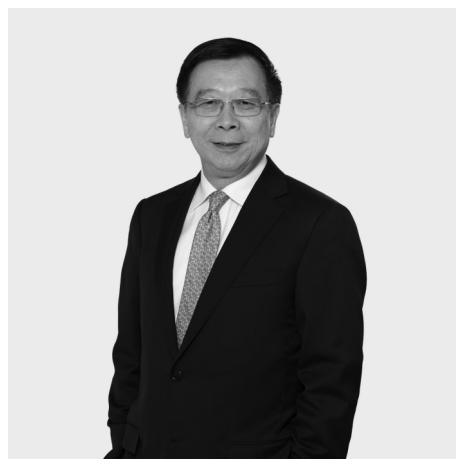
Jeff Song (1946)

Non-executive member of the Board of Directors since 2012, elected until 2015

US citizen

Resident in Shanghai (CN)

Jeff Song earned a Master's degree in mechanical engineering at Jiaotong University in Shanghai (CN) and at the University of Toronto (CA). In 1988 he received his Ph.D. at the University of Utah (US). He has been responsible for the China business of Ingersoll Rand since 2004 and reports directly to the CEO and Chairman of the Group. He also heads the management body of the Ingersoll Rand Division Heads of the Asia/Pacific region. Ingersoll Rand is a global diversified industrial firm providing products, services and solutions to enhance the quality and comfort of air in homes and buildings, transport and protect food and perishables, secure homes and commercial properties, and increase industrial productivity and efficiency. Ingersoll Rand China generates sales of USD 1 billion, with more than 7,000 employees in 16 legal entities and two joint ventures as well as seven production plants. From 1988 to 2004, Jeff Song was employed at Honeywell. In the Honeywell Group he held different positions as a development engineer, marketing and sales director as well as managing director, first in the USA and later in China. Jeff Song has had no significant business relations with the Geberit Group in the past five years.



Jørgen Tang-Jensen (1956)

Non-executive member of the Board of Directors since 2012, elected until 2015

Danish citizen

Resident in Hellerup (DK)

Member of the Board of Directors Coloplast A/S (DK); member of the Confederation of Danish Industry Business Political Committee.

Jørgen Tang-Jensen holds an MSc in Economics & Business Administration from the Business School in Aarhus (DK). He also completed a number of management further training courses at the IMD in Lausanne (CH) and at Stanford University (US). Jørgen Tang-Jensen has been CEO of the Danish building materials manufacturer VELUX A/S since 2001. The VELUX Group has 10,000 employees working at its own sales companies in about 40 countries and its own manufacturing companies in 11 countries. VELUX is one of the strongest brands in the global building materials sector. The products range from skylights and roof windows to window solutions for flat roofs as well as sun screening and solar panels for roof installation. After completing his studies, Jørgen Tang-Jensen joined the VELUX Group in 1981 and worked in various executive positions in the main VELUX sales and production companies until being appointed as CEO. As a managing director, he was responsible for the respective national companies in Denmark from 1989 to 1991, France from 1991 to 1992, the United States in 1996 and in Germany from 1999 to 2000. Jørgen Tang-Jensen has had no significant business relations with the Geberit Group in the past five years.



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.

Susanne Ruoff has decided to step down from the Board of Directors at Geberit AG as of the next General Meeting in April 2013. Due to scheduling conflicts, she will now concentrate fully on her new position as CEO at Swiss Post, which she took on from the start of September 2012. It will be proposed to the 2013 General Meeting that Felix R. Ehrat be elected to the Board of Directors as a new member for a three-year term of office. The current Lead Director and Vice Chairman of the Board of Directors, Robert F. Spoerry, is standing for re-election for another three years.

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 → **“Definition of areas of responsibilities”**).

The Board of Directors is self-constituting. After the 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.

The reorganization in the Board of Directors, with Albert M. Baehny as Chairman of the Board of Directors while at the same time remaining in office as CEO, was communicated and explained in detail prior to the 2011 General Meeting. This is a short-term solution intended to aid in determining the best possible succession for the management positions in the company. Albert M. Baehny holds the position of Executive Chairman, Robert F. Spoerry that of Vice Chairman and Lead Director. The Lead Director is invested with additional authorities so that – despite the positions of Chairman of the Board of Directors and CEO being combined – exemplary corporate governance is guaranteed. For instance, the Lead Director can independently convene meetings of the independent members of the Board of Directors, and he chairs the Board of Directors in the event of conflicts of interest on the part of the Chairman or when resolutions regarding the compensation of the Chairman of the Board of Directors and CEO are to be passed. Robert F. Spoerry was elected an independent member of the Board of Directors of Geberit AG and, because of his extensive experience in corporate management and on company boards, has the best credentials to carry out his responsibilities on Geberit's Board of Directors.

The Board of Directors meets whenever business so requires, usually six times a year for one day each (2012: 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. The participation rate in 2012 – with the exception of one meeting, which two members were unable to attend – was 100%.

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

– Personnel Committee

The members of the Personnel Committee are Robert F. Spoerry (Chairman), Susanne Ruoff and Jørgen Tang-Jensen. The committee meets at least twice a year for a half day each (2012: 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) and Robert F. Spoerry. It meets at least twice a year for a half day each (2012: 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 audit and coordinates them with those of the external audit. For every meeting, the internal and external auditors provide an all-inclusive report about all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. The committee also assesses the functionality of the internal control system, including risk management (refer to → **"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.

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 Lead Directors 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/infocenter.

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 about 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 (in January, April, July and October, it contains only statements on sales development and not on 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 Vice Chairman and Lead Director 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 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. Every other year, the Internal Corporate Audit Department issues a risk report to the attention of the Audit Committee on the management of financial risks → **See Notes to the Consolidated Financial Statements, 4. Risk assessment and management.** 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

Albert M. Baehny (1952)

Chief Executive Officer (CEO) since 2005

Member of the Group Executive Board since 2003,

with Geberit since 2003

Executive Chairman of the Board of Directors since 2011

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 and Executive Chairman of the Board of Directors since 2011, refer also to → **Management Structure**.



Roland Iff (1961)

Member of the Group Executive Board since 2005,

with Geberit since 1993

Head of Group Division Finance (CFO)

Swiss citizen

Resident in Herrliberg (CH)

Member of the Board of Directors, VZ-Holding, AG; Zurich (CH)

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic.oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich 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 → **Management Structure**.



William J. Christensen (1973)

Member of the Group Executive Board since 2009,

with Geberit since 2004

Head of Group Division Sales International

Swiss citizen

Resident in Wilen, Wollerau (CH)

William J. Christensen graduated with a Bachelor of Arts (major: economics) from Rollins College (US). 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 → **Management Structure**.



Michael Reinhard (1956)

Member of the Group Executive Board since 2005,

with Geberit since 2004

Head of Group Division Products

German citizen

Resident in Uerikon (CH)

Member of the Board of Directors Reichle & De-Massari AG, Wetzikon (CH)

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, 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, Michael Reinhard became Head of Group Division Sales 2005. He has been Head of the Group Division Products since 2006, refer also to → **Management Structure**.



Karl Spachmann (1958)

Member of the Group Executive Board since 2011,

with Geberit since 1997

Head of Group Division Sales Europe

German citizen

Resident in Schindellegi (CH)

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



Management contracts

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

5. Compensations, shareholdings and loans

Contents and method of determining compensation and participation plans

Upon recommendation of the Personnel Committee, the Board of Directors annually determines the remuneration of each member of the Board of Directors and of the individual members of the Group Executive Board. The proposal for Group Executive salaries (excluding the CEO) 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 non-executive 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% at 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. For the CEO this figure was set at 25% in 2012 on the basis of an external benchmarking. Half of these options with a total term of five years are subject to a blocking period of two years; the other half are subject to a blocking term of four years. 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 TCHF 146. 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, share and option allotments and ownership can be found under → **Financial Statements of Geberit AG, 1.6 Remuneration, loans and shareholdings of members of the Board of Directors and of the Group Executive Board**.

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 shareholders with voting rights in excess of such registration limitation, provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

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

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

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

Quorums required by the articles of incorporation

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

Convocation of the General Meeting of shareholders/agenda

The General Meeting is convened by the Board of Directors at the latest 20 days before the date of the meeting. No resolutions may be passed on any subject not announced in this context. Applications to convene an extraordinary General Meeting or for the performance of a special audit are exempt from this rule. Shareholders representing shares with a par value of TCHF 4 can demand inclusion of items on the agenda at least 45 days prior to the General Meeting.

Inscriptions into the share register

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

7. Changes of control and defense measures

There are no regulations in the articles of incorporation with respect to “opting-up” and “opting-out”. Likewise, no agreements and plans exist in the event of a change of control.

8. Auditors

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

PricewaterhouseCoopers AG, Zurich, have been the auditors of the Geberit Group and Geberit AG since 1997. Lead auditor René Rausenberger has been in charge of the auditing mandate since 2008.

Auditing fees

In 2012, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,057 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 429 relating to tax consultancy and support as well as TCHF 218 for other services.

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 on 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 and planning of the internal audit, coordinates them with those of the external audit and discusses audit results with the external and internal auditors. For more details on the Audit Committee, see → **item 3, "Board of Directors, Audit Committee"**.

9. Information policy

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

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

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

Interested parties may add their names to a mailing list available at → www.geberit.com/maillinglist, 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 → www.geberit.com/media.

For further details on the Geberit Group's information policy including a time schedule, please refer to the → **"Geberit share information"** chapter.

Finan- cial Report

Geberit Group 2012

Geberit Group

Consolidated Balance Sheets

	Note	31.12.2012 MCHF	31.12.2011 MCHF
Assets			
Current assets			
Cash and cash equivalents		361.3	455.0
Marketable securities	6	61.8	87.0
Trade accounts receivable	7	119.6	112.9
Other current assets and current financial assets	8	53.0	43.8
Inventories	9	163.8	162.2
Total current assets		759.5	860.9
Non-current assets			
Property, plant and equipment	10	521.2	516.2
Deferred tax assets	19	66.8	79.0
Other non-current assets and non-current financial assets	11	21.8	21.4
Goodwill and intangible assets	12	638.1	645.2
Total non-current assets		1,247.9	1,261.8
Total assets		2,007.4	2,122.7
Liabilities and equity			
Current liabilities			
Short-term debt	13	3.8	64.8
Trade accounts payable		58.6	60.2
Tax liabilities and tax provisions		69.9	62.3
Other current provisions and liabilities	14	140.3	161.0
Total current liabilities		272.6	348.3
Non-current liabilities			
Long-term debt	15	10.9	10.8
Accrued pension obligation	17	206.2	257.3
Deferred tax liabilities	19	47.6	49.8
Other non-current provisions and liabilities	20	38.8	37.0
Total non-current liabilities		303.5	354.9
Shareholders' equity			
Capital stock	22	3.9	4.0
Reserves		1,660.6	1,644.4
Cumulative translation adjustments		-233.2	-228.9
Total equity		1,431.3	1,419.5
Total liabilities and equity		2,007.4	2,122.7

The accompanying → notes are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2012 MCHF	2011 MCHF
Sales		2,187.8	2,122.6
Cash discounts and customer bonuses	24	268.2	255.0
Revenue from sales	29	1,919.6	1,867.6
Cost of materials		590.7	587.9
Personnel expenses		463.5	435.6
Depreciation expense	10	74.3	76.9
Amortization of intangibles	12	5.8	5.9
Other operating expenses, net	25	323.0	312.1
Total operating expenses, net		1,457.3	1,418.4
Operating profit (EBIT)		462.3	449.2
Financial expenses	26	-10.7	-8.4
Financial income	26	4.3	3.6
Foreign exchange loss(-)/gain	26	-0.8	-2.5
Financial result, net		-7.2	-7.3
Profit before income tax expenses		455.1	441.9
Income tax expenses	27	62.8	57.9
Net income		392.3	384.0
- Attributable to shareholders of Geberit AG		392.3	384.0
EPS (CHF)	23	10.29	9.82
EPS diluted (CHF)	23	10.28	9.82

The accompanying → **notes** are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Note	2012 MCHF	2011 MCHF
Net income according to the income statement		392.3	384.0
a) Cumulative translation adjustments		-4.3	-16.8
Reclassification to the income statement		0.0	0.0
Total cumulative translation adjustments		-4.3	-16.8
b) Cashflow hedge accounting		1.4	0.7
Reclassification to the income statement		0.0	0.0
Taxes		-0.4	-0.2
Total cashflow hedge accounting, net of tax	16	1.0	0.5
c) Actuarial adjustments of pension plans		58.6	-50.4
Taxes		-7.2	9.0
Total actuarial adjustments of pension plans, net of tax	17	51.4	-41.4
Other comprehensive income		48.1	-57.7
Total comprehensive income		440.4	326.3
- Attributable to shareholders of Geberit AG		440.4	326.3

The accompanying → **notes** are an integral part of the consolidated financial statements.

Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						Total equity
	Ordinary shares	Reserves	Treasury shares	Pension plans	Hedge-accounting	Cum. translation adjustments	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	
Balance at 31.12.2010	4.1	2,092.2	-213.0	-148.8	-1.5	-212.1	1,520.9
Total comprehensive income		384.0		-41.4	0.5	-16.8	326.3
Distribution		-236.0					-236.0
Purchase (-)/Sale of treasury shares		9.8	-195.4				-185.6
Management option plans		-6.1					-6.1
Capital reduction	-0.1	-178.9	179.0				0.0
Balance at 31.12.2011	4.0	2,065.0	-229.4	-190.2	-1.0	-228.9	1,419.5
Total comprehensive income		392.3		51.4	1.0	-4.3	440.4
Distribution		-241.7					-241.7
Purchase (-)/Sale of treasury shares		5.6	-191.6				-186.0
Management option plans		-0.9					-0.9
Capital reduction	-0.1	-192.5	192.6				0.0
Balance at 31.12.2012	3.9	2,027.8	-228.4	-138.8	0.0	-233.2	1,431.3

The accompanying → **notes** are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2012 MCHF	2011 MCHF
Cash provided by operating activities			
Net income		392.3	384.0
Depreciation and amortization	10/12	80.1	82.8
Financial result, net	26	7.2	7.3
Income tax expenses	27	62.8	57.9
Other non-cash income and expenses		26.1	16.7
Operating cashflow before changes in net working capital and taxes		568.5	548.7
Income taxes paid		-58.5	-48.0
Changes in trade accounts receivable		-6.4	1.8
Changes in inventories		-4.3	-15.5
Changes in trade accounts payable		-1.2	-5.7
Changes in other positions of net working capital		-4.1	11.8
Net cash provided by operating activities		494.0	493.1
Cash from/used (-) in investing activities			
Purchase of property, plant & equipment and intangible assets	10/12	-86.0	-92.6
Proceeds from sale of property, plant & equipment and intangible assets		1.0	3.8
Marketable securities, net	6	24.5	-88.3
Interest received		5.6	1.5
Other, net		-3.7	-3.5
Net cash from/used (-) in investing activities		-58.6	-179.1
Cash from/used (-) in financing activities			
Repayments of borrowings		-80.5	-3.8
Interest paid		-5.4	-5.1
Distribution		-241.7	-236.0
Purchase/Sale of treasury shares		-198.4	-195.9
Other, net		-1.8	-2.1
Net cash from/used (-) in financing activities		-527.8	-442.9
Effects of exchange rates on cash		-1.3	-2.7
Net increase/decrease (-) in cash		-93.7	-131.6
Cash and cash equivalents at beginning of year		455.0	586.6
Cash and cash equivalents at end of year		361.3	455.0

The accompanying → **notes** 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 more than 100 countries. The Group is present in 41 countries with its own sales employees.

The consolidated financial statements include Geberit AG and the companies under its control ("the Group" or "Geberit"). 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 (with the related uncertainties) were primarily made in the following areas:

- Impairment tests for goodwill and intangible assets with an indefinite useful life (see → **Note 12**)
- Capitalization of development costs (see → **Note 3**)
- Assumptions for the recognition of defined benefit pension plans (see → **Note 17**)
- Future development of tax rates (see → **Note 3**)

2. Changes in Group organization

2012:

There were no material changes in Group organization.

2011:

In the course of an internal reorganization and consolidation, the following companies were merged to one company:

- Geberit Beteiligungs GmbH & Co. KG, Pfullendorf
- Geberit Management GmbH, Pfullendorf
- Geberit Holding B.V., Nieuwegein
- Geberit Deutschland GmbH & Co. KG, Pfullendorf

The residual company was renamed Geberit Verwaltungs GmbH, Pfullendorf.

3. Summary of significant accounting policies

New or revised IFRS standards and interpretations 2012 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Introduction
IFRS 1 – First-time Adoption	1.7.2011	Amendments regarding hyperinflation and functional currency. This amendment has no impact on the consolidated financial statements.	1.1.2012
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
IAS 1 – Presentation of Financial Statements	1.7.2012	This amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. 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

New or revised IFRS standards and interpretations as from 2013 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 9 – Financial Instruments: Phase 1, Classification and Measurement	1.1.2015	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.	1.1.2015
IFRS 10 – Consolidated Financial Statements	1.1.2013	This standard replaces the guidance on control and consolidation in IAS 27 and SIC-12. A consistent definition of control is introduced. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 11 – Joint Arrangements	1.1.2013	Replaces IAS 31 Joint Ventures and SIC 13. The proportionate consolidation has been eliminated. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 12 – Disclosure of Interests in Other Entities	1.1.2013	Enhancement of required disclosures for subsidiaries, joint arrangements and unconsolidated entities. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 13 – Fair Value Measurement	1.1.2013	Overall standard to measure and disclose assets and liabilities at fair value. This standard does not include rules in which cases the fair value has to be used. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This value is disclosed accordingly (Level 1 - 3). This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 19 – Employee Benefits	1.1.2013	1) The optional corridor approach is eliminated. As the Geberit Group already recognizes actuarial gains and losses in other comprehensive income, this amendment has no impact on the consolidated financial statements. 2) The net periodic pension cost now comprises the net interest cost or income, measured on the basis of the funded status of the plan by applying the discount rate for the defined benefit obligation. Based on current assumptions, this adjustment will lead to around MCHF 6 in additional costs for the Geberit Group. 3) New principle-based disclosure requirements are introduced to enable a wide evaluation of the (risk) management of pension plans. The Notes must be expanded to account for this adjustment.	1.1.2013
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 in → **"other comprehensive income"** and disclosed as cumulative translation adjustments. For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates (weighted sales) 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 future 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 comprises 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 usable condition. If funds are specifically borrowed, the costs that can be capitalized are the actual costs incurred less any investment income earned on the temporary investment of these borrowings. If the borrowed funds are part of a general pool, the amount that can be capitalized must be determined by applying a capitalization rate to the expenses related to this asset.

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.

Intangible assets and goodwill

The Group records goodwill as the difference between the purchase price and the net assets of the company acquired, both measured at fair value. If the value of net assets is higher than the purchase price, this gain is credited immediately 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 an inherent element of the business model of the Geberit Group and therefore is used over an indefinite time period, it is assigned with an indefinite useful life. Impairments are expensed in the consolidated income statements when they occur, and in the 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 the Group level.

For the impairment tests of intangible assets 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**.

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

The relevant sales figure according to IFRS is reported in the income statements as "revenue from sales". As additional information, the consolidated income statements start with "sales" in order to disclose the for the Geberit business model relevant development of "cash discounts and customer bonuses".

Customer bonuses are sales deductions linked to the achievement of predefined sales targets. Cash discounts are sales deductions recognized on receipt of timely payments.

Revenue from sales is recognized when the risks and rewards are transferred to the customer, which normally happens when the products are shipped to the customer, i.e. when the products are handed over to the carrier at the ramp of a Geberit logistics center. Revenue from sales includes the invoiced net sales amount after deduction of rebates listed on the invoice. Subsequently granted customer bonuses and cash discounts are also deducted.

Additional information on the business model is provided in → **Notes 1** and → **29**.

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 will reverse. If the realization of future tax savings related to tax loss carryforwards and other deferred tax assets is no longer probable, then the deferred tax assets are reduced accordingly.

A liability for deferred taxes is recognized for non-refundable taxes at source and other earning distribution-related taxes for foreign subsidiaries for which available earnings are intended to be remitted and of which the parent company controls the dividend policy.

Research and development expenditures

Geberit spends around 2% of sales on research and development (R&D) every year. The R&D expenses remain relatively constant over the years. Around 70% of the R&D expenses are incurred in relation to basic research, product and product range management, customer software development and R&D support/overhead. The residual expenses (around 30%) relate to development costs for new products. These expenses are capitalized if they concern the development of material new products. Material development projects are reviewed at each balance sheet date in order to verify if the capitalization criteria of IAS 38.57 are fulfilled. In 2012 this was not the case and the development expenses were charged directly to the income statement. In 2012, R&D expenses amounted to MCHF 49.8 (PY: MCHF 48.4). The costs are included in personnel expenses, depreciation expenses 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 for the calculation of the earnings per share is determined on the basis of the weighted average of the issued ordinary shares less the weighted average number of the treasury shares. For the calculation of diluted earnings per share, an adjusted number of shares is calculated as the sum of the total of the ordinary shares used to calculate the earnings per share and the potentially dilutive shares from option programs. The dilution from option programs is determined on the basis of the number of ordinary shares which could have been bought for the amount of the accumulated difference between the market price and exercise price of the options. The relevant market price used is the average Geberit share price for the financial year.

Earnings per share and diluted earnings per share are defined as the ratio of the attributable net income to the relevant 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"**.

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.

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 together with the change in fair value of the underlying item directly in the income statements, net. The effective portion of instruments designated as cashflow hedges is recognized in → **"other comprehensive income"**. The ineffective portion of such instruments is recorded in financial result, net.

4. Risk assessment and management

General

The Geberit Group runs a risk-management system that 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 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 accounting and financial reporting, a special assessment is carried out as part of the risk control process. The Geberit-internal control system for the financial reporting defines control measures, which reduce the related risks.

Financial risks are monitored by the 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 A2 (Moody's) in principle. Management believes that the risk of loss from the existing contracts is remote.

Investments of cash generally mature within three months. Part of the liquid assets is invested in government bonds (usually with a term to maturity of less than 12 months). The Group has not incurred any losses in this regard. To avoid a concentration of risk, deposits with one counterparty are limited to a total amount of MCHF 70. In addition, investments with the same counterparty may not exceed half of the Group's total deposits.

Management of foreign exchange rate risk

The Geberit Group generates sales and profits in Switzerland and abroad in foreign currencies. Therefore, exchange rate changes have an impact on the consolidated results. In order to limit such risks, the concept of "natural hedging" 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. For the most important currencies EUR (approx. 70% of sales) and USD (approx. 5% of sales), in principle, the relative portion of sales and costs is almost equal. Therefore, currency fluctuations influence the profit margin of the Group only to a marginal extent, i.e. the Group is exposed to a relatively small transaction risk. The translation risk however results from the translation of profits generated abroad can still substantially influence the consolidated results depending on the level of currency fluctuation despite of the effective "natural hedging". The Group does not hedge translation risks.

Any remaining currency 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:

	2012 MCHF	2011 MCHF
Value-at-risk +/- unrealized gains/losses	2.1	5.5
Equity	1,431.3	1,419.5
(Value-at-risk +/- unrealized gains/losses)/equity	0.1%	0.4%

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:

	2012 MCHF	2011 MCHF
EBITDA	542.4	532.0
Financial result, net + CfaR	1.8	5.7
EBITDA/(Financial result, net + CfaR)	301x	93x

The considerable increase of this key figure was due to the fact that no interest expenses are expected for the next 12 months.

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.

	2012 MCHF	2011 MCHF
Combined foreign exchange rate and interest rate risk	4.2	11.4

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 399.7 (PY: MCHF 515.7).

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 2012, the average balance of receivables is about 150% of the amount at year-end.

Summary

The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed in order to make sure that they meet the requirements of financial markets, changes in the Group organization and regulatory obligations. Regarding the compliance with the defined limits, 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	2012	2011
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/equity	0.1%	0.4%
Interest rate risk	EBITDA/(financial result, net + CfaR)	301x	93x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 399.7	MCHF 515.7

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
- ensure an attractive distribution policy

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 management of net working capital
- 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, are outlined below:

	2012 MCHF	2011 MCHF
Gearing		
Debt	14.7	75.6
Liquid funds and marketable securities	423.1	542.0
Net debt	-408.4	-466.4
Equity	1,431.3	1,419.5
Net debt/equity	-28.5%	-32.9%
Return on equity (ROE)		
Equity (rolling)	1,397.8	1,475.2
Net income	392.3	384.0
ROE	28.1%	26.0%
Return on invested capital (ROIC)		
Invested capital (rolling)	1,346.0	1,327.6
Net operating profit after taxes (NOPAT)	394.5	382.3
ROIC	29.3%	28.8%

6. Marketable securities

The government bonds bought in 2011 in the amount of MEUR 71.9 were fully repaid in 2012. In return, the Group invested MEUR 52.1 in government bonds in 2012. As of December 31, the carrying amount was MCHF 61.8.

7. Trade accounts receivable

	2012 MCHF	2011 MCHF
Trade accounts receivable	127.9	120.9
Allowance	-8.3	-8.0
Total trade accounts receivable	119.6	112.9

Of trade accounts receivable, MCHF 5.5 was denominated in CHF (PY: MCHF 4.2), MCHF 61.6 in EUR (PY: MCHF 64.0), MCHF 13.4 in USD (PY: MCHF 12.2), and MCHF 9.6 in GBP (PY: MCHF 6.2).

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

	2012 MCHF	2011 MCHF
Allowances for trade accounts receivable		
January 1	8.0	7.3
Additions	1.4	1.9
Used	-0.6	-0.4
Reversed	-0.5	-0.6
Translation differences	0.0	-0.2
December 31	8.3	8.0
	2012 MCHF	2011 MCHF
Maturity analysis of trade accounts receivable		
Not due	95.4	91.0
Past due < 30 days	19.1	18.4
Past due < 60 days	6.1	3.7
Past due < 90 days	1.5	1.9
Past due < 120 days	1.0	1.3
Past due > 120 days	4.8	4.6
Allowance	-8.3	-8.0
Total trade accounts receivable	119.6	112.9

8. Other current assets and current financial assets

	2012 MCHF	2011 MCHF
Income tax refunds receivable	3.5	2.4
Value-added tax receivables	32.9	24.6
Short-term derivative financial instruments (see → Note 16) ¹	3.1	0.0
Prepaid expenses and other current assets	13.5	16.8
Total other current assets and current financial assets	53.0	43.8

¹ Is not part of the calculation of net working capital

9. Inventories

	2012 MCHF	2011 MCHF
Raw materials, supplies and other inventories	58.0	56.4
Work in progress	31.7	28.3
Finished goods	65.3	67.8
Merchandise	8.3	9.4
Prepayments to suppliers	0.5	0.3
Total inventories	163.8	162.2

As of December 31, 2012, inventories included allowances for slow-moving and obsolete items of MCHF 18.2 (PY: MCHF 16.5).

10. Property, plant and equipment

	Total MCHF	Land and buildings MCHF	Machinery and equipment MCHF	Office equipment MCHF	Assets under constr. / advance payments MCHF
2012					
Cost at beginning of year	955.2	296.9	580.4	35.1	42.8
Additions	83.4	11.2	31.6	5.0	35.6
Disposals	-40.3	-0.1	-26.4	-13.8	
Transfers	0.0	7.7	30.4	0.5	-38.6
Translation differences	-6.7	-1.8	-4.2	-0.3	-0.4
Cost at end of year	991.6	313.9	611.8	26.5	39.4
Accumulated depreciation at beginning of year	439.0	82.3	337.8	18.9	0.0
Depreciation expense	74.3	10.2	58.2	5.9	
Disposals	-39.6	-0.4	-25.4	-13.8	
Transfers	0.0				
Translation differences	-3.3	-0.5	-2.6	-0.2	
Accumulated depreciation at end of year	470.4	91.6	368.0	10.8	0.0
Net carrying amounts at end of year	521.2	222.3	243.8	15.7	39.4

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr. / advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2011					
Cost at beginning of year	910.2	287.5	556.1	34.7	31.9
Additions	87.6	10.1	31.3	5.1	41.1
Disposals	-26.8	-1.2	-20.2	-5.4	
Transfers	0.0	4.1	24.0	1.6	-29.7
Translation differences	-15.8	-3.6	-10.8	-0.9	-0.5
Cost at end of year	955.2	296.9	580.4	35.1	42.8
Accumulated depreciation at beginning of year	395.9	74.4	304.0	17.5	0.0
Depreciation expense	76.9	10.0	59.7	7.2	
Disposals	-24.8	-0.8	-18.8	-5.2	
Transfers	0.0				
Translation differences	-9.0	-1.3	-7.1	-0.6	
Accumulated depreciation at end of year	439.0	82.3	337.8	18.9	0.0
Net carrying amounts at end of year	516.2	214.6	242.6	16.2	42.8

As of December 31, 2012, buildings were insured at MCHF 432.2 (PY: MCHF 427.5) and equipment at MCHF 915.4 (PY: MCHF 887.6) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,347.6 (PY: MCHF 1,315.1).

As of December 31, 2012, there were no qualified assets for which borrowing costs were capitalized during the production phase.

As of December 31, 2012, the Group had entered into firm commitments for capital expenditures of MCHF 11.6 (PY: MCHF 12.1).

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

	2012 MCHF	2011 MCHF
Reinsurance policies for pension obligations (see → Note 17)	11.7	10.1
Reinsurance policies for other long-term employee obligations	3.7	2.0
Long-term derivative financial instruments (see → Note 16)	0.0	2.7
Other	6.4	6.6
Total other non-current assets and non-current financial assets	21.8	21.4

12. Goodwill and intangible assets

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
	MCHF	MCHF	MCHF	MCHF
2012				
Cost at beginning of year	1,013.0	715.6	127.3	170.1
Additions	2.6			2.6
Disposals	-2.9			-2.9
Translation differences	-5.8	-5.6		-0.2
Cost at end of year	1,006.9	710.0	127.3	169.6
Accumulated amortization at beginning of year	367.8	169.4	121.2	77.2
Amortization expense	5.8		3.2	2.6
Disposals	-2.9			-2.9
Translation differences	-1.9	-1.8		-0.1
Accumulated amortization at end of year	368.8	167.6	124.4	76.8
Net carrying amounts at end of year	638.1	542.4	2.9	92.8

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
	MCHF	MCHF	MCHF	MCHF
2011				
Cost at beginning of year	1,028.0	733.5	127.3	167.2
Additions	5.0			5.0
Disposals	-1.3			-1.3
Translation differences	-18.7	-17.9		-0.8
Cost at end of year	1,013.0	715.6	127.3	170.1
Accumulated amortization at beginning of year	369.2	174.8	118.0	76.4
Amortization expense	5.9		3.2	2.7
Disposals	-1.3			-1.3
Translation differences	-6.0	-5.4		-0.6
Accumulated amortization at end of year	367.8	169.4	121.2	77.2
Net carrying amounts at end of year	645.2	546.2	6.1	92.9

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2012, 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. The table shows also the parameters used in the impairment analysis.

	Carrying amount 31.12.2012	Carrying amount 31.12.2011	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 pretax rate %	Discount posttax rate %
	MCHF	MCHF				
Goodwill from LBO Geberit	238.6	240.0	U	2.60 (3.63)	10.10 (10.17)	8.90 (8.98)
Goodwill from Mapress acquisition	285.9	287.9	U	2.90 (3.76)	12.30 (11.69)	9.50 (9.38)
Geberit trademarks	84.6	84.6	U	2.60 (3.63)	10.60 (10.40)	8.90 (8.98)
Total	609.1	612.5				

The growth rates beyond the planning period are based on Euroconstruct estimations 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 based specifically on decreases both in operating margins and the growth rate beyond the planning periods.

13. Short-term debt

	2012 MCHF	2011 MCHF
Private Placement	0.0	61.0
Other short-term debt	3.8	3.8
Total short-term debt	3.8	64.8

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 was due on December 19, 2012. The Private Placement was repaid entirely on December 19, 2012.

Short-term credit lines

The Group maintains credit lines of MCHF 47.9 (PY: MCHF 45.7) from various lenders, which can be cancelled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. At December 31, 2012 and 2011, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Other short-term debt

As of December 31, 2012, the Group had MCHF 3.8 of other short-term debt (PY: MCHF 3.8). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix

Of the short-term debt outstanding as of December 31, 2012, MCHF 3.8 was denominated in EUR (PY: MCHF 3.8) and MCHF 0.0 in USD (PY: MCHF 61.0).

14. Other current provisions and liabilities

	2012 MCHF	2011 MCHF
Compensation-related liabilities	47.6	45.6
Accrued interest	0.2	0.5
Customer-related liabilities	58.3	56.9
Current provisions	2.1	3.2
Value added tax payables	12.0	11.0
Short-term derivative financial instruments (see → Note 16) ¹	0.0	16.4
Other current liabilities	20.1	27.4
Total other current provisions and liabilities	140.3	161.0

¹ Is not part of the calculation of net working capital.

2012 and 2011 movements of current provisions are shown in the following table:

	2012 MCHF	2011 MCHF
Current provisions		
January 1	3.2	3.9
Additions	1.2	1.3
Used	-0.7	-1.7
Reversed	-1.6	-0.1
Transfers	0.0	-0.1
Translation differences	0.0	-0.1
December 31	2.1	3.2

15. Long-term debt

	2012 MCHF	2011 MCHF
Revolving Facility	0.0	0.0
Other long-term debt	10.9	10.8
Total long-term debt	10.9	10.8

Revolving Facility

The Group has a firmly committed credit line ("Revolving Facility") of MCHF 150 with a banking syndicate. The credit line is firmly committed until June 2016 with the purpose of ensuring the Group's financial flexibility. At December 31, 2012, the Revolving Facility bears interest at LIBOR plus an annual interest margin of 0.5%. The interest margin depends on the net debt to EBITDA ratio. This ratio is verified on a quarterly basis. In addition, in the case of a drawdown of the credit line of 33⅓%, a utilization fee of 0.15% is due on the entire credit portion and in the case of a drawdown of 66⅔%, an utilization fee of 0.30% is due. 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. A commitment fee of 35% of the applicable interest margin is due on the unused portion. Drawings under the Revolving Facility are secured by guarantees from Geberit AG, Geberit Holding AG, Geberit Verwaltungs GmbH, and the Chicago Faucet Company, and contain covenants and conditions typical for syndicated financing, among others, 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 limits for these financial ratios were fulfilled on December 31, 2012. In 2012 and 2011, no drawdown of the Revolving Facility took place.

Other long-term debt

As of December 31, 2012, the Group had MCHF 10.9 of other long-term debt (PY: MCHF 10.8). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix

Of the long-term debt outstanding as of December 31, 2012, MCHF 10.9 was denominated in EUR (PY: CHF 10.8).

16. Derivative financial instruments

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments according to the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in → Notes 3 and → 4. As of December 31, 2012 and 2011, 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:

2012	Maturity	Strike price	Contract amount buy	Contract amount sell (-)	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/ USD sell	18.12.2013	1.03345	25.8	-25.0	3.0	0.21	0.66	DCF ¹

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 25.0 was not designated as cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in the financial result, net.

The cross currency interest rate swap (USD buy/EUR sell) for MUSD 55.0 that was designated as cash flow hedge according to IAS 39.86 (b) and IAS 39.88 et seq. matured on December 19, 2012.

2011	Maturity	Strike price	Contract amount buy	Contract amount sell (-)	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MUSD	MEUR	MCHF	USD	EUR	
USD buy/ EUR sell	19.12.2012	1.004	55.0	-54.8	-16.4	5.54	5.9775	DCF ¹
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/ USD sell	18.12.2013	1.03345	25.8	-25.0	2.7	0.21	0.66	DCF ¹

¹ Discounted Cash Flow

The cross currency interest rate swap (USD buy/EUR sell) for MUSD 55.0 was designated a cash flow hedge according to IAS 39.86 (b) and IAS 39.88 et seq.

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 25.0 was not designated as cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in financial result, net.

b) Forward foreign exchange contracts and foreign exchange options

						Contract values	Fair value 31.12.	Calculation method
2012	MCZK	MEUR	MNOK	MGBP	MPLN	MSEK	MCHF	
Foreign exchange contracts	-10.0	-10.0	-2.2	-0.5	-3.7	-2.2	0.1	Mark-to-Market
Foreign exchange options		-10.0					0.0	Black-Scholes
2011		MNOK	MGBP	MPLN	MSEK	MAUD	MCHF	
Foreign exchange contracts		-1.0	-0.8	-4.0	-3.5	-0.4	0.0	Mark-to-Market

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

17. Retirement benefit plans

The Group maintains defined benefit 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:

	2012		2011	
	Funded plans MCHF	Unfunded plans MCHF	Funded plans MCHF	Unfunded plans MCHF
Service cost	26.5	4.7	22.7	4.4
Interest cost on projected benefit obligation	11.7	5.7	12.1	5.9
Expected return on plan assets	-14.7		-16.3	
Contributions of employees	-9.0		-8.2	
Net periodic pension cost	14.5	10.4	10.3	10.3

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

	2012		2011	
	Funded plans MCHF	Unfunded plans MCHF	Funded plans MCHF	Unfunded plans MCHF
Benefit obligation				
At beginning of year	485.1	131.5	430.6	129.4
Service cost	26.5	4.7	22.7	4.4
Interest cost on projected benefit obligation	11.7	5.7	12.1	5.9
Actuarial gains (-)/losses	-74.1	24.5	32.1	2.5
New plans	0.0	1.2	0.0	0.0
Translation differences	-0.1	-0.9	-0.2	-3.4
Benefits paid	-12.1	-5.7	-12.2	-7.3
Benefit obligation at end of year	437.0	161.0	485.1	131.5
Plan assets at fair value				
At beginning of year	369.4		365.9	
Expected return on plan assets	14.7		16.3	
Contributions of employees	9.0		8.2	
Contributions of employers	13.4		7.4	
Benefits paid	-11.8		-11.8	
Actuarial gains/losses (-)	9.0		-16.5	
Translation differences	-0.2		-0.1	
Plan assets at fair value at end of year	403.5		369.4	
Funded status at end of year	-33.5	-161.0	-115.7	-131.5
Adjustment according to IAS 19.58	0.0	0.0	0.0	0.0
Total pension asset/obligation (-)	-33.5	-161.0	-115.7	-131.5
	2012		2011	
	Funded plans MCHF	Unfunded plans MCHF	Funded plans MCHF	Unfunded plans MCHF
The pension asset/obligation (-) is composed of:				
Reinsurance policies for pension obligations (see → Note 11)	11.7		10.1	
Accrued pension obligations	-45.2	-161.0	-125.8	-131.5
Total pension asset/obligation (-)	-33.5	-161.0	-115.7	-131.5

The plan assets of funded plans of MCHF 403.5 (PY: MCHF 369.4) are composed of assets of MCHF 391.8 (PY: MCHF 359.3) in two independent Swiss trustee pension funds and MCHF 11.7 (PY: MCHF 10.1) 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, 2012, 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:

	2012 MCHF	2011 MCHF	2010 MCHF	2009 MCHF	2008 MCHF
Benefit obligations	-598.0	-616.6	-560.0	-520.7	-462.2
Plan assets	403.5	369.4	365.9	346.1	314.3
Funded status	-194.5	-247.2	-194.1	-174.6	-147.9
Net actuarial gains (-) and losses on benefit obligations	-49.6	34.6	36.7	33.8	-0.2
- of which from changes in actuarial assumptions	-61.2	38.3	40.1	30.9	-6.5
- of which from experience adjustments	11.6	-3.7	-3.4	2.9	6.3
Experience adjustments on plan assets	-9.0	16.5	-0.8	-13.0	76.5
Total actuarial gains (-) and losses in current year	-58.6	51.1	35.9	20.8	76.3
Adjustment according to IAS 19.58, gains/losses	0.0	0.0	0.0	0.0	-36.9
Recorded in OCI¹, current year	-58.6	51.1	35.9	20.8	39.4
Recorded in OCI¹ accumulated	180.2	238.8	187.7	151.8	131.0

¹ Other comprehensive income

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

	2012	2011
Shares	35.1	30.1
Bonds and other debt instruments	22.6	28.2
Real estate property	27.1	29.6
Other	15.2	12.1
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 amounted to +7.6% in 2012 and -0.2% in 2011. As of December 31, 2012, plan assets included MCHF 3.1 (PY: MCHF 2.7) of equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate property used by the Group.

In 2013, the expected employers' contribution to the plan assets is MCHF 8.1.

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

	2012			2011		
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	1.9	3.0	5.0	2.4	4.5	5.0
Annual rate of increase in future compensation levels	2.0	2.5	3.0	2.0	2.5	3.0
Expected inflation offset	0.0	0-2.0	0.0	1.0	0-2.0	0.0
Expected rate of return on plan assets	4.0			4.5		
Demography	BVG 2010 GT	Tables 2005 G		BVG 2010 P / Hewitt	Tables 2005 G	

The decrease in the discount rate compared to previous year results in a significant increase in the defined benefit obligation. This increase was overcompensated by the adjustments of the economic and demographic assumptions for Swiss pension plans. The expected inflation offset to pensions was reduced from 1% to 0%, as the Swiss pension plans do not longer foresee this compensation. Because of the higher fluctuation rate, the expected employee departure rate is now calculated on the basis of the BVG 2010 tables. To take better account of the increase in life expectancy, the periodic mortality tables were replaced by the generational tables. The impacts of these adjustments were recorded as actuarial gains and losses and are shown in the table "status of the defined benefit pension plans".

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

The consolidated income statement also includes expenses for defined contribution plans of MCHF 2.0 in 2012 (PY: MCHF 1.7).

18. Participation plans

Share plans

In 2012, employees were able to purchase a limited number of shares at a discount of 50% (PY: 30%) compared to the market price ("Employee share plan 2012"). 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 2012"). For each of these shares, the management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2012", the non-executive members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 50% (PY: 30%). All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2012 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share plan 2012 (ESPP)	2014	1,639	26,440	96.43
Management share plans 2012 (MSPP)	2015	58	15,809	192.85
Directors program 2012 (DSPP)	2014	7	8,060	96.43

The 50,309 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2012, the Board of Directors, the Group Executive Board and the employees owned a combined total of 370,045 (PY: 812,624) shares, i.e. 1.0% (PY: 2.0%) of the share capital of Geberit AG.

Option plans

For each of the shares purchased in connection with the "Management share plans 2012", 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 within five years of the grant date.

In connection with an additional option plan ("Option plan 2012"), the managing directors and members of the 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 2012:

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share plans 2012 (MSPP)	2014	2017	58	15,809	192.85
Option plan 2012 type A (MSOP)	2014	2017	63	36,860	196.15
Option plan 2012 type B (MSOP)	2016	2017	63	36,860	205.50
Total				89,529	

The fair value of the options granted in 2012 amounted to CHF 26.97 for MSOP type A (two-years vesting period), CHF 24.47 for MSOP type B (four-years vesting period) and CHF 31.43 for MSPP (two-years vesting period) at the respective granting dates. 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	Surcharge	Exercise price	Expected volatility	Expected Ø dividend yield	Contractual period	Riskfree interest rate
	CHF	%	CHF	%	%	Years	%
Management share plans 2012 (MSPP)	192.85	0	192.85	26.03	3.44	5	0.325
Option plan 2012 type A (MSOP)	186.82	5	196.15	25.92	3.56	5	0.216
Option plan 2012 type B (MSOP)	186.82	10	205.50	25.92	3.56	5	0.216

¹ The reference share price corresponds to the average share price of the Geberit shares for the period from 5.1.2012 to 18.1.2012 for MSOP and from 1.3.2012 to 14.3.2012 for MSPP, respectively.

The following table summarizes all option plans in place as of December 31, 2012:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Lapsed	2013 - 2015	45,972	168.12	45,972	168.12
2013	2014 - 2016	74,230	161.71	53,513	140.07
2014	2015 - 2017	73,526	198.40	52,669	195.16
2015	2016	20,717	228.00	0	0
2016	2017	36,860	205.50	0	0
Total		251,305	185.51	152,154	167.62

The following movements took place in 2012 and 2011:

	MSOP		MSPP		Total 2012		Total 2011	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding January 1	213,627	175.53	53,083	173.69	266,710	175.17	315,520	152.30
Granted options	73,720	200.83	15,809	192.85	89,529	199.42	58,203	217.14
Forfeited options	3,797	170.61	1,282	190.50	5,079	175.64	17,975	173.75
Expired options	29,930	216.47	13,490	196.30	43,420	210.20	0	0
Exercised options	46,261	143.14	10,174	129.05	56,435	140.60	89,038	121.85
Outstanding December 31	207,359	185.93	43,946	183.49	251,305	185.51	266,710	175.17
Exercisable at December 31	30,783	171.43	15,189	161.12	45,972	168.12	38,036	121.37

The 251,305 options outstanding represent 0.6% of the outstanding shares of Geberit AG. The Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2012 had an exercise price between CHF 96.50 and CHF 228.00 and an average remaining contractual life of 2.7 years.

Costs resulting from participation plans amounted to MCHF 3.7 in 2012 (PY: MCHF 1.7), those for option plans totaled MCHF 2.3 (PY: MCHF 2.3).

19. Deferred tax assets and liabilities

	2012	Movements 2012			2011
	Total	Charged/ credited to income	Through equity/ OCI ¹	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets					
Loss carryforwards	4.1	-1.0	0.0	0.0	5.1
Accrued pension obligation	19.5	0.1	-7.2	0.0	26.6
Property, plant and equipment	2.9	0.2	0.0	0.0	2.7
Goodwill and intangible assets	26.2	-5.1	0.0	0.0	31.3
Other	14.1	2.1	-1.2	-0.1	13.3
Total deferred tax assets	66.8	-3.7	-8.4	-0.1	79.0
Deferred tax liabilities					
Inventories	-5.4	0.6	0.0	0.1	-6.1
Property, plant and equipment	-30.7	0.8	0.0	0.2	-31.7
Intangible assets	-6.7	-0.1	0.0	0.0	-6.6
Other	-4.8	0.6	0.0	0.0	-5.4
Total deferred tax liabilities	-47.6	1.9	0.0	0.3	-49.8

¹ Other comprehensive income

	2011	Movements 2011			2010
	Total	Charged/ credited to income	Through equity/ OCI ¹	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets					
Loss carryforwards	5.1	-1.0	0.0	-0.1	6.2
Accrued pension obligation	26.6	0.5	9.0	-0.2	17.3
Property, plant and equipment	2.7	0.3	0.0	0.0	2.4
Goodwill and intangible assets	31.3	-4.7	0.0	-0.1	36.1
Other	13.3	-1.1	-1.9	-0.2	16.5
Total deferred tax assets	79.0	-6.0	7.1	-0.6	78.5
Deferred tax liabilities					
Inventories	-6.1	-0.8	0.0	0.0	-5.3
Property, plant and equipment	-31.7	0.5	0.0	0.4	-32.6
Intangible assets	-6.6	0.7	0.0	0.1	-7.4
Other	-5.4	1.5	0.0	0.0	-6.9
Total deferred tax liabilities	-49.8	1.9	0.0	0.5	-52.2

¹ Other comprehensive income

Deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings if earnings are planned to be remitted to the parent. As of December 31, 2012 and 2011, 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:

	2012	Without deferred tax asset	With deferred tax asset	2011	Without deferred tax asset	With deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Maturity						
1 year	0.0	0.0	0.0	0.0	0.0	0.0
2 years	0.0	0.0	0.0	0.0	0.0	0.0
3 years	0.0	0.0	0.0	0.0	0.0	0.0
4 years	0.6	0.0	0.6	0.0	0.0	0.0
5 years	1.2	0.0	1.2	0.0	0.0	0.0
6 years	5.0	0.0	5.0	5.7	0.0	5.7
> 6 years	8.8	0.0	8.8	14.0	0.0	14.0
Total loss carryforwards	15.6	0.0	15.6	19.7	0.0	19.7

20. Other non-current provisions and liabilities

	2012	2011
	MCHF	MCHF
Provisions for operating risks	20.6	20.6
Accrued grant payments	3.1	1.9
Other non-current liabilities	15.1	14.5
Total other non-current provisions and liabilities	38.8	37.0

Provisions for operating risks mainly include provisions for warranties. 2012 and 2011 movements are shown in the following table.

	2012	2011
	MCHF	MCHF
Provisions for operating risks		
January 1	20.6	22.9
Additions	8.4	9.5
Used	-7.9	-7.4
Reversed	-0.4	-4.1
Translation differences	-0.1	-0.3
December 31	20.6	20.6

The provisions for operating risk are on average due for payment within 3.3 years.

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 makes provisions for potential product warranty claims.

The Group operates in many countries, most of which have sophisticated tax regimes. The nature of its operations and ongoing significant reorganizations result in complex legal structures for the Group and its subsidiaries. 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

	2012 pcs.	2011 pcs.
Issued shares		
January 1	39,847,005	41,238,005
Capital reduction as at June 2012 / July 2011	-1,026,000	-1,391,000
December 31	38,821,005	39,847,005

Geberit AG repurchased 1,391,000 shares in the course of the share buyback program 2006. These shares were retired in the course of the capital reduction. As at July 6, 2011, the approved capital reduction was executed.

Geberit AG has concluded its share buyback program, started in January 2011, earlier than planned. In total, 2,048,578 registered shares – equal to CHF 390,172,725 and corresponding to 5.28% of the share capital currently entered in the Commercial Register – were repurchased as originally planned. The share buyback program was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 190.46.

Up to December 31, 2011, Geberit AG repurchased 1,026,000 shares in the course of this program and canceled these shares by means of a capital reduction. The approved capital reduction was executed in June 2012.

With regard to the remaining 1,022,578 shares repurchased in 2012, it is proposed a capital reduction for the repurchased shares and their subsequent cancellation to the General Meeting on April 4, 2013.

As of December 31, 2012, the Group held a total of 1,235,345 (PY: 1,300,551) treasury shares with a carrying amount of MCHF 228.4 (PY: MCHF 229.4). In 2012, the Group decreased the net number of treasury shares by 65,206. Treasury shares are deducted at cost from equity.

	2012 pcs.	2011 pcs.
Stock of treasury shares		
From share buyback programs	1,022,578	1,026,000
Other treasury shares	212,767	274,551
Total treasury shares	1,235,345	1,300,551

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

23. Earnings per share

Earnings per share are 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.

	2012	2011
Attributable net income according to income statement (MCHF)	392.3	384.0
Weighted average number of ordinary shares outstanding (thousands)	38,145	39,096
Total earnings per share (CHF)	10.29	9.82

For the diluted earnings per share, the weighted average number of ordinary shares issued is adjusted to assume conversion of all potentially dilutive ordinary shares (see → **Note 3**). The Group has considered the share options granted to the management to calculate the potentially dilutive ordinary shares.

	2012	2011
Attributable net income according to income statement (MCHF)	392.3	384.0
Weighted average number of ordinary shares outstanding (thousands)	38,145	39,096
Adjustments for share options (thousands)	10	19
Weighted average number of ordinary shares outstanding (thousands)	38,155	39,115
Total diluted earnings per share (CHF)	10.28	9.82

24. Cash discounts and customer bonuses

	2012 MCHF	2011 MCHF
Cash discounts	64.6	61.9
Customer bonuses	203.6	193.1
Total cash discounts and customer bonuses	268.2	255.0

25. Other operating expenses, net

	2012 MCHF	2011 MCHF
Outbound freight costs and duties	63.9	61.3
Energy and maintenance expenses	73.7	73.1
Marketing expenses	87.4	83.6
Administration expenses	40.1	40.0
Other operating expenses	72.0	67.7
Other operating income	-14.1	-13.6
Total other operating expenses, net	323.0	312.1

Other operating income includes, among other things, insurance benefits received, rental income, gains from sales of fixed assets, and catering revenues.

In 2012, costs of MCHF 9.3 (PY: MCHF 9.7) 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

	2012 MCHF	2011 MCHF
Interest expenses	-5.9	-6.4
Amortization of deferred financing fees	-0.5	-0.5
Other financial expenses	-4.3	-1.5
Total financial expenses	-10.7	-8.4
Interest income	4.3	3.6
Total financial income	4.3	3.6
Foreign exchange loss/gain	-0.8	-2.5
Total financial result, net	-7.2	-7.3

"Other financial expenses" mainly includes the valuation losses from marketable securities. The interest income of marketable securities is included in the position "interest income".

27. Income tax expenses

	2012 MCHF	2011 MCHF
Current taxes	61.0	53.8
Deferred taxes	1.8	4.1
Total income tax expenses	62.8	57.9

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.3% (PY: 13.7%) and the effective income tax expenses were as follows:

	2012 MCHF	2011 MCHF
Income tax expenses, at applicable rate	60.4	60.6
Operating losses with no current tax benefit	0.0	0.1
Changes in future tax rates	-0.2	-0.3
Taxable goodwill amortization	-4.8	-4.9
Non-deductible expenses	2.9	2.2
Other	4.5	0.2
Total income tax expenses	62.8	57.9

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:

	2012 MCHF	2011 MCHF
EBITDA ¹	542.4	532.0
Financial result, net	-7.2	-7.3
Income tax expenses	-62.8	-57.9
Deferred taxes charged/credited (-) to net income (see → Notes 19 and → 27)	1.8	4.1
Changes in non-current provisions	30.1	24.9
Changes in other non-current assets and liabilities and other	-0.2	-1.1
Net cashflow	504.1	494.7

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, gains from the disposal of property, plant and equipment and the non-cash amortization of transaction costs in relation with the borrowing of debts.

Free cashflow is calculated as follows:

	2012 MCHF	2011 MCHF
Net cashflow	504.1	494.7
Purchase of property, plant and equipment and intangible assets, net	-85.0	-88.8
Changes in net working capital	-16.0	-7.6
Payments charged to non-current provisions	-12.1	-12.3
Free cashflow	391.0	386.0

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 and warranty obligations.

"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 whose purpose is 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 – wholesale – in general to installers, who resell the products to the end customer. The products are produced by plants that specialize in particular production processes. As a general rule, only one specific article is produced at one location. Distribution is carried out 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 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 carried out 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 sales by markets and product lines as well as on the consolidated income statements, balance sheets, and statements of cashflows.

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:

	2012 MCHF	2011 MCHF
Sales by product lines		
Installation Systems	780.0	767.7
Cisterns and Mechanisms	243.5	226.9
Faucets and Flushing Systems	125.9	121.0
Waste Fittings and Traps	93.4	93.4
Sanitary Systems	1,242.8	1,209.0
Building Drainage Systems	306.3	308.6
Supply Systems	638.7	605.0
Piping Systems	945.0	913.6
Total sales	2,187.8	2,122.6
Cash discounts and customer bonuses	268.2	255.0
Total revenue from sales	1,919.6	1,867.6
	2012 MCHF	2011 MCHF
Sales by markets		
Germany	768.1	723.1
Switzerland	282.4	295.4
Italy	180.2	198.9
Other Europe	764.2	725.5
Other markets	192.9	179.7
Total sales	2,187.8	2,122.6
Cash discounts and customer bonuses	268.2	255.0
Total revenue from sales	1,919.6	1,867.6
	2012 MCHF	2011 MCHF
Share of sales by customers		
Customers with more than 10% of sales: customer A	319.6	292.9
Total > 10%	319.6	292.9
Remaining customers with less than 10% of sales	1,868.2	1,829.7
Total sales	2,187.8	2,122.6
Cash discounts and customer bonuses	268.2	255.0
Total revenue from sales	1,919.6	1,867.6

30. Related party transactions

In 2012 and 2011, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2012 MCHF	2011 MCHF
Salary and other short-term benefits	3.4	3.4
Share-based payments	3.4	2.7
Expenditures on pensions	1.0	0.8
Total	7.8	6.9

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

In 2012 and 2011, there were no further material related party transactions.

31. Foreign exchange rates

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

Currency			2012		2011	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.2073	1.2053	1.2174	1.2345
United Kingdom	GBP	1	1.4793	1.4864	1.4497	1.4154
USA	USD	1	0.9148	0.9380	0.9405	0.8857
Poland	PLN	100	29.5800	28.8280	27.6700	30.0440
China	CNY	100	14.6800	14.8760	14.9300	13.6780
Denmark	DKK	100	16.1820	16.1950	16.3760	16.5560
Australia	AUD	1	0.9496	0.9709	0.9558	0.9094
Czech Republic	CZK	100	4.8110	4.8010	4.7250	5.0260
Hungary	HUF	100	0.4131	0.4160	0.3923	0.4410
Norway	NOK	100	16.3940	16.1240	15.6660	15.8260
Sweden	SEK	100	14.0500	13.8410	13.6150	13.6720
Singapore	SGD	1	0.7492	0.7508	0.7234	0.7020
South Africa	ZAR	100	10.7600	11.4730	11.5300	12.1870
India	INR	100	1.6700	1.7530	1.7700	1.8990

32. Subsequent events

These financial statements are subject to approval by the General Meeting. They were released by the Board of Directors on March 5, 2013.

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 that 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 31.12.2012 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	361.3	361.3	0.0	
Marketable securities	61.8	0.0	61.8	Level 1
Trade accounts receivable	119.6	119.6	0.0	
Other current assets	49.9	49.9	0.0	
Other non-current assets	6.4	5.4	1.0	Level 2
Derivative financial instruments	3.1	0.0	3.1	Level 2
Total	602.1	536.2	65.9	
	Carrying amount as of 31.12.2012 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.8	3.8	0.0	
Trade accounts payable	58.6	58.6	0.0	
Other financial liabilities	10.9	10.9	0.0	
Total	73.3	73.3	0.0	

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 31.12.2011 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	455.0	455.0	0.0	
Marketable securities	87.0	0.0	87.0	Level 1
Trade accounts receivable	112.9	112.9	0.0	
Other current assets	43.8	43.8	0.0	
Other non-current assets	6.6	5.6	1.0	Level 2
Derivative financial instruments	2.7	0.0	2.7	Level 2
Total	708.0	617.3	90.7	

	Carrying amount as of 31.12.2011 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.8	3.8	0.0	
Trade accounts payable	60.2	60.2	0.0	
Private Placement	61.0	61.0	0.0	
Other financial liabilities	10.8	10.8	0.0	
Derivative financial instruments	16.4	0.0	16.4	Level 2
Total	152.2	135.8	16.4	

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 31.12.2012 MCHF	Maturity				
		2013 MCHF	2014 MCHF	2015 MCHF	2016 MCHF	2017 and later MCHF
Short-term debt	3.8	4.0	0.0	0.0	0.0	0.0
Trade accounts payable	58.6	58.6	0.0	0.0	0.0	0.0
Other financial liabilities	10.9	0.8	3.2	2.7	2.0	4.7
Total non-derivative financial liabilities	73.3	63.4	3.2	2.7	2.0	4.7
Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial assets	-3.1	38.0	0.0	0.0	0.0	0.0
Total derivative financial instruments	-3.1	38.0	0.0	0.0	0.0	0.0
Total	70.2	101.4	3.2	2.7	2.0	4.7

	Carrying amount 31.12.2011 MCHF	Maturity				
		2012 MCHF	2013 MCHF	2014 MCHF	2015 MCHF	2016 and later MCHF
Short-term debt	3.8	3.8	0.0	0.0	0.0	0.0
Trade accounts payable	60.2	60.2	0.0	0.0	0.0	0.0
Private Placement	61.0	64.5	0.0	0.0	0.0	0.0
Other financial liabilities	10.8	0.8	3.1	2.7	2.2	4.4
Total non-derivative financial liabilities	135.8	129.3	3.1	2.7	2.2	4.4
Derivative financial liabilities	16.4	70.7	0.0	0.0	0.0	0.0
Derivative financial assets	-2.7	3.4	23.7	0.0	0.0	0.0
Total derivative financial instruments	13.7	74.1	23.7	0.0	0.0	0.0
Total	149.5	203.4	26.8	2.7	2.2	4.4

34. Group companies as of December 31, 2012

Switzerland	Ownership in %	Activity
Geberit AG, Rapperswil-Jona		O
Geberit Holding AG, Rapperswil-Jona	100	O
Geberit International AG, Rapperswil-Jona	100	O
Geberit International Sales AG, Rapperswil-Jona	100	Δ
Geberit Verwaltungs AG, Rapperswil-Jona	100	O
Geberit Vertriebs AG, Rapperswil-Jona	100	Δ
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	100	Δ
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	Δ
Austria		
Geberit Vertriebs GmbH & Co. KG, Pottenbrunn	100	Δ
Geberit Produktions GmbH & Co. KG, Pottenbrunn	100	□
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn	100	O
Geberit Huter GmbH, Matri	100	□
Belgium		
Geberit N.V., Machelen	100	Δ
Channel Islands		
Geberit Finance Ltd., Jersey	100	O
Geberit Reinsurance Ltd., Guernsey	100	O
China		
Geberit Flushing Technology Co. Ltd., Daishan	100	□
Geberit Plumbing Technology Co. Ltd., Shanghai	100	□
Geberit Shanghai Trading Co. Ltd., Shanghai	100	Δ
Geberit Shanghai Investment Administration Co. Ltd., Shanghai	100	O
Czech Republic		
Geberit spol. s.r.o., Brno	100	Δ
Denmark		
Geberit A/S, Lystrup	100	Δ
Finland		
Geberit OY, Helsinki	100	Δ
France		
Geberit S.a.r.l., Rungis Cedex	100	Δ
Germany		
Geberit Verwaltungs GmbH, Pfullendorf	100	O
Geberit Service GmbH & Co. KG, Pfullendorf	100	O
Geberit Vertriebs GmbH, Pfullendorf	100	Δ
Geberit Produktions GmbH, Pfullendorf	100	□
Geberit Logistik GmbH, Pfullendorf	100	O
Geberit Mapress GmbH, Langenfeld	100	□
Geberit RLS Beteiligungs GmbH, Langenfeld	100	O
Geberit Lichtenstein GmbH, Lichtenstein	100	□
Geberit Weilheim GmbH, Weilheim	100	□

Hungary	Ownership in %	Activity
Geberit Kft, Budapest	100	Δ
India		
Geberit Plumbing Technology India Pvt. Ltd., Bangalore	100	Δ
Geberit India Manufacturing Pvt. Ltd., Bangalore	100	□
Italy		
Geberit Produzione S.p.a., Villadose	100	□
Netherlands		
Geberit B.V., Nieuwegein	100	Δ
Geberit International B.V., Nieuwegein	100	O
Norway		
Geberit AS, Lysaker	100	Δ
Poland		
Geberit Sp.z.o.o., Warsaw	100	Δ
Portugal		
Geberit Tecnologia Sanitária S.A., Lisbon	100	Δ
Singapore		
Geberit South East Asia Pte. Ltd., Singapore	100	Δ
Slovakia		
Geberit Slovensko s.r.o., Bratislava	100	Δ
Slovenia		
Geberit Sanitarna tehnika d.o.o., Ruše	100	□
Geberit prodaja d.o.o., Ruše	100	Δ
South Africa		
Geberit Southern Africa (Pty.) Ltd., Sandton	100	Δ
Spain		
Geberit S.A.U., Barcelona	100	Δ
Sweden		
Geberit AB, Malmö	100	Δ
Turkey		
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100	Δ
United Kingdom		
Geberit Sales Ltd., Warwick	100	Δ
USA		
Duffin Manufacturing Co., Elyria	100	□ / Δ
The Chicago Faucet Company, Des Plaines	100	□ / Δ

O Services, holding functions

Δ Distribution

□ Production

Report of the Statutory Auditor



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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 sheet**, → **income statement**, → **statement of comprehensive income**, → **statement of changes in equity**, → **statement of cashflows** and → **notes**, for the year ended December 31, 2012.

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, 2012 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 5, 2013

Geberit AG

Balance Sheets

	31.12.2012 MCHF	31.12.2012 MCHF	31.12.2011 MCHF	31.12.2011 MCHF
Assets				
Current assets				
Cash and cash equivalents		0.0		1.4
Treasury shares		197.6		185.7
Accounts receivable				
- Third parties		4.1		4.4
- Group companies		59.0		159.4
Total current assets		260.7		350.9
Non-current assets				
Investments		976.3		1,012.3
Total non-current assets		976.3		1,012.3
Total assets		1,237.0		1,363.2
Liabilities				
Current liabilities				
- Third parties		9.5		6.4
- Group companies		3.5		4.0
Total current liabilities		13.0		10.4
Shareholders' equity				
Capital stock		3.9		4.0
Legal reserves				
- General reserve, share premium		0.8		0.8
- Reserve for treasury shares		225.0		211.3
- Reserve from capital contributions				
- Share premium, reserves from capital contributions	128.1		356.6	
- Reserve for treasury shares from capital contributions	3.4	131.5	18.0	374.6
Total legal reserves		357.3		586.7
Free reserves				
- Other free reserve		561.1		360.4
Total free reserves		561.1		360.4
Retained earnings		301.7		401.7
Total shareholders' equity		1,224.0		1,352.8
Total liabilities and shareholders' equity		1,237.0		1,363.2

Income Statements

	2012 MCHF	2011 MCHF
Income		
Dividends from Group companies	300.0	400.0
Financial income	2.6	4.1
Other operating income	0.3	0.4
Total income	302.9	404.5
Expenses		
Administrative expenses	2.9	2.7
Financial expenses	0.0	0.1
Loss on treasury shares	0.0	6.8
Taxes	0.0	0.2
Total expenses	2.9	9.8
Net income	300.0	394.7

Notes to the Financial Statements

1.1 Guarantees, assets pledged in favor of third parties

	31.12.2012 MCHF	31.12.2011 MCHF
Guarantee Revolving Facility	150.0	150.0
Guarantee in connection with Private Placement (MUSD 65)	0.0	61.1

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

1.2 Significant investments

	2012 Ownership in %	2012 capital stock	2011 Ownership in %	2011 capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39 350	100	TCHF 39 350
Geberit Finance Ltd., Jersey ¹	82	TEUR 521 975	83	TEUR 551 975
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2	100	TEUR 2

¹ The remaining 18% (PY 17%) are held by Geberit Companies.

1.3 Share capital

The share capital of Geberit AG consists of 38,821,005 ordinary shares with a par value of CHF 0.10 each.

	2012 pcs.	2011 pcs.
Number of shares issued		
January 1	39,847,005	41,238,005
Capital reduction as at June 2012 / July 2011	-1,026,000	-1,391,000
Dezember 31	38,821,005	39,847,005

1.4 Capital contribution reserves

From the total of MCHF 131.5 the amount of MCHF 110.0 was confirmed by the Swiss tax authorities as per 31 December 2012. MCHF 3.4 are blocked as reserves for treasury shares. MCHF 106.6 are available for withholding tax free distribution.

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, 2011	1,300,551			
Purchases, share buyback program 2012	1,022,578	209.57	193.26	176.66
Cancellation share buyback program 2011	-1,026,000			
Other Purchases	45,180	196.07	189.51	178.80
Sales	-106,964	208.90	193.80	177.60
Balance at December 31, 2012	1,235,345			
Number of treasury shares held by Geberit AG	1,022,578			

The Board of Directors of Geberit AG decided to initiate a share buyback program for the years 2011 and 2012 and determined a maximum repurchasing volume of 5% of the share capital, in total 2,048,578 shares. Until December 31, 2011 the company repurchased 1,026,000 shares. The General Meeting on April 4, 2012 decided to reduce the capital by the volume of the shares repurchased. On June 29, 2012, therefore 1,026,000 shares were cancelled.

The remaining 1,022,578 shares were repurchased in 2012. Geberit AG plans to propose to the General Meeting on April 4, 2013 a capital reduction in the amount of these shares repurchased and to cancel the shares as well.

The legal reserves for treasury shares were recorded at cost.

1.6 Remuneration, loans and shareholdings of members of the board of directors and of the group executive board

	A. Baehny Chairman CHF	R. Spoerry Vice Chairman CHF	H. Reuter CHF	S. Ruoff CHF	J. Song CHF	J. Tang- Jensen CHF	Total CHF
2012							
Remuneration of the Board of Directors							
Accrued remuneration ¹	-	40,000	1,666	3,333	82,500	97,500	224,999
Shares ²	-	286,810	233,087	213,520	0	0	733,417
Expenses	-	10,000	10,000	10,000	7,500	7,500	45,000
Contributions to social insurance	-	16,966	14,062	13,001	0	0	44,029
Total	- ³	353,776	258,815	239,854	90,000	105,000	1,047,445
							CHF

Remuneration to former members of the Board of Directors	
Accrued remuneration ¹	-310,001
Shares ²	661,476
Contributions to social insurance	27,350
Expenses	5,000
Total	383,825

	A. Baehny Chairman CHF	R. Spoerry Vice Chairman CHF	R. Hanslin CHF	R. Heber- lein CHF	H. Reuter CHF	S. Ruoff CHF	Total CHF
2011							
Remuneration of the Board of Directors							
Accrued remuneration ¹	-	43,334	-13,333	6,667	-26,666	1	10,003
Shares ²	-	152,413	146,422	162,633	198,578	152,413	812,459
Expenses	-	10,000	10,000	10,000	10,000	10,000	50,000
Contributions to social insurance	-	9,686	6,995	7,870	12,189	9,686	46,426
Total	- ³	215,433	150,084	187,170	194,101	172,100	918,888
							CHF

Remuneration to former members of the Board of Directors	
Accrued remuneration ¹	-250,000
Shares ²	504,363
Contributions to social insurance	14,849
Expenses	6,666
Withholding tax	15,002
Total	290,880

¹ Directors fee booked, but not yet paid as 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 of the company with a par value of CHF 0.10 each, 2-year blocking period, valued at CHF 171.64 (PY CHF 176.20), made up of CHF 192.85 (PY CHF 197.95) market value at grant date less CHF 21.21 (PY CHF 21.75) tax benefit for blocking period. The number of shares allocated is calculated based on the remuneration divided by the net price of CHF 96.43 (CHF 192.85 less 50% discount) (PY CHF 138.57 [CHF 197.95 less 30% discount]).

³ The remuneration of A. Baehny as a Chairman of the Board is included in his total CEO compensation.

The description of the program can be seen in → **Note 18 "Participation plans"** of the consolidated financial statements.

	2012		2011	
	A. Baehny CEO CHF	Total CHF	A. Baehny CEO CHF	Total CHF
Remuneration of the Group Executive Board				
Cash/deposits				
- Fixed salary	946,803	2,861,729	936,806	2,689,830
- Variable salary ¹	-64,737	490,705	57,078	817,313
Shares/options				
- Shares (instead of variable salary) ^{1,2}	552,565	1,128,444	478,157	832,827
- Call options MSOP A ³	179,755	327,146	68,974	192,527
- Call options MSOP B ⁴	163,093	296,822	66,770	186,375
- Call options MSPP ⁵	107,271	219,068	120,489	209,861
Non-cash benefits				
- Private share of company vehicle ⁶	9,660	37,512	9,340	36,015
Expenditure on pensions				
- Pension plans and social insurance ⁹	352,076	956,121	255,853	729,322
- Contribution health/accident insurance	2,390	13,030	2,546	13,173
Total⁷	2,248,876⁸	6,330,577	1,996,013⁸	5,707,243

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, the total variable salary corresponds to the sum of the two lines "Variable salary" and "Shares (instead of variable salary)". The amount on 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 of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at CHF 161.90 (PY CHF 166.20), made up of market value at grant date of CHF 192.85 (PY CHF 197.95) less CHF 30.95 (PY CHF 31.75) 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 196.15 (PY CHF 217.60); definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 26.97 (PY CHF 38.49) 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 205.50 (PY CHF 228.00); definitive acquisition of the option ("vesting") dependent on various conditions, 4-year blocking period, market value of CHF 24.47 (PY CHF 37.26) 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 192.85 (PY CHF 197.95); definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 31.43 (PY CHF 41.88) 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 The compensation of A. Baehny as Chair of the Board of Directors is covered by his salary as CEO.

⁹ Including one of the compensation in pension provision due to pension scheme modifications (reduction of pension conversion rate and the technical interest rate).

The parameters taken into consideration in the option valuation model are set out in → **Note 18 "Participation plans"** of the consolidated financial statements.

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	S. Ruoff	J. Song	J. Tang- Jensen	Total
2012							
Shareholdings Board of Directors							
Shares	see Group Executive Board	4,912	4,623	2,595	1	220	12,351
Share of voting rights		< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christen- sen	M. Reinhard	K. Spachmann	Total
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2012

Shareholdings Group Executive Board

Shares		49,684	21,823	6,086	2,206	3,084	82,883
Percentage voting rights shares		0.13%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.21%

Call options¹

End of blocking period:

Lapsed	2013-2015	178.37	4,232	3,983	715	1,784	555	11,269
2013	2014-2016	179.05	8,137	4,691	2,242	3,578	1,708	20,356
2014	2015-2017	198.53	11,742	4,220	1,891	3,560	2,619	24,032
2015	2016	228.00	1,792	957	753	1,017	483	5,002
2016	2017	205.50	6,665	1,417	1,176	1,542	1,330	12,130
Total options			32,568	15,268	6,777	11,481	6,695	72,789
Percentage potential share of voting rights options			< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.19%

¹ Purchase ratio 1 share for 1 option

	A. Baehny Chairman	R. Spoerry Vice Chairman	R. Hanslin	R. Heber- lein	H. Reuter	S. Ruoff	Total
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2011

Shareholdings Board of Directors

Shares	see Group Executive Board	2,241	363,151	91,880	3,265	1,351	461,888
Share of voting rights		< 0,1%	0.91%	0.23%	< 0,1%	< 0,1%	1.16%

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christen- sen	M. Reinhard	K. Spachmann	Total
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2011

Shareholdings Group Executive Board

Shares		43,721	20,000	8,706	3,001	370	75,798
Percentage voting rights shares		0.11%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.19%

Call options¹

End of blocking period:

Lapsed	2012-2014	163.95	6,320	1,660	2,285	2,730	3,295	16,290
2012	2013-2015	178.37	6,782	3,983	1,370	3,314	1,545	16,994
2013	2014-2016	179.05	8,137	4,691	2,242	3,578	1,708	20,356
2014	2015	206.60	1,664	980	715	1,018	555	4,932
2015	2016	228.00	1,792	957	753	1,017	483	5,002
Total options			24,695	12,271	7,365	11,657	7,586	63,574
Percentage potential share of voting rights options			< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.16%

¹ Purchase ratio 1 share for 1 option

1.7 Significant shareholders

According to the information available to the Board of Directors, the following shareholders have attained or exceeded the threshold of 3% of the share capital of Geberit AG:

	31.12.2012	31.12.2011
Capital Group Companies, Inc., Los Angeles	9.72%	9.72%
Black Rock, New York	3.23%	3.23%
Geberit AG, Rapperswil-Jona	3.18%	3.26%
Marathon Asset Management	3.00%	3.00%
CS Management Funds AG, Zürich	< 3.00%	3.05%

1.8 Risk management

Geberit AG is integrated into the group-wide risk management system of the Geberit Group.

A description of the risk management system of 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:

Appropriation available earnings

	2012 CHF	2011 CHF
Available earnings		
Net income	299,990,789	394,676,067
Balance brought forward	1,684,725	7,008,658
Withdrawal from legal capital contribution reserves	105,835,596	243,009,932
Total available earnings	407,511,110	644,694,657
Transfer to free reserves	150,000,000	400,000,000
Proposed/Paid distribution of capital contribution reserves	105,835,596	243,009,932
Proposed dividend	143,634,023	
Balance to be carried forward	8,041,491	1,684,725
Total appropriation of available earnings	407,511,110	644,694,657

Distribution of capital contribution / Dividend payments

The Board of Directors proposes a redemption of capital contribution of CHF 2.80 per share and a dividend of CHF 3.80 per share. In the previous year, a redemption of capital contribution of CHF 6.30 per share was paid out. In line with the capital contribution law which is effective from January 1st, 2011, similar to a redemption of the nominal value of the shares, the redemption of capital contribution is not subject to withholding tax. However the dividend payment is subject to withholding tax.

The number of shares with dividend rights will change if the number 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 dividend to the number of shares with dividend rights at the General Meeting.

Report of the Statutory Auditor



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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 sheet**, → **income statement** and → **notes**, for the year ended December 31, 2012.

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, 2012 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

Zurich, March 5, 2013

Sustain- ability

Geberit Group 2012

GRI reporting

In the 2012 financial year, Geberit's sustainability reporting is fully integrated in the online Annual Report for the second year running. The company's systematic and transparent communication on the subject of sustainability is addressed to a range of target groups including customers and partners, investors, the general public and company employees. To this end, information is therefore made available at different levels:

- → **CEO Statement** on sustainability
- Current → **Highlights** on the theme of sustainability
- Business and Financial Review, as part of the Annual Report integrated into the chapters → **Employees**, → **Customers**, → **Innovation**, → **Sustainability**, → **Logistics and Procurement**, → **Compliance** and → **Social Engagement**
- → **Sustainability Strategy** with objectives and measures
- → **Key Figures Sustainability**
- → **Communication on Progress UN Global Compact**

The **Sustainability Performance Report** brings together all the information and indicators in a systematic overview (GRI Index) in accordance with the guidelines of the Global Reporting Initiative (GRI). For more detailed information on individual aspects, reference is made in the Report to the above-mentioned elements. The Report is available in German and English. The German version is binding.

As part of sustainability reporting for 2012, Geberit for the first time initiated and consulted a **panel of external stakeholders**:

- → **Introduction to the Stakeholder Panel**
- → **Members of the Stakeholder Panel**
- → **Results as a Panel statement**
- → **Response from Geberit to the Panel statement**

Geberit's sustainability reporting has been assessed with the GRI application level "A Level: GRI Checked" since the 2007 report. Thanks to the integration of the review by the external Stakeholder Panel, reporting for 2012 for the first time fulfills the GRI G3 guidelines for the "**A+ Level: GRI Checked**". This corresponds to the highest degree of transparency as confirmed by GRI.

→ **GRI Statement**

1. Strategy and analysis

1.1 CEO statement

For the statement of Albert M. Baehny, Chief Executive Officer (CEO), see → www.geberit.com > **Sustainability > CEO Statement**

1.2 Key impacts, risks and opportunities with regard to sustainability

As the market leader in the sanitary industry, in terms of sustainability Geberit stands for conserving water, the efficient use of resources and green building, thus proving that long-term business success is compatible with environmentally friendly and socially responsible behavior. The company aims to be a role model and set standards for customers, suppliers and other partners. This includes water-saving, sustainable products; safe, environmentally friendly and resource-efficient production processes using an increasing share 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 6,100 employees worldwide. Among other things, the company's social responsibility takes the form of global social projects relating to the topic of water.

Sustainability means satisfying the needs of today's generation in a manner that will ensure a solid basis for the livelihoods of future generations. A study published in 2010 by SAM, a global asset management company focused on sustainable asset management, names four main reasons why water will increasingly become a central issue for the future: the increase in the world's population, antiquated or non-existent infrastructure for drinking water supply and wastewater disposal, increasing demands on water quality, and climate change leading to shifts in the water balance. These trends will influence the sanitary technology of tomorrow and make water-saving, resource-efficient products increasingly important – thus providing Geberit with an incentive to offer the highest standards of environmental friendliness, resource conservation and durability in its products.

The analysis of the → **water footprint**, that covers Geberit's entire value chain shows that nearly 100% of the water consumption is attributable to the use of Geberit products by customers. Water-saving solutions can therefore exert a major impact here: According to one model calculation, the entire dual-flush and flush-stop "fleet of cisterns" produced since 1998 has saved around 13,800 million cubic meters of water to date compared with traditional flushing systems. In 2012 alone, savings amounted to 1,850 million cubic meters of water. This is more than half as much as the annual consumption of all German households.

Green building is a particularly important trend for Geberit. European norms concerning green building are becoming increasingly significant and new standards such as EN 15804 are setting out the basic rules for Environmental Product Declarations (EPD) within the construction industry. Geberit issued the first Environmental Product Declaration for lavatory taps in 2012 and more are set to follow. Investors, project developers, owners and tenants are increasingly looking for service providers with holistic know-how regarding green building. This is opening up a future market with major potential in which Geberit is present with water and energy-saving, low-noise and durable products that meet sustainable construction standards. Geberit is well positioned as a leading system provider of sanitary solutions in green building and plays an active role in the relevant associations. The importance of the topic is also reflected in numerous green buildings in which Geberit products are installed.

For further information on key sustainability topics and objectives for the long-term development of Geberit, see → www.geberit.com > **Sustainability > Sustainability Strategy**

2. Organizational profile

2.1 Name of the organization

Geberit Group.

2.2 Brands, products and/or services

Geberit offers customers high-quality system solutions for applications in private residential construction and public buildings. The systems are used in both renovation projects and new buildings. A broad range of products is offered within the two product areas of Sanitary Systems and Piping Systems. This ranges from installation systems, cisterns and mechanisms, taps, flushing systems, waste fittings and traps to supply and building drainage systems.

For further information on the product range, see → www.geberit.com > **Products > Product Range**.

For 2012 sales by product areas and product lines, see → **Business Report > Business and Financial Review > Sales**.

2.3 Organizational structure

The operational management structure of Geberit is divided into the Group Divisions:

- CEO
- Sales Europe
- Sales International
- Products
- Finance

The assignment of clearly distinguished responsibilities minimizes the number of interfaces. The structure takes into account the increasing globalization and is designed to enhance further the effectiveness of the Geberit Group in a changed environment. For more details about the organizational structure, see → **Business Report > Management Structure**.

2.4 Headquarters location

The Geberit Group has its headquarters in Rapperswil-Jona (CH).

2.5 Countries with business operations

Geberit has its own representatives in 41 countries. The products are sold in over 100 countries throughout the world. The company has 16 specialized production companies in seven different countries close to the most important sales markets and a central logistics center in Pfullendorf (DE).

For a list of the countries in which Geberit operates, see → **Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 34**.

2.6 Ownership and legal form

Geberit AG, the parent company of the Geberit Group, is a stock corporation (AG) under Swiss law.

2.7 Markets served

In terms of market cultivation, Geberit relies on a three-stage distribution channel. The products are distributed via the wholesale trade. Dealerships then sell them to plumbers and present them at exhibitions and other venues where end customers can gain information. At the same time, Geberit provides plumbers and sanitary engineers with intensive support through training and advice, which in turn leads to increased demand for Geberit products from wholesalers. Since 2012 there has been a web shop for the direct procurement of Geberit AquaClean and Geberit Duo Fresh consumables.

For sales by markets and regions as well as by product areas and product lines, see → **Business Report > Business and Financial Review > Sales**.

2.8 Scale of the reporting organization

The Geberit Group's market capitalization reached CHF 7,819 million as of the end of 2012 (previous year CHF 7,212 million). The 2012 sales of CHF 2,188 million (previous year CHF 2,123 million) were achieved with products in the two product areas Sanitary Systems and Piping Systems. At the end of 2012, the Group had 6,134 employees (previous year 6,004 employees). For the consolidated balance sheet with details of current assets, non-current assets, equity and liabilities, see → **Financial Report > Consolidated Financial Statements Geberit Group**.

2.9 Significant changes regarding size, structure or ownership

There were no significant changes to the Group structure in 2012 (see also → **3.8**).

For further information, see → **Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 2**.

2.10 Awards received

In 2012, Geberit was once again awarded numerous prizes. For a list of important prizes, see → **www.geberit.com > Sustainability > Awards**.

3. Report parameters

3.1 Reporting period

2012 reporting period; comparative figures from the previous year are generally shown.

3.2 Date of most recent previous report

Sustainability reporting for 2012 is fully integrated in the online Annual Report. Geberit published extensive magazine-like Sustainability Reports in 2004, 2007 and 2010. GRI reporting regarding all GRI guideline requirements at the Level A application stage has been published annually since 2007. The most recent report is available → **online**; for reports from previous years, see → **www.geberit.com > Infocenter > Publications**.

3.3 Reporting cycles

Annually as part of the integrated online reporting for a given financial year.

3.4 Contact point for questions regarding the report or its contents

Should you have any questions concerning sustainability at Geberit, please contact:

Roland Högger
Head of Environment and Sustainability
Geberit International AG
Schachenstrasse 77, CH-8645 Jona
Tel: +41 55 221 63 56, Fax: +41 55 221 67 47
→ **sustainability@geberit.com**

3.5 Process for defining report content

The "GRI Guidance for Defining Report Content" and related Principles have been implemented as extensively as possible. The basis for sustainability reporting is a materiality analysis for the identification of those aspects that are of significance for Geberit and its stakeholders. The concerns of the shareholders are addressed in the interactions and dialogs named under → **4.16**.

All topics classed as significant and related measures are presented in compact form primarily within the → **Sustainability Strategy**. The aspects of the 10 principles of the UN Global Compact which Geberit has committed itself to uphold and which are presented in the → **Communication on Progress UN Global Compact** are also material. In terms of completeness, all of the company's economic, environmental or social effects that appear to be of relevance have been included in the reporting based on the GRI guidelines insofar as corresponding information was available.

As part of sustainability reporting on the 2012 financial year, Geberit for the first time initiated and consulted a panel of external stakeholders. The objective of the work performed by the external Stakeholder Panel was to review Geberit's Sustainability Strategy and reporting and support further development. This involved analyzing whether the most important topics were included in sustainability reporting and whether the concerns of the stakeholders were taken into consideration. In particular, the panel examined the extent to which the principles of "inclusivity" (participation of stakeholders), "materiality" (relevance and significance to stakeholders) and "responsiveness" (response to stakeholder issues) were considered in the reporting. The results of the Stakeholder Panel are presented in the → **Panel statement**. Some recommendations of the panel have already been included in the sustainability reporting and the updated Sustainability Strategy. Please also refer to the → **Response from Geberit to the Panel statement**.

3.6 Boundary of the report

The report covers the entire Geberit Group (see → **2.3**, → **2.4**, → **2.5** and → **2.6**). If only part of the company is meant as an example or due to the availability of data, this is clearly indicated.

3.7 Special limitations

There are no special limitations.

3.8 Joint ventures, subsidiaries, outsourced operations, etc.

There were no material changes in the Group structure during the period under review which significantly influence reporting.

3.9 Data measurement techniques and bases for calculations

The guidelines and assessment rules of the GRI G3 Standard were applied wherever the data situation permitted.

Environmental area:

- All relevant environmental and occupational safety data is recorded in a Group-wide software program newly implemented in 2012 and analyzed within the scope of the corporate eco-balance and energy master plan.
- The Swiss Ecological Scarcity Method (2006 version) is used as the assessment method for analyzing the environmental impact (see → **DMA-EN**).
- The calculation of the relative environmental impact and relative CO₂ emissions is based on currency-adjusted sales. For prior-year and multi-year comparisons, currency-adjusted sales are applied with respect to the base year in question.
- The calculation of energy (see → **EN3** and → **EN4**) and greenhouse gas data (see → **EN16**) is based on the internationally recognized Ecoinvent database (Version 2.0) and the continental electricity mix for Europe, the US and China. The data covers the Scope 1 and 2 areas as well as Scope 3 to a certain extent as per the GHG Protocol (see The Greenhouse Gas Protocol (GHG) Initiative - A Corporate Accounting and Reporting Standard (Revised Edition, 2004) of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)). A separate life cycle assessment (LCA) was drawn up for the production and use of biogas in Pfullendorf (DE).
- The calculation of other air emissions (see → **EN19** and → **EN20**) is now based on the Ecoinvent database (Version 2.2), the continental electricity mix for Europe, the US and China and also takes into account specific emission factors for diesel vehicles with particle filters. This entails deviations in the results compared with the previous year. "Direct emissions" comprise emissions from the burning of combustibles and fuels as well as the consumption of solvents. "Indirect emissions" comprise emissions from the production of electricity.
- Since 2010, data on the transport services (Intercompany and Distribution) of the most important transport service providers has been recorded by the new Logistics Center in Pfullendorf (DE), and the environmental impact calculated along the same lines as the corporate eco-balance. In addition to direct emissions (emissions at the tail pipe), the assessment also includes the provision of fuel, vehicles and infrastructure. The Ecoinvent database (Version 2.1) is used as the basis for the data. The system scope has been retained for the 2012 data (see → **EN29**).
- Business flights were recorded and included in the assessment for the first time in 2012. The flight distances are calculated according to the respective departure and arrival airports. The CO₂ emissions comprise direct and indirect emissions and are based on the Ecoinvent database (Version 2.2).
- The water footprint that was newly created in 2012 and covers the entire value chain is a simplified balance sheet based on the Ecoinvent database (Version 2.1). All water flows contained in Ecoinvent except for turbine water were taken into account. The calculation includes water consumption for the provision of raw materials, production at Geberit, use of the manufactured products (WC cisterns, urinal flush controls and lavatory taps) during their entire service life, and disposal.
- The CO₂ footprint newly created in 2012 is based on the same assumptions as the water footprint. Emissions from logistics were additionally taken into consideration. In the usage phase, both water consumption (energy for water supply and the disposal of non-polluted waste water) and energy for the provision of warm water (lavatory taps) were taken into account.

Employees area:

Quantitative data on employees (see → **Employer Responsibility (LA)**) is collected using a central management information system, with the indicators calculated in accordance with GRI standards. Data collection on occupational accidents and monitoring of the long-term objectives regarding occupational safety is now carried out using a Group-wide software program.

Additional qualitative data on the topics of attractive employer, conduct with integrity, fair business partner, environmental protection and product liability are collected in accordance with GRI standards by means of an annual binding survey at all Geberit Group companies.

3.10 Effects of any restatements of information provided in earlier reports

The annual sustainability reporting for the 2006 to 2012 financial years is based on the GRI G3 guidelines in force since October 2006. In this way, Geberit has developed a consistent reporting system in which individual indicators are further developed each year. If, in individual cases, a new form of presentation, calculation method or optimized data collection has led to other results for the previous years then this is noted as a restatement under the respective indicator.

3.11 Changes from previous reporting periods in scope, boundary or measurement methods

There were no significant changes during the reporting period with regard to scope, reporting limits or measuring methods. If, in individual cases, a new measuring method is used then this is noted under the respective indicator or under → **3.9**.

3.12 GRI Content index

This extensive Sustainability Performance Report is classified in accordance with the requirements of the GRI G3 guidelines and therefore serves simultaneously as a GRI content index.

3.13 External assurance for the report

As part of the sustainability reporting on the 2012 financial year, Geberit for the first time initiated and consulted a panel of external stakeholders in order to review the Sustainability Strategy and reporting. The results of the Stakeholder Panel are presented in the → **Panel statement**. In the → **Response from Geberit to the Panel statement**, Geberit deals in detail with the external assessment and the recommendations contained therein. The process fulfilled the requirements of the Global Reporting Initiative (GRI) for an external assurance procedure in order to achieve a GRI A+ Level as confirmed by GRI (see → **GRI Statement**).

4. Governance, commitments and engagement

4.1 Governance structure, committees under the Board of Directors

The Board of Directors of Geberit AG consists of a maximum of seven members. The term of office for members is a maximum of three years, and the statutory retirement age is 70. Reelection is on an individual basis and is staggered. The Board of Directors has formed two committees. The Personnel Committee prepares proposals concerning human resources decisions, remuneration regulations and models as well as the annual remuneration of the Board of Directors and Group Executive Board, and submits these to the full Board of Directors. The Audit Committee is the overall supervision body for internal and external audits and monitors financial reporting.

For details of the organization of the Board of Directors in accordance with the "Organizational Regulations for the Board of Directors of Geberit AG", see → www.geberit.com > Investors > Corporate Governance > Board of Directors.

4.2 Separation of chair of Board of Directors and Executive Management

The Chief Executive Officer (CEO), Albert M. Baehny, has also been Chairman of the Board of Directors since 2011. For further information, see → [Business Report > Corporate Governance > Board of Directors](#).

4.3 Independent members of the Board of Directors

The Board of Directors consists of six members (five men and one woman), of whom only the Chairman, Albert M. Baehny, is simultaneously involved in operative management in his capacity as CEO. All of the committees formed by the Board of Directors are comprised exclusively of independent members. For further information, see → [Business Report > Corporate Governance > Board of Directors](#).

4.4 Mechanisms for shareholders and employees to address recommendations to the Board of Directors

For the participatory rights of the shareholders, see → [Business Report > Corporate Governance > Participatory Rights of the Shareholders](#). There is no employee representative on the Board of Directors. The employee representatives of the European sites meet regularly within the context of the Geberit Europe Forum with a member of the Group Executive Board and the Head Corporate Human Resources. Selected concerns can be addressed to the Board of Directors through this channel.

4.5 Linkage between compensation for the highest bodies and the organization's performance

The remuneration of the independent members of the Board of Directors is paid in the form of shares and set out transparently in the Annual Report. These shares are blocked for two years. The Board of Directors receives a discount on the share price that is dependent on the success of the company; this discount corresponds to that of the employees within the scope of the employee participation plans.

For further information, see → [Business Report > Corporate Governance > Compensations, Shareholdings and Loans](#).

4.6 Processes in place for the Board of Directors to avoid conflicts of interest

The → [Organizational Regulations for the Board of Directors](#) of Geberit AG and the → [Organization regulations of the Personnel Committee](#) stipulate how conflicts of interest of members of the Board of Directors are avoided. The members of the Board of Directors are obliged to refrain from involvement in the handling of matters affecting either their personal interests or those of a company with which they have an affiliation. This obligation to refrain from involvement has no influence on the requirements for a quorum when passing resolutions. Business dealings between the company and members of the executive or governing bodies or related parties are subject to the principle of conclusion at conditions as with independent third parties.

Furthermore, the Geberit Group has no equity or voting cross-shareholdings with other companies.

4.7 Determining the qualifications of the Board of Directors with regard to sustainability issues

There are no formal procedures for determining the qualifications of members of the Board of Directors in environmental and social matters. For further information, see → [Business Report > Corporate Governance > Board of Directors > Election and Term of Office](#).

4.8 General principles and codes of conduct

Among the most important mission statements and principles are the following:

- Geberit Compass with the central ideals, see → www.geberit.com > Company > Vision and Strategy.
- Geberit Code of Conduct for Employees, see → www.geberit.com > Company > Vision and Strategy.
- Geberit Code of Conduct for Suppliers, see → www.geberit.com > Company > Sustainability > Purchasing and Logistics.

- SQS and IQNet Certificate ISO 9001/14001 (including Appendix), see → [www.geberit.com > Company > Sustainability > Production](#).
- UN Global Compact, see → [www.geberit.com > Company > Sustainability > UN Global Compact and Memberships](#).

4.9 Procedures of the Board of Directors for overseeing sustainability performance

Geberit's longstanding success is based on the fact that, together with the Board of Directors, the Group Executive Board pursues a long-term perspective, thus enabling the company to demonstrate its performance clearly in areas also including environmental protection and sustainability. The → **Sustainability Strategy** is examined and approved by the Group Executive Board and Board of Directors. Results and the achievement of objectives are submitted to the Group Executive Board and Board of Directors for verification at least once annually. This also comprises the → **Communication on Progress UN Global Compact** and the Geberit Compliance Report, including the audit results with respect to the Code of Conduct.

The way in which the topic of sustainability is approached has been regularly reviewed within the company. For around 20 years, Geberit has had an Environment/Sustainability department, which has been reporting directly to the CEO for the past eight years. In recent years, this department has coordinated the further development of the Sustainability Strategy and related activities, although the responsibility for planning and implementation lies with the individual areas themselves.

4.10 Processes for evaluation of the sustainability performance of the Board of Directors

There is no formal procedure for assessing the performance of the Board of Directors from an integrated sustainability perspective. For the procedure for remuneration of members of the Board of Directors, see → **Business Report > Corporate Governance > Compensations, Shareholdings and Loans**.

4.11 Precautionary approach

The precautionary principle plays an important role for Geberit as a production company. This is defined in the → **Geberit Code of Conduct** and reflected in the integrated Geberit management system (quality, environment, safety). In operations it is implemented by means of preventive approaches for environmental protection, occupational safety and quality assurance; see → **combined Group certificate for quality and environment in accordance with ISO 9001 and ISO 14001**. In line with the "best-in-class" approach, ambitious long-term goals were drawn up at the end of 2012. For example, by the year 2020 the aim is to reduce absolute CO₂ emissions by 20% compared with the base year 2000 (based on organic growth) and to halve accident rates compared with 2010.

An extensive system for the control and management of all risks involved in business activities is in place throughout the Group. The internal control system (ICS) for Geberit's financial reporting defines control measures which reduce the respective risks. For further information, see → **Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 4**.

4.12 External agreements and initiatives

Geberit has been a formal member of the UN Global Compact since October 2008 and was a founding member of the local Swiss network in 2011. The company has been a member of the Transparency International organization since June 2000 and supports its objectives for combating corruption. Through the voluntary application, introduced in 2007, of the G3 Guidelines of the Global Reporting Initiative (GRI) in the Sustainability Report and GRI Report, Geberit makes an active contribution towards ensuring transparency and comparability in sustainability reporting. Furthermore, the company became a member of the non-profit organization "Swiss Water Partnership" in 2012. The goal of this platform is to bring together all those involved in the topic of water supply (from the academic, business, public and private spheres) in order to address future challenges in this area jointly. This partnership also aims to promote international dialog on water.

4.13 Membership in associations and organizations

Geberit is involved in various associations and organizations that make a contribution toward sustainability. In addition, various Geberit companies are members of national associations on topics such as environmentally-friendly production, energy, waste management and employee protection. For major commitments, see → [www.geberit.com > Sustainability > UN Global Compact and Memberships](#).

4.14 Relevant stakeholder groups

Significant stakeholder groups for Geberit are customers, shareholders and analysts, banks, the media, employees, trade unions, neighbors and municipalities, suppliers, transport companies, competitors, associations, non-government organizations and the general public, governments and regulators, and research institutes. Details of stakeholder engagement can be found under → **4.16**.

4.15 Basis for selection of stakeholders

Systematic dialog with stakeholders helps Geberit to identify possible conflict issues and opportunities for further development and to respond to these in good time. At the national and international levels, the Geberit Group and the Group companies maintain relations with organizations and institutions in the respective countries that direct requests and suggestions to the company. The stakeholders listed under → **4.14** have been identified as important for systematic stakeholder dialog as they fulfill at least one of two criteria: Either the stakeholder group exerts a strong influence on the economic, environmental or social performance of Geberit and/or the stakeholder group is strongly affected by the economic, environmental or social performance of Geberit.

4.16 Approaches to stakeholder engagement

As part of sustainability reporting on the 2012 business year, Geberit for the first time initiated and consulted a panel of external stakeholders. The objective of the work performed by the external Stakeholder Panel was to review Geberit's Sustainability Strategy and sustainability reporting. This involved analyzing whether the most important topics were included in sustainability reporting and whether the concerns of the stakeholders were taken into consideration. The results of the Stakeholder Panel are presented in the → **Panel statement**. In the → **Response from Geberit to the Panel statement**, Geberit deals in detail with the external statement and the recommendations contained therein.

A stakeholder analysis is performed at all production companies as part of environmental management in accordance with ISO 14001. Requirements are recorded situationally in stakeholder dialogs. Based on this information, Geberit identifies potential for conflict or opportunities and essentially pursues a cooperative approach in order to discuss and further develop possible measures with the stakeholders concerned.

Engagement of stakeholders according to stakeholder group and type:

Customers:

- Customer contacts: Around 500 technical advisors working in the field are in daily contact with plumbers, planners and architects in particular.
- Training: During the reporting year, around 30,000 customers were provided with basic and further training in Geberit systems and software tools at the 25 information centers in Europe and overseas.
- Two major European customers, Saint Gobain (FR) and GC Group (DE), made use of Geberit's best practice experience in the areas of eco-design and sustainability for their internal training in 2012.
- Trade fairs and customer surveys: see → **Business Report > Business and Financial Review > Customers**

Shareholders, analysts:

- Participatory rights of shareholders, see → **Business Report > Corporate Governance > Participatory Rights of the Shareholders**
- Regular conference calls, bilateral meetings, conferences and roadshows by the CEO, CFO and Head Corporate Communications & Investor Relations

Media:

- Regular conference calls, bilateral meetings/interviews with the relevant media for Geberit
- Sustainability issues and in particular the proof of performance and role model status of Geberit in this area are playing an increasingly important role in Geberit's media relations

Employees:

- Geberit Europe Forum: Regular meetings of the employee representatives of the European sites with a member of the Group Executive Board and the Head Corporate Human Resources
- Training and feedback opportunities on topics regarding the Code of Conduct, see → **S03**
- Group-wide employee survey carried out in 2011, see → **Business Report > Business and Financial Review > Employees**
- Introduction of Group-wide "Geberit Integrity Line" from January 2013 enabling all employees worldwide to report internal incidents anonymously.

Neighbors, municipalities:

- Consultation with and inclusion of the neighbors of production plants in larger construction projects
- Open days at various production sites

Suppliers:

- Initial contact within the scope of the assessment procedure and implementation of the Code of Conduct for Suppliers
- Regular discussions between buyers and suppliers, both on-site and within the context of audits (quality, environment, safety) provide additional points of reference for collaboration
- On-site audits carried out by Geberit and since 2012 by certified third-party specialists
- Compilation of an ambitious 10-point paper as a guideline for the sustainable generation of biogas at the block heating station at the plant in Pfullendorf (DE) together with the producers and the German environmental organization BUND

For further information, see → **HR2**

Transport companies:

- Discussions with transport service providers concerning the implementation of environmental monitoring, see → **EN29**
- Joint conducting with vehicle manufacturer of a feasibility study on the deployment of natural gas-powered trucks

Associations:

- Involvement in the associations listed under → **4.13** with participation in corresponding management bodies and programs at least once a year, generally more frequently

Non-government organizations, general public:

- Mike Horn Pangaea expedition and the Swiss development organization Helvetas: see → **Business Report > Business and Financial Review > Social Engagement**
- New partnership with the Swiss WaterKiosk Foundation

Feedback from stakeholder dialogs is incorporated into the → **Sustainability Strategy** and associated measures.

4.17 Response to and dealing with key topics and concerns of stakeholders

The topics introduced by the external → **Stakeholder Panel** have been integrated into the updated Sustainability Strategy and reporting by Geberit; see → **Panel statement** and the → **Response from Geberit to the Panel statement**.

Examples of important topics that were introduced by stakeholders and have been implemented by Geberit include:

- Expansion of the portfolio of water-saving products: see → **EN26**.
- → **Water footprint**, covering Geberit's entire value chain
- Transparency with "WELL" in the selection of water-saving products: see → **Business Report > Business and Financial Review > Sustainability**.
- Customer training: see → **Business Report > Business and Financial Review > Customers**.
- Reduction in the paper consumption entailed by user manuals on the basis of customer feedback: see → **EN26**.
- Long-term CO₂ strategy: see → **Business Report > Business and Financial Review > Sustainability**.
- Transparency in the eco-balance results of logistics services: see → **Business Report > Business and Financial Review > Logistics and Procurement**.
- "Best-in-class" approach to occupational safety: see → **Business Report > Business and Financial Review > Employees**.
- Implementation of social projects: see → **Business Report > Business and Financial Review > Social Engagement**.

5. Economy (EC)

DMA-EC Management approach economy

As a key objective of the company, the economic performance of the Geberit Group is under the strategic control of the Board of Directors and the operational management of the Group Executive Board (aspects economic performance, market presence, indirect economic effects).

A clear business strategy and its consistent implementation are crucial for sustainable success. The focused, tried-and-tested strategy rests on four strategic pillars:

1. Focus on sanitary technology
2. Commitment to innovation
3. Selective geographic expansion
4. Continuous optimization of business processes

For more detailed explanations of the four strategic pillars, see → [www.geberit.com > Company > Vision and Strategy](#).

For a discussion of the economic position of the Geberit Group, see → [Business Report > Business and Financial Review](#).

EC1 Economic performance

Significant indicators for the generation and distribution of value in accordance with the GRI requirements can be found in the financial report:

Direct Economic Value Added

Sales and operating profit, see → [Financial Report > Consolidated Financial Statements Geberit Group > Income Statements](#).

Economic Values Passed On

- Operating expenses excl. personnel expenses, see → [Financial Report > Consolidated Financial Statements Geberit Group > Income Statements](#).
- Personnel expenses, see → [Key Figures Sustainability > Employees and Society](#).
- Payments to providers of capital, see → [Financial Report > Consolidated Financial Statements Geberit Group > Consolidated Statements of Cashflows](#).
- Social engagement, see → [EC8](#).

Retained Economic Values

- Investments in and divestments of property, plant and equipment, see → [Financial Report > Consolidated Financial Statements Geberit Group > Consolidated Statements of Cashflows](#).
- Share buyback, see → [Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 22](#).

EC2 Financial implications of climate change

Climate change is influencing the availability of water resources throughout the world. Water is more valuable than ever before. A study published in 2010 by SAM, a global asset management company focused on sustainable asset management, names four main reasons why water will increasingly become a central issue for the future: the increase in the world's population, an antiquated or non-existent infrastructure for drinking water supply and wastewater disposal, increasing demands on water quality, and climate change leading to shifts in the water balance. These trends will determine the sanitary technologies of the future. Water-saving, resource-efficient products will become increasingly important. Geberit is taking advantage of the opportunity to meet the growing worldwide demand for water-saving products and to contribute towards the diligent handling of water, thus making a name for itself as a leader in sustainability. Products classified as special water-saving products already make a substantial contribution to Group sales → [Business Report > Business and Financial Review > Sustainability](#).

Compared to this relatively big opportunity, Geberit is exposed to an average risk of natural disasters triggered by climate change which can fundamentally affect production areas or transport areas. None of the production sites is particularly at risk in this respect. As Geberit does not operate in the classically energy-intensive industries, there are currently no special CO₂ regulations such as statutory emission limitations, etc. On the other hand, Geberit is indirectly affected by higher energy or raw materials prices and by generally increasing requirements in terms of energy management. With its internal energy master plan and the measures related to its CO₂ strategy (see → [EN18](#)) Geberit is reacting proactively and is working continuously on saving energy, improving its energy efficiency and reducing its CO₂ emissions. In this way, the company is saving on energy costs and reducing the risks associated with CO₂ emissions.

As far as corporate risks are concerned, the Audit Committee of the Board of Directors introduced a comprehensive system for the monitoring and management of the risks associated with the company's business activities, including the risk category CO₂ emissions, see → [Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 4](#).

There is no systematic, data-supported analysis of the financial consequences of climate change for Geberit.

EC3 Scope of the organization's defined benefit plan obligations

The Geberit Group sponsors defined benefit plans for its employees in Switzerland, Germany, Austria and the US. For more information, see → **Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 3 > Retirement Benefit Plans**.
→ **Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 17**.

EC4 Significant financial assistance received from government

Significant assistance received from the public sector includes:

- For information on income taxes, see → **Financial Report > Consolidated Financial Statements Geberit Group > Notes > Note 27**.
- Because of new investments to promote the respective business location and secure jobs, Geberit received government investment subsidies totaling approximately CHF 1.7 million in the reporting year (Switzerland: CHF 0.7 million, Germany: CHF 1.0 million).
- Contributions received to support training and part-time employment prior to retirement amounted to CHF 0.6 million (Germany: CHF 0.4 million, Austria: CHF 0.2 million).

The public sector is not represented on the Board of Directors of the Geberit Group.

EC5 Ratio of standard entry-level wage compared to local minimum wage

Geberit pays market-rate wages, taking into account local circumstances and laws. When selecting employees and determining their assignment in the company, Geberit attaches great importance to qualifications appropriate to the task description. Nowhere in the world are employees hired at minimum wage.

This information partially covers the requirements of the GRI indicator.

EC6 Selection of locally based suppliers

Geberit pursues a procurement policy that focuses on low costs, safety and independence. Before a collaboration agreement can be concluded, a multiple-stage risk analysis and assessment including environmental and social risks is carried out for every new supplier (see also → **HR2**). Taking account of all aspects relevant to purchasing (guidelines in the Geberit Group's purchasing manual), there are no directives concerning preferential treatment of local suppliers, especially from certain countries. However, Geberit supports regional organizations for disabled persons and the long-term unemployed (see → **EC8**).

EC7 Procedures for local hiring

Geberit has no personnel policy or employment practices providing for the preferential treatment of persons from local vicinities in connection with the hiring of members of management boards for the respective country organizations.

EC8 Investments in infrastructure and services primarily for public benefit

Donations and financial contributions, including product donations, totaling CHF 2.7 million (previous year CHF 2.7 million) were made during the reporting year. In addition, Geberit employees contributed approximately 2,335 hours of charitable work as part of social projects (previous year 2,390 hours). Geberit also supports facilities for disabled persons and the long-term unemployed, where simple installation and packaging work for a total amount of around CHF 4.8 million was carried out in 2012 (previous year CHF 3.5 million). See also → **Key Figures Sustainability > Employees and Society**.

As defined in its vision, Geberit wants to make a sustainable contribution to improving the quality of life of people. To this end, various social projects are supported on site with products, know-how and financial contributions. Care is taken to ensure that the topic of water plays a central role and that the projects exhibit a substantial relationship to Geberit's core competencies and corporate culture. The focus was on the following projects and partnerships in 2012:

- Execution of a → **social project** in Port Elizabeth in South Africa: Renovation of sanitary facilities at a primary school with 850 children
- Conclusion of a partnership with Mike Horn and his Pangaea project
- Continuation of the partnership with Helvetas to provide clean drinking water for one million people (this target was reached early in 2012, ahead of schedule)
- New partnership with the Swiss WaterKiosk Foundation to clean polluted drinking water using a solar pasteurization process

For more information, see → **Business Report > Business and Financial Review > Social Engagement**.

EC9 Indirect economic impacts

There is no systematic, data-supported analysis concerning indirect economic impacts. Geberit nevertheless pursues a long-term approach in dealings with its customers and stakeholders, thereby making a significant contribution to their economic development.

Geberit sets important trends for the sanitary industry: With innovation and new products that are sold and implemented worldwide by wholesalers, plumbers and planners and make a contribution to economic development. This is supplemented by providing training, advice and intensive support to plumbers and planners, see → **Business Report > Business and Financial Review > Customers**.

Geberit uses its know-how to set industry-wide standards for water conservation and the relief of water and waste water systems. For example, Geberit actively worked on adapting the applicable standard for the dimensioning of waste water piping to smaller diameters. This is important so that the full functionality of the piping system is ensured even with lower quantities of waste water. Geberit also supported the launch of WELL (Water Efficiency Label), a product classification system for water-saving and resource-efficient sanitary products that was introduced in 2011.

Also to be emphasized are the economic impacts on suppliers, transport companies and the local economic regions of the production sites. The Group's cost of materials in 2012 was CHF 590.7 million (previous year CHF 587.9 million). Geberit has relations with a total of more than 1,200 suppliers. The company does not have its own transport fleet and contracts external transport companies for logistics services. Geberit places its faith in its 16 production companies in Europe, China and the US as well as in its Logistics Center in Pfullendorf (DE), in which it continuously invests.

This information partially covers the requirements of the GRI indicator.

6. Ecology (EN)

DMA-EN Management approach ecology

Geberit has long stood for a high level of environmental awareness and been committed to environmentally friendly, resource-efficient production as well as the development of water-saving and sustainable products. Environmental criteria are considered in all decision-making processes. In addition, processes are continuously being optimized so that a proven high standard is achieved which often greatly exceeds legal requirements. Geberit's environmental principles are defined in the → **Code of Conduct**.

Systematic, Group-wide environmental management takes center stage. This is the remit of the central Environment and Sustainability department that reports directly to the CEO. Guidelines and measures pertaining to all aspects of the GRI environmental guidelines are coordinated here. Since 1992, a network of environmental managers has been practicing active environmental protection at the production plants, thus ensuring that the measures are implemented worldwide. For objectives and measures for production, see → **www.geberit.com > Sustainability > Sustainability Strategy**.

Since the beginning of 2007 Geberit has had a → **combined Group certificate for quality and environment in accordance with ISO 9001 and ISO 14001**, which by now covers all production locations and logistics services. This certificate was renewed for another three years in 2012. The persons in charge at all locations meet at least once every year to exchange experiences and share best practice. The most recent meeting took place in September 2012.

The preparation of an annual corporate eco-balance has been an integral part of Geberit's environmental strategy since 1991. The corporate eco-balance covers all 16 production plants worldwide, the Logistics Center in Pfullendorf (DE) and the eight largest sales companies. The corporate eco-balance enables an overall assessment of the environmental impact and its largest contributing factors. This makes it possible to calculate the total environmental impact of the Geberit Group in terms of eco-points and monitor the implementation of the environmental targets. Key figures for environmental impact, energy consumption and the CO₂ emissions triggered by the transport of Geberit products are reported separately. The CO₂ emissions generated by air travel were also recorded for the first time. To improve the systematic data collection, new Group software for the corporate eco-balance, energy master plan and occupational safety was introduced in 2012.

The absolute environmental impact for the Group declined by 5.1% in the reporting year (previous year increase of 0.4%). This is explained by improved electricity efficiency, a substantial increase in the share of green electricity, and the first-time use of biogas to replace natural gas. Sales after currency adjustment grew by 4.5% in the same period. The relative environmental impact with respect to sales (currency-adjusted) improved by 9.3% and considerably exceeded the target figure of 5%.

Detailed key figures on the environmental impact are provided at → **Key Figures Sustainability > Environment**.

EN1 Materials used

The most important materials for production are plastics, metals, semi-finished and finished products. A total of 177,762 metric tons of materials were used in 2012 (previous year 173,120 metric tons). Detailed key figures on the use of materials can be found at → **Key Figures Sustainability > Environment**.

For packaging materials used, see → **EN27**.

EN2 Percentage of recycled material

When estimating the share of recycled material in production, a distinction is made between external and internal sources of raw materials for reasons of expediency.

External sources:

The share of recycled metals purchased are relatively high. The data is based on Geberit's product life cycle assessments for supply pipes for buildings (2009). Extrapolated, the raw material metal purchased contains around 54% or 24,000 metric tons of recycled material.

Internal sources:

In terms of the raw material plastic, material to be recycled is generated primarily internally and is ground on site or via a decentralized mill and fed back into the process. The proportion fluctuates depending on the manufacturing process. For blow molding it is around 35%, for fitting injection molding around 15%, depending on product class, and for pipe extrusion around 3%.

EN3 Direct energy consumption

Geberit generally uses energy purchased externally. The direct energy carriers (Scope 1) include heating oil extra light, natural gas and the fuels diesel and gasoline. Since 2012, a new → **block heating station** has been in use in Pfullendorf (DE). This plant was fed by 9.4 GWh of regionally produced biogas. The electricity generated by the plant (3.5 GWh) is fed into the transmission grid and the resulting heat (4.1 GWh) can be used in production, thereby substantially reducing the use of natural gas. The efficiency of the plant is 81%. Consumption of natural gas was reduced by 11.1% (previous year reduction of 9.9%) and heating oil consumption was reduced by 39.9% (previous year reduction of 61.9%). Fuel consumption increased slightly by 3.5% (previous year reduction of 0.8%).

For detailed key figures on energy consumption, see → **Key Figures Sustainability > Environment**.

EN4 Indirect energy consumption

At Geberit, only electricity consumption is significant for indirect energy consumption (Scope 2), and it simultaneously represents the greatest environmental impact. The share of green electricity was increased by 7 GWh to just under 20 GWh in 2012 and now accounts for 18% of total electricity consumption.

Since 2012 the Group for the first time also generated 3.5 GWh of electricity in a → **block heating station** powered by regional biogas in Pfullendorf (DE). This electricity was fed into the transmission grid.

In terms of end energy, electricity consumption declined by 0.7% in spite of higher production (previous year increase of 5.0%).

For detailed key figures on electricity consumption and the electricity mix, see → **Key Figures Sustainability > Environment**.

EN5 Energy saved

In addition to the insulation of buildings, important energy saving measures include the continuous modernization of the machine fleet, increasing the efficiency of production installations, the optimization of cooling plants through the use of natural ambient cold (free cooling), improved use of waste heat (heat recovery) as well as the careful use of compressed air. Numerous technical measures resulted in noticeable efficiency gains: The number of injection molding machines retrofitted or purchased new with energy-efficient drive technology was increased from 28 to 74 in 2012. A new powder coating plant was commissioned in Lichtenstein (DE) in mid-2012, which allowed the company to substantially increase its productivity and reduce the energy consumption per manufactured item by around 40% while at the same time reducing the use of hazardous materials.

Although no quantitative summarized breakdown of energy savings according to measure implemented is available, systematic energy management has been expanded further. The plan is to certify selected production plants to ISO 50001 (energy management) for the first time in 2013/2014.

By carefully planning new buildings, the company is also investing in the energy-efficient infrastructure of the future. Measures include the preparation of a comprehensive energy strategy for the new production plant in Slovenia as well as the use of rainwater, external shading and optimized ventilation and cooling at the new production plant in India.

This information partially covers the requirements of the GRI indicator.

EN6 Energy-efficient products

The biggest environmental contribution by the Geberit products lies in the conservation of water, which indirectly also saves on energy. The creation of the infrastructure for drinking water supply and waste water disposal, the conveyance, processing and distribution of water and the subsequent purification of the waste water in a wastewater treatment plant also consume resources and energy. According to the Ecoinvent database (Version 2.1), 9.3 MJ of energy are required per cubic meter of water and 0.61 kg of CO₂ emissions are released (reference values for Europe). The → **water footprint** prepared for the first time in 2012 covers the entire value chain and shows that almost 100% of water consumption occurs during the usage of the products. The picture is similar for the CO₂ emissions: Around 67% of the total CO₂ footprint occurs during usage.

The total water savings achieved by Geberit products in use throughout the world are impressive: According to one model calculation, the entire dual-flush and flush-stop «fleet of cisterns» produced since 1998 has saved around 13,800 million cubic meters of water to date in comparison with traditional flushing systems. In 2012 alone, the water saved amounted to 1,850 million cubic meters.

Direct energy savings are implemented thanks to systematically improved energy efficiency. Current examples include:

- With the electronic lavatory taps type 185 and 186, the company has for several years been offering environmentally friendly products for public facilities that reduce water consumption. The taps, which were awarded the top A category by the WELL water efficiency label, ensure economical water-saving consumption thanks to their control electronics. Since spring 2012, a new generator unit has been using the energy of the flowing tap water to generate the required electricity, thus making electronic taps independent of mains current or batteries. For more information, see → **Business Report > Business and Financial Review > Innovation**.
- The Geberit DuoFresh product, which was introduced on the market in March 2011, is a simple, effective and environmentally friendly solution for eliminating toilet odors thoroughly: Using odor extraction consumes about 20 times less energy than the traditional practice of airing the bathroom by leaving a window ajar for ten minutes.
- With its simple, modern lines and wealth of innovative technology, the new Geberit AquaClean Sela shower toilet is a compelling product offering a high level of convenience. The shower function, which uses aerated water for cleaning, is the main feature of the new shower toilet. This not only gives a pleasant feeling of cleanliness, but also reduces energy consumption. For more information, see → **Business Report > Business and Financial Review > Innovation**.

EN7 Reduction of indirect energy consumption

- Raw materials: The eco-design workshop in product development generally pursues the approach of using as few materials as possible (see → **EN6** and → **EN26**). No quantitative analyses on the resulting energy savings are available.
- Logistics: For information on the reduction of energy consumption, see → **EN29**.
- Business trips: Travel using company vehicles is covered in → **EN3**. As part of the CO₂ strategy, an ambitious fuel reduction plan for new vehicles has been defined. The emissions caused by business trips by air travel were also captured and calculated for the first time in 2012 (for both these figures, see → **EN18**).

This information partially covers the requirements of the GRI indicator.

EN8 Water consumption

The → **water footprint**, that covers the entire value chain of Geberit shows that nearly 100% of water consumption is attributable to the use of the products, while the manufacture of the products by Geberit accounts for less than 0.01% of water consumption. Geberit nevertheless serves as a role model with respect to its internal water consumption in the development and manufacture of its products and goes to great lengths to optimize its processes further every year.

Geberit uses mainly fresh water from the public water system and some well and rainwater. Thanks to targeted savings measures, the consumption of fresh and well water has been reduced by more than 35% since 2006 and is now leveling out at a low level. Consumption increased by 5.1% in 2012. Water consumption per sales (currency-adjusted) has declined by 50% since 2006, confirming that Geberit is on track to meet its long-term target of reducing consumption by 5% per year.

Key figures concerning water consumption by source can be found at → **Key Figures Sustainability > Environment**.

EN9 Water sources significantly affected by withdrawal of water

Geberit production plants' water consumption does not place a considerable burden on water sources as defined in the GRI guidelines.

EN10 Water recycling

Throughout the Group, two processes are responsible for much of the water requirements:

1. During the production of multilayer pipes in Givisiez (CH), the pipes are cross-linked in autoclaves. A total of 29,900 m³ of water was used for this purpose in 2012. Around 28% or 8,250 m³ of this is fresh water; the remaining 72% was recycled internally.
2. Newly developed products are tested at the Geberit sanitary laboratory in Jona (CH). The tests require some 130,400 m³ of water annually. Only about 3% or 3,800 m³ is fresh water. The remaining 97% is used in a closed-circuit system. Based on these two processes, the estimated proportion of recycled water in the Geberit Group is almost 60%.

EN11 Parcels in biodiversity reserves

This indicator is not relevant to Geberit. The typical activities at Geberit's production sites and the company's products and services do not endanger any sanctuaries or areas of significant biodiversity.

EN12 Impact on biodiversity in protected areas

This indicator is not relevant to Geberit. The typical activities at Geberit's production sites and the company's products and services do not endanger any sanctuaries or areas of significant biodiversity.

EN13 Protected or restored natural habitats

This indicator is not relevant to Geberit. The typical activities at Geberit production sites and the company's products and services do not endanger any natural habitats or areas of significant biodiversity.

EN14 Management of impact on biodiversity

This indicator is not relevant to Geberit. The typical activities at Geberit's production sites and the company's products and services do not endanger any sanctuaries or areas of significant biodiversity.

EN15 Influence on IUCN Red List species

This indicator is not relevant to Geberit. The typical activities at Geberit production sites and the company's products and services do not endanger any sanctuaries, areas of significant biodiversity or species on the IUCN Red List.

EN16 Direct and indirect greenhouse gas emissions

Like the water footprint, the CO₂ footprint was calculated for the first time in 2012. The CO₂ footprint covers the entire value chain – from the provision of raw materials, the manufacturing of products at Geberit, logistics and use, right through to disposal. An analysis of the CO₂ footprint revealed that product use (67%) and the provision of raw materials (20%) are by far the largest sources of CO₂ emissions. During product use, the provision of water, treatment of waste water and generation of hot water play a central role. Manufacture of the products by Geberit accounts for only 3% of the total CO₂ emissions. In a relative comparison, the transport (1%) and disposal (8%) of the products also cause fewer emissions.

CO₂ emissions are calculated as part of the annual preparation of the corporate eco-balance. The six leading substances as per the Kyoto Protocol (CO₂ fossil, CH₄, N₂O, HFC, PFC and SF₆) were used for the greenhouse gas emissions and shown as a sum parameter (CO₂ equivalents or simply CO₂). The calculation includes both direct emissions (Scope 1) from the burning of combustibles and fuels (see → **EN3**) and indirect emissions (Scope 2) resulting from electricity consumption (see → **EN4**). The emissions from the preparation of combustibles and fuels in the upstream chain (Scope 3) are included in the cumulative value (see → **EN17**).

Key figures on the CO₂ emissions are available at → **Key Figures Sustainability > Environment**.

In absolute terms, CO₂ emissions (Scopes 1 and 2) decreased by 6.6% to 71,853 metric tons in 2012 (previous year 76,903 metric tons). If one relates these emissions to sales (currency-adjusted), there is an improvement of 10.6%. At 77%, electricity consumption is by far the largest source of CO₂, followed by combustibles and fuels. Just the purchase of almost 20 GWh of green electricity in Pfullendorf (DE), Daishan (CN), Givisiez (CH) and Weilheim (DE) reduces the CO₂ emissions by more than 12,400 metric tons.

EN17 Other relevant greenhouse gas emissions

Other relevant greenhouse gas emissions (Scope 3) result from:

- The provision of combustibles and fuels (in → **EN16**) which accounted for some 1,900 metric tons of combustibles and 2,200 metric tons of fuels in 2012.
- The raw materials used and the «gray energy» purchased along with them. This is estimated for the eco-balance, and amounted to around 10,470 TJ in 2012 (previous year 10,000 TJ) and caused around 476,000 metric tons of CO₂ emissions (previous year 460,000 metric tons).
- Logistics (see → **EN29**), which caused 26,883 metric tons of CO₂ emissions in 2012 (previous year 25,501 metric tons).
- Business travel by air, which was captured for the first time in 2012 and was responsible for 603 metric tons of CO₂ emissions.

EN18 Initiatives to reduce greenhouse gas emissions

Under the established → **CO₂ strategy** the CO₂ emissions per sales (currency-adjusted) should be reduced by 5% per year on average between 2006 and 2015. With an improvement in this key figure of 10.6%, Geberit far outstripped this annual target in 2012 and is well on track with its strategy. (see → **EN16**). In line with the "best-in-class» approach, ambitious long-term goals were drawn up at the end of 2012. Based on organic growth, CO₂ emissions should be reduced by 20% by 2020 compared with the base year 2000, in line with the EU target values. In addition, the share of combustibles from renewable sources should be increased to 25% and the share of electricity from renewable sources to 60% by 2020.

The measures for implementing the CO₂ strategy are based on the three pillars "energy saving", "increased energy efficiency" and the "targeted expansion of the share of renewable energy carriers". An energy master plan is being implemented in the largest plants to manage and plan energy consumption. This provides a forward-thinking illustration of the development of energy consumption and CO₂ emissions. In Switzerland, Geberit works with the Business Energy Agency and has also obtained corresponding CO₂ certificates.

In 2012, another 2 GWh of certified green electricity was purchased by the largest production plant in Pfullendorf (DE), bringing the total for green electricity to 12 GWh. The plan is to increase this by another 2 GWh in 2013. The Daishan (CN) plant purchased around 3 GWh of wind energy in the reporting year, which accounted for around 60% of the plant's total energy consumption. The plant in Givisiez (CH) converted to 100% green electricity and purchased approximately 4 GWh of green electricity in 2012. In 2012, green electricity accounted for 18% of total electricity consumption.

The share of renewable energies when it comes to combustibles is also being increased gradually. An important milestone was reached in 2012 with the commissioning of the → **block heating station** in Pfullendorf (DE), which was fed by 9.4 GWh of regionally generated biogas. This already brought the share of renewable energies for combustibles to 20% in 2012.

The efficiency of the in-house fleet of vehicles is enhanced with a consistent purchasing policy. Since early 2008, binding guidelines have applied for the purchase of new vehicles with the goal of reducing consumption by 10% every three years until 2012. From 2013 this fuel reduction plan for new vehicles will be increased to 5% per year to reach an emission value of 100g CO₂/km by 2020 as targeted by the EU. At the same time, emission-reducing measures are being implemented. Currently 99% of all Geberit diesel vehicles have particle filters.

Geberit promotes awareness among all employees for the promotion of environmentally friendly behavior. New employees receive training on the subject of sustainability at Geberit as part of their job orientation program. In the largest plants, this is also tailored to the target group of production employees.

All targets and measures for improving the CO₂ balance sheet are disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

EN19 Ozone-depleting substances

Emissions of ozone-depleting substances, measured in CFC11 equivalents, can be calculated based on the Geberit Group's corporate eco-balance. The calculation includes both direct emissions from the burning of combustibles and fuels and process emissions (solvents) as well as indirect emissions resulting from electricity consumption.

Key figures on ozone-depleting substances can be found at → **Key Figures Sustainability > Environment**. The marked increase at a very low level is due to the increase in coolant losses.

EN20 NO_x, SO_x and other air emissions

Emissions of NO_x, SO₂, NMVOC (non-methane VOC) and dust (PM10) can be calculated on the basis of the Geberit Group's eco-balance. The calculation includes both direct emissions from the burning of combustibles and fuels and process emissions (solvents) as well as indirect emissions resulting from electricity consumption.

Key figures on these emissions are available at → **Key Figures Sustainability > Environment**.

EN21 Total water discharge

Geberit does not engage in the unplanned discharge of water. All resulting domestic waste water and all process waste water is treated. In 2012, 114,932 m³ of waste water was generated (previous year 103,308 m³ of waste water). Of this, 65% is domestic waste water that passes into the communal wastewater treatment plant (previous year 64%), and 12% (previous year 5%) is domestic waste water that is pretreated and fed into drainage ditches. The remaining 23% (previous year 31%) is waste water that is pretreated and fed to a communal wastewater treatment plant. Waste water is not directly reused by third-party companies.

Key figures on waste water can be found at → **Key Figures Sustainability > Environment**.

EN22 Waste

In 2012, the total waste was 12,185 metric tons (previous year 11,516 metric tons). Of this, 85% was channeled to recycling processes (previous year 84%). The measures focused above all on the further separation of waste and the reduction in mixed waste and hazardous waste. The following examples show that considerable progress was made in the past few years: In Weilheim (DE), the manufacturing waste was reduced by 80% in five years, mainly through the use of a new foaming plant. This pioneer project was tested and implemented in several stages. Central aspects include the use of rainwater for cleaning, which is then added to the foaming process as process water, and optimized cleaning cycles to prevent residues in the plant.

Key figures concerning waste by category are provided at → **Key Figures Sustainability > Environment**.

EN23 Significant spills of chemicals

There were no significant spills of chemicals in the reporting period.

EN24 Transport of hazardous waste

In 2012, approximately 179 metric tons of hazardous waste (previous year 203 metric tons) were disposed of by incineration and 1,199 metric tons (previous year 1,180 metric tons) were recycled. At Geberit, all waste is disposed of and recycled by licensed disposal companies.

This information partially covers the requirements of the GRI indicator.

EN25 Effects of water discharges on bodies of water

This indicator is not relevant to Geberit as no bodies of water are affected by significant water discharge from Geberit facilities as defined in the GRI guidelines.

EN26 Mitigation of environmental impact of products

The basis for sustainable products is a systematic innovation process in which the most environmentally friendly materials and functional principles possible are chosen, risks are minimized and a high level of resource efficiency is targeted for the production process as well as 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 tools and provide arguments for the use of resource-conserving products in building projects. Detailed life cycle assessments have already been prepared for the following products: Drainage and supply pipes, AquaClean 8000plus, electronic lavatory taps 185/186, concealed cisterns and urinal flush control. An Environmental Product Declaration (EPD) was prepared in accordance with the EN 15804 European standard for the first time. The new EPD for lavatory taps provides relevant, comparable and verified information on the product's environmental performance. Environmental Product Declarations for other products are in the pipeline and support the visible positioning of the company as a provider of system solutions for sustainable construction.

Examples from the product range that help to reduce the environmental impact:

- Since 2011, a new technological solution has been deployed to simplify the conversion of the large flush volume on nearly all concealed cisterns from 6 or 9 liters to 4.5 liters. The gradual conversion of the product range is creating great potential for even more water conservation.
- The new WELL water efficiency label, which was introduced by the European umbrella organization for valve manufacturers (EUnited) in 2011 and which determines the water efficiency of products in line with the European energy label, provides more transparency in the area of water conservation (see also → **PR3**). In 2012, eight Geberit product groups (comprising over 330 sales products) already bore the WELL label, seven of which are represented in the top A class and one in the B class. These also include the Sigma 12cm concealed cistern, which is one of the most important products in Geberit's product range. The eight classified product groups accounted for almost 20% of Group sales.

Advances in the reduction of the environmental impact were not only made at product level, but also with regard to product information. From 2013, the user manuals for the shower toilet will only be provided to the main markets in five instead of 22 languages. This change, which was initiated by environmentally conscious customers, is very effective, as it reduces paper consumption by some 19 metric tons per year.

EN27 Reclaimed packaging material

On the basis of an internal survey at the sites, the following estimations can be made: On the product side, approximately 7 metric tons (mainly electrical appliances) were taken back and disposed of professionally in 2012. In some markets (DE, CH), parts of the multilayer drinking water pipes (Mepla) are also taken back. The exact quantity is not known, but is also estimated to be around 7 metric tons Group-wide. In 2012,

approximately 12,320 metric tons (previous year approximately 12,480 metric tons) of packaging material were used, over 45% of which was collected and recycled by Geberit itself or by financed contract partners. The rest is disposed of and recycled on a country-specific basis.

EN28 Sanctions due to non-compliance with environmental laws and regulations

No significant fines or non-monetary penalties were imposed in the reporting year.

EN29 Environmental impact of transport

In the area of logistics, in addition to profitability and punctuality, it is increasingly important to customers that transport services be as environmentally friendly as possible. Geberit does not maintain its own fleet of vehicles. Because external logistics contributes over 30% of the Geberit Group's additional environmental impact, collaboration with the transport service providers that work with Geberit is central. Partners agree to actively support Geberit in its efforts to use energy efficiently and to reduce emissions, and undertake to provide the data needed for Geberit's environmental reports.

The logistics calculator developed in 2010 facilitates the capture of data on the vehicle fleet composition, transportation performance and fuel consumption of all transport service providers as well as the preparation of the annual eco-balance. In the reporting year, the twelve largest transport service providers handled 169.7 million ton-kilometers (previous year 168.1 million ton-kilometers). This generated 26,883 metric tons of CO₂ emissions (previous year 25,501 metric tons). The increase in transport services and CO₂ emissions was mainly caused by the increase in sales, the related increase in transport volumes and a slightly weaker mix of transport service providers. The share of Euro5 vehicles remains high at 84%.

Another important step in reducing the environmental impact is switching from road to rail. For instance, 80% of the goods transported to and from Italy are moved by train (previous year 92%). The reduction in comparison with the previous year is due to the fact that the Gotthard train tunnel was blocked for 40 days after a landslide. During this period all transports runs to and from Italy had to be made by road. The use of → **mega-trailers**, which can carry an approximately 15% greater load volume, also increases energy efficiency: In 2012 about 1,280 such transport runs (previous year 1,200) between Rapperswil-Jona (CH) and Pfullendorf (DE) and around 800 transport runs (previous year 750) between Pottenbrunn (AT) and Pfullendorf (DE) were completed in this way.

In 2013 a pilot project will be run with an environmentally friendly, gas-powered truck between Pfullendorf (DE) and Rapperswil-Jona (CH). This pioneering project will be carried out in collaboration with a transport company and a truck manufacturer. For more information, please refer to → **Business Report > Business and Financial Review > Logistics and Procurement**.

This information partially covers the requirements of the GRI indicator.

EN30 Costs of environmental protection

Approximately CHF 1.2 million was spent on environmental protection and preventive environmental management in 2012 (previous year CHF 1.2 million). This involved external advisory services and training, external certification and personnel expenditures on environmental management activities. The costs of disposal of hazardous and other waste, in turn, amounted to approx. CHF 0.6 million in 2012 (previous year 0.6 million).

7. Employer responsibility (LA)

DMA-LA Management approach to employer responsibility

Responsibility for all important aspects of the GRI guidelines with respect to labor practices at the Geberit Group lies with the Head Corporate Human Resources who reports directly to the CEO.

Geberit's most important ambassadors are its employees. They shape the company's image and represent Geberit in their day-to-day contact with customers and many other stakeholders. This task can only be performed by employees who are aware of what their company stands for and what its objectives are. Geberit's central corporate and brand values are defined in the → **Geberit Compass**. Geberit aims to act as a role model for ethically impeccable, environmentally friendly and socially responsible operations. The → **Code of Conduct** fills this objective with tangible content and to this end serves as an authoritative source of guidance.

The targeted further development of employees relies on a uniform approach for performance and talent management and since 2012 has been based on a Group-wide process with a standardized IT solution that bundles the sub-processes of performance assessment, development and compensation. This process is intended to further develop the performance culture, increase transparency and facilitate the discovery of talent.

The priority in terms of internal employee communications is for interactive, real-time communication that is accessible to all. The intranet introduced in 2009 plays a central role here. Special solutions have been developed for production employees in the form of newsletters and/or large screens for joint use. Albert M. Baehny regularly assesses the current state of the business, the economic parameters, the future prospects and general topics of interest in videos that are accessible on the intranet and via electronic newsletters. The "Integrity Line" that was designed in 2012 and launched on 1 January 2013 enables all employees to report internal incidents anonymously in their mother tongue (35 languages), thereby making an important contribution towards the upholding of high corporate standards within the Group.

Geberit also aims to pursue a "best-in-class" approach to occupational safety. There are already a large number of measures and training courses with respect to occupational safety and since 2012 there have also been guided on-site tours in order to further sharpen employees' awareness of accident risks. However, a further reduction in the number of accidents is required in order to meet our own ambitious targets. The objective is for a reduction of 5% each year so that the frequency and severity of accidents can be halved by 2020 compared with 2010.

The ability to win and retain the right employees for the company is becoming more and more important for the future. Employer branding is a component of superordinate corporate branding and creates a unique employer identity. Since 2012 Geberit has marketed itself with a new concept in terms of content and visual appearance. This more proactive image is strengthened by the company's presence at job fairs, its website and its information documents that are now more target group-specific. The objective is to sharpen its profile as a company that offers attractive international development opportunities at the interface between the craft, engineering and sales sectors.

For objectives and measures concerning employees and occupational safety, see also → www.geberit.com > Sustainability > Sustainability Strategy.

LA1 Total workforce by employment type, employment contract, and region

The number of employees rose once again in the reporting year. At the end of 2012, the Geberit Group employed 6,134 people worldwide, 130 persons or 2.1% more than in the previous year. The increase is primarily due to the – sometimes temporary – adjustment of capacities in the production plants in reaction to volume growth, focused organic growth initiatives in some markets, and the effects of the implementation of the final steps to insource the production of the AquaClean shower toilet previously manufactured by a subcontractor.

For key figures on the workforce by employment type, employment contract and region, see → **Key Figures Sustainability > Employees and Society**.

LA2 Employee fluctuation

The average fluctuation rate (in terms of employees with unlimited contracts, without natural departures and long-term leaves of absence) was 5.0% (previous year 5.3%). Including natural departures, it was 6.5% (previous year 7.4%). For key figures on fluctuation by age group, gender and region, see → **Key Figures Sustainability > Employees and Society**.

LA3 Benefits

Geberit essentially grants the same benefits to full-time and part-time employees. However, employees with fixed-term contracts are not always entitled to the same benefits as permanent employees. For example, employees in Switzerland with temporary employment contracts of less than three months are not insured in the pension fund. Geberit bases its employee benefits on country-specific standards.

LA4 Employees covered by collective bargaining agreements

An estimated 4,200 employees, and thus around two-thirds of the workforce, are currently covered by collective agreements (e.g. collective labor agreements, wage agreements). Above all in Germany, Austria and Switzerland, over 90% of employees are governed by a collective labor or wage agreement. There are no collective agreements with employees in the US and China (16% of all employees).

LA5 Notice periods regarding operational changes

Apart from country-specific obligations (arising from statutory requirements or collective agreements), there are no formal rules as to when and how often employees are to be informed. In cases of major structural changes, Geberit makes every effort to involve the employees at an early stage. The completely revamped intranet introduced in the autumn of 2009 has become a central channel for all electronic employee communications within the Group.

LA6 Percentage of total workforce represented in health and safety committees

Each of the 16 production companies and Logistics has a safety manager. Wherever possible and sensible, this function is combined with that of the environmental manager or closely linked from an organizational point of view. Ninety-five percent of the employees at all production sites and 85% of all employees worldwide are represented through an occupational health and safety panel or safety committee at their production site, in which employer and employee representatives can discuss occupational health and safety issues. As a rule, national standards for the country concerned are implemented.

This information partially covers the requirements of the GRI indicator.

LA7 Accidents, occupational illness and lost time

The Group-wide absenteeism rate for the reporting year was 3.53% (previous year 3.20%); illness-related absences accounted for 3.37% of this rate (previous year 3.04%) and 0.16% was related to occupational accidents (previous year 0.16%). These figures are based on the hours effectively worked. In 2012, these amounted to 10,680,389 hours (previous year 10,339,632 hours). The statistics show only those occupational accidents that occur during working hours or business travel and lead to lost working time of more than one day. A total of 125 accidents were recorded (previous year 144 accidents), none of which were fatal, equivalent to 2,164 lost working days due to occupational accidents (previous year 2,128 days). Employees at Geberit are not exposed to a particularly significant extent with regard to occupational illnesses. This category is therefore not covered.

The accident frequency rate (AFR) and the accident severity rate (ASR) continue to be recorded in a standardized manner. The AFR was 11.7 in 2012 (previous year 13.9); the ASR was 203 (previous year 206). These rates are calculated as the number of accidents or the number of lost working days per total working hours times one million hours.

All key figures concerning the absenteeism rate by region can be found under → **Key Figures Sustainability > Employees and Society**.

For the goals and measures for the enhancement of occupational safety, see → **www.geberit.com > Sustainability > Sustainability Strategy**.

LA8 Assistance regarding serious illnesses

At Geberit there are no operational activities involving a particularly high risk of contracting a serious illness or with a high incidence of illness.

As part of its Group-wide efforts to support employees' health and well-being, Geberit offers its employees precautionary healthcare opportunities through various offers and activities. These include, for example, sports facilities, anti-smoking training, massage services, dietary and health tips, and presentations on health-related issues. They also include reintegration counseling, which aims to get people back to work as soon as possible in the event of long-term illness. Managers are specifically trained in this respect. Examples of individual support include counseling in Rapperswil-Jona (CH) to assist with problems ranging from on-the-job pressure, partnership and family problems to debt issues, and the telephone helpline created in the US to discuss problems at work in complete confidentiality.

For further information, see → **Business Report > Business and Financial Review > Employees**.

LA9 Health and safety topics covered in agreements with trade unions

Geberit attaches great importance to a high level of health and safety for its employees. To this end, it cooperates with authorities, trade unions and employers' liability insurance associations on a country-specific basis. Written agreements exist at all production sites and individual sales companies with parties such as trade unions and employee representatives that normally cover topics such as personal protective equipment, regular inspections, education and further training and the like.

This information partially covers the requirements of the GRI indicator.

LA10 Employee education and further training

Education and further training are a central theme at the company. In the reporting year, employees across the Group attended on average around 17 hours of internal and external education and further training events (previous year 15 hours). For training hours as part of the Potentials Management process, see → **LA11**.

In 2012, 229 apprentices (previous year 232) were employed. The transfer rate to a permanent employment relationship was 92%. See → **Business Report > Business and Financial Review > Employees**.

Diese Information deckt die Anforderungen des GRI-Indikators partiell ab. This information partially covers the requirements of the GRI indicator.

LA11 Programs for skills management and lifelong learning

For the management team, the watchword is continuous training. The Potential Management process supports selected internal candidates on their way to middle or senior management or to their first management, project management or specialist functions with individual development

measures and collective modules designed to ensure that at least half of the open management positions can be filled by internal candidates. It is currently possible to fill as much as 77% of all positions in Group management internally. A new international further education program has been developed in collaboration with the International Institute for Management Development (IMD) in Lausanne (CH) for all members of the Group and country management teams. Five groups of around 30 people each take part in the program for a week. The course topics include strategic management, leadership and finance. This customized training program started with the first group at the end of 2012.

See also → **Business Report > Business and Financial Review > Employees.**

LA12 Performance and career development of employees

In everyday working life, the personal and professional development of each individual employee is encouraged in a variety of ways. This covers all areas of work, functions and age groups. Around 93% of all employees attended appraisal interviews in 2012, and around 63% had objective agreement meetings at which development opportunities were also identified. Objectives and implementation measures are defined jointly with the supervisor.

LA13 Workforce diversity

The proportion of female employees at the end of 2012 was 31% (previous year 29%), and for senior management this figure was 6.5% (previous year 5%). The six-member Board of Directors consists of one woman and five men.

For key figures on diversity in terms of gender and age structure see → **Key Figures Sustainability > Employees and Society.**

No further data on minority group membership is currently being collected as Geberit and its stakeholders do not consider this to be relevant.

This information partially covers the requirements of the GRI indicator.

LA14 Gender-based differences in salaries

Protection of the principles of equality is anchored in the → **Geberit Code of Conduct**. This includes the prohibition of discrimination against any employee on the basis of gender. According to the annual binding survey of all Geberit Group companies, no differences between the basic salaries of women and men exist anywhere within the Group. Fair and equal pay for women and men is guaranteed as follows:

- Determination of salaries primarily according to function, evaluated in accordance with the proven Hay method. A score is calculated based on the assessment criteria knowledge, thinking capacity and responsibility. The resulting number of points is the basis for determining the salary. This guarantees fair salary structures irrespective of gender.
- Binding wage agreements with set pay grades at many Geberit sites.
- An investigation carried out at four production sites in 2011 revealed no differences between the salaries of men and women. The investigation covered the pay levels of production employees within an established site in employee-friendly Germany, at a production site of many years' standing in Slovenia and at the two Chinese sites where employee protection and fair wages are largely the responsibility of the company itself.

8. Human rights (HR)

DMA-HR Management approach to human rights

In terms of information, the promotion of awareness and controlling, human rights issues related to the business activities of the Geberit Group are the responsibility of Corporate Human Resources for internal topics (equal treatment, freedom of association and the right to collective bargaining) and of Corporate Purchasing with regard to procurement practices.

The → **Geberit Code of Conduct** is authoritative in the area of human rights, among other things stipulating the exclusion of child and forced labor. Compliance with the Code of Conduct is monitored as part of a binding annual survey of all Geberit Group companies.

Long-term cooperation, reciprocal commitment, sustainability and social responsibility are important guidelines for Geberit. These acquire particular importance in the procurement of raw materials, semi-finished products, finished products and services. The high standards with respect to environmental protection, safe working conditions and fair business practices are therefore also expected from suppliers. The → **Code of Conduct for Suppliers** applies to all Geberit suppliers worldwide. Verification is the responsibility of Corporate Purchasing.

With respect to measures and objectives regarding the Code of Conduct and procurement, see also → www.geberit.com > **Sustainability > Sustainability Strategy**.

HR1 Human rights aspects in investment agreements

There are no significant investment agreements which include human rights clauses or which have been audited in terms of human rights aspects. Agreements with suppliers include human rights clauses which must be audited and upheld by Geberit suppliers; see → **HR2**.

HR2 Screening of suppliers with regard to human rights aspects

With respect to human rights violations, the greatest risk lies with suppliers, who can only be influenced indirectly. Geberit does all it can to minimize this risk and requires its business partners and suppliers to comply with comprehensive standards, above all with respect to consistent environmental protection, socially acceptable 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 geared, among other things, to the principles of the United Nations Global Compact. Upon request by Geberit, the supplier must prepare corresponding records in order to demonstrate compliance with the standards of the Code and make these available at any time. Should the supplier fail to comply with the regulations set out in this Code then corrective measures are taken. Any such failure to comply on the part of the supplier is regarded as a serious violation of the contractual agreements. If the supplier does not correct this non-compliance then Geberit terminates cooperation. As at the end of 2012, 671 suppliers had signed the Code of Conduct (previous year 603). This is equivalent to 95% of the total procurement value (previous year 93%), thereby meeting the target value of 95% for 2012. Among the top 200 suppliers, the share of companies that have signed is 99% (previous year 99%). The Code of Conduct is binding for each new supplier.

In the interests of the systematic planning and performance of audits, which are generally conducted every three years, the existing risk management approach was further developed in 2012 based on the division of suppliers into risk classes – depending on production location (country) and production processes. In the reporting year, 38 companies were identified in the highest risk category. This is equivalent to less than 5% of the entire procurement value. In order to increase the number of audits, Geberit for the first time cooperated with external partners in 2012: In China an external consultancy firm carried out the required EHS audits in three cases. Performing such audits makes an important contribution to enhancing credibility in supplier management. To anchor this aspect even more firmly, it has now been incorporated in the annual objectives of the respective purchasing managers. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedying the situation and additional follow-up audits are conducted. For example, one Chinese supply company failed to pay either wages or social benefits for several months. Geberit gave the company a two-month ultimatum by which to remedy the situation, upon which the requirements were duly met.

There are currently no plans to impose regulations on the second and third tier in the supply chain by getting them to sign a Code of Conduct as this would result in a disproportionately high level of additional administration with little added benefit. Geberit pursues a pragmatic yet effective approach. When auditing suppliers in the highest risk category, an analysis of their most important suppliers is included in the risk analysis and the audit investigations on site. At the end of the day, Geberit's goal is a modern supplier management, where the relationship with the supplier is actively managed and sustainability risks in the supply chain are jointly analyzed.

For further information, see → **Business Report > Business and Financial Review > Logistics and Procurement**.

HR3 Human rights training for employees

In 2008, more than 98% of all employees received training on the topics contained in the → **Geberit Code of Conduct**. Since 2009, all new employees have been receiving training in the Code as part of their induction, with media such as training films developed especially for this. All employees have access to the Code of Conduct via the intranet. For further details, see → **S03**.

This information partly covers the requirements of the GRI indicator.

HR4 Cases of discrimination

The Code of Conduct forbids discrimination as defined in the ILO core labor standards. Compliance with the Code is verified annually as part of a binding Group-wide survey. One case of verbal sexual harassment was uncovered in 2012. The employee concerned was given a formal warning and informative dialogs were conducted to raise awareness.

HR5 Guarantee of freedom of association and collective bargaining

Employees are completely free to join labor unions, associations and similar organizations. No rights with respect to exercising freedom of assembly or collective bargaining as defined in the ILO core labor standards are subject to restriction at the Geberit Group.

HR6 Risk of and precautionary measures against child labor

Geberit's exposure with respect to child labor is considered low because of its industry and the countries in which business activities are carried out as well as its high quality requirements. Geberit commits itself to the protection of human rights in its Code of Conduct. Child labor is categorically rejected. According to the binding Group-wide survey there were no cases of child labor revealed in 2012. There were likewise no such cases arising during the audits carried out at suppliers. The basic principles set out in the Code of Conduct for Suppliers explicitly include compliance with the ILO core labor standards for the exclusion of child labor.

HR7 Risk of and precautionary measures against forced labor

Geberit's exposure with respect to forced labor is considered low because of its industry and the countries in which business activities are carried out as well as its high quality requirements. Geberit commits itself to the protection of human rights in its Code of Conduct. Forced labor is categorically rejected. According to the binding Group-wide survey there were no cases of forced labor revealed in 2012. There were likewise no such cases arising during the audits carried out at suppliers. The basic principles set out in the Code of Conduct for Suppliers explicitly include compliance with the ILO core labor standards for the exclusion of forced labor.

HR8 Human rights training for security personnel

At its production sites in Europe, the US and China, Geberit is not confronted with the need for special security measures that increase the risk of human rights violations. To date, this problem has therefore not been relevant to Geberit within the scope of its global activities.

HR9 Violation of rights of indigenous peoples

To date, this problem has not been relevant to Geberit within the scope of its global activities.

9. Community (SO)

DMA-SO Management approach society

The corporate departments Environment and Sustainability (community aspect) and Legal Services (corruption, anti-competitive behavior, compliance with other basic laws) are responsible for questions of social responsibility related to the business activities of the Geberit Group.

Both internally and externally, Geberit places great value on dialog. The suggestions and needs of the local stakeholders are recorded at all production sites in order to counter potential problems such as noise emissions and exploit opportunities for cooperation. Thus, for example, a → "round table" with regional farmers served to reach agreement on guidelines for the generation of biogas for the Pfullendorf production site in Germany.

Geberit aims to be a model of ethical, environmental and socially responsible operations. The → **Geberit Code of Conduct** is the definitive guide for conduct with integrity in the corporate environment. For instance, fair competition throughout the world is an important principle here. Cartels of any kind and other competition-distorting activities are rejected. As a member of Transparency International Switzerland, Geberit is committed to high standards in combating corruption. There are clear guidelines for the purposes of prevention and employees receive continuous training in this area. Compliance with the guidelines is monitored as part of an annual binding survey at all Geberit Group companies (see the individual indicators for the results). Internal auditing is supplemented by on-site audits. In the event of misconduct, corrective measures are taken.

With respect to measures and objectives in the Code of Conduct, see also → www.geberit.com > Sustainability > Sustainability Strategy.

SO1 Impact on the community and public interests

The potential for conflict with public interests in the vicinity of Geberit sites is generally regarded as low. As part of environmental management in accordance with ISO 14001, a stakeholder analysis is performed at all production sites. Based on this analysis, the effects of the business activities and production on local communities and regions are assessed.

Geberit maintains good relations with its neighbors and carries out appropriate measures at its sites: for example open days, involvement in associations, etc. This is regularly recognized by the neighborhood: For example, at the end of 2012 the Weilheim-Schongau district in Germany presented the local Geberit production site with the "StandortProfi 2012" certificate for its commitment to sustainability in a corporate context. The jury of experts saw the company's particular commitment to the site as a role model for other SMEs.

For further information, see → 4.16 and → 4.17.

SO2 Analysis of business units for risks of corruption

According to the annual binding survey carried out at all Geberit Group companies, there were no cases of corruption in 2012.

The topic of corruption is also a component of the audit program for the periodic inspections of the production plants and sales companies by the Internal Corporate Audit Department. Various audit activities and interviews are carried out as part of these inspections. The annual audit planning of the Internal Corporate Audit Department is oriented to risks. Each company is audited at least every four years or more frequently if it has a heightened risk profile. In 2012, the Internal Corporate Audit Department audited a total of 19 companies. This represent approximately one third of all Geberit companies. In addition, around two to three in-depth audits are carried out each year, whereby the audit focus is on the processes of Group-wide functions (e.g. Purchasing, Logistics, Taxes, HR, IT, etc.). No cases of discrimination were revealed in the 2012 financial year.

SO3 Training on anti-corruption policies

In 2008, more than 98% of employees were informed of and trained in the Code of Conduct. With the aid of short films ("animatics"), the training focuses on gray areas in four topics of relevance: bribery (corruption), sexual harassment, workplace bullying and IT misuse. In 2012, as before, new employees were also sensitized accordingly as part of the Welcome events. In addition, since 2012 contributions toward increasing awareness of the Geberit Code of Conduct have been published on the intranet.

In 2012, all managing directors in all countries were questioned in detail about their practice of making donations (previous survey: 2009). The questionnaire was revised and expanded for this purpose. The survey results are incorporated into the compliance report.

SO4 Actions taken in response to incidents of corruption

No measures were necessary, as no cases of corruption were revealed in 2012.

SO5 Political positions and exercise of influence

As a rule, Geberit does not issue political statements and does not involve itself in political lobbying.

SO6 Political contributions

As a rule, Geberit does not make donations to parties or politicians. All donations and related commitments (see → **EC8**) are neutral from a party political point of view.

SO7 Anti-competitive behavior

There are no pending complaints alleging anti-competitive behavior.

Cartels of any kind and other competition-distorting activities are categorically rejected. After training on the subject of antitrust legislation was given to around 700 employees in Europe (managing directors, employees in the sales companies at management level and field service employees) in 2011, the comprehensive e-learning program was made available at further locations in the reporting year. At the beginning of 2013, training is to be held at the sites in China, India, South Africa, Singapore, Australia and the US. In addition, on taking up their position, managing directors new to the sales companies receive intensive training in antitrust law.

SO8 Sanctions due to non-compliance with regulations

Geberit incurred no fines in 2012 resulting from violations of statutory requirements.

10. Product responsibility (PR)

DMA-PR Management approach to product responsibility

At Geberit, product responsibility lies with several corporate departments: customer health and safety with Product Development and Quality Management, product labeling and services, advertising and customer data with Marketing, and compliance with statutory requirements with Legal Services.

For Geberit, high quality standards mean fulfilling customers' requirements of functionality, reliability and application safety to the greatest possible extent. The company is guided by the zero-error principle. Corporate Quality Management is responsible for ensuring that suitable framework conditions promote a quality culture throughout the company, and that all employees act in a quality-conscious and independent manner.

Products undergo a defined optimization process from the first draft. Product Development is responsible for ensuring that the products developed are safe and user-friendly, and that they comply with all norms and statutory requirements. As an independent department, Quality Management is responsible for defining, arranging and monitoring all necessary inspections to ensure that these requirements are met. A clear organizational distinction is drawn between development and quality management. In addition, many products are also examined by external authorization bodies.

Following market launch, an efficient handling of complaints with integrated error analysis, the initiation of sustained corrective measures and the continuous development of concepts for customer support takes place in cooperation with Sales, Production and Development. Geberit has achieved a high standard in the processing of complaints, and reacts directly and in a solution-oriented manner in each individual case.

When it comes to training its employees on Geberit products, competition, norms, industry or core topics, Geberit relies on a bundle of measures: These include a Group-wide eLearning platform rolled out in the fall of 2012 as well as global product training by specially trained instructors.

PR1 Health and safety impact along the product life cycle

Generally speaking, Geberit products and services involve low risks for customers in terms of health and safety. Geberit nevertheless adopts a preventive approach within the scope of its comprehensive quality planning in order to test and ensure the health and safety requirements of all products from development to certification, through manufacture and storage, to use and disposal. Among other things, Quality or Safety Management includes an FMEA (Failure Mode and Effects Analysis) as a precautionary measure to prevent errors and increase the technical reliability of products. Eco-design workshops are held in the course of product development in order to optimize the use of suitable and ecological materials. If the products or their use involve an increased risk to health or safety, Geberit's technical editorial staff ensures that this is communicated appropriately to customers (see → PR3).

PR2 Non-compliance with health and safety regulations

Throughout the Group, there have been no court judgments or warnings against Geberit involving contraventions of regulations on the health and safety of products and services or product and service information.

PR3 Product labeling

Most of the installation instructions are non-verbal, consisting of detailed illustrations in order to provide the most important customer-relevant information. For all products that involve the use of electricity, gas or dangerous substances, comprehensive instructions regarding target group, qualifications, use, maintenance, safety, disposal and constituent materials are provided and translated into all languages required in the respective markets. Where possible, all plastic components feature material labeling in order to facilitate recycling.

The WELL label (Water Efficiency Label) introduced in 2011 by the European umbrella organization for valve manufacturers (EUnited) is intended to address the growing environmental awareness of consumers. It takes its direction from the well-known and well-established efficiency labels for electrical household appliances and fulfills a similar function. WELL provides consumers with information about a product's water efficiency at a glance. The new classification system will also encourage responsible use of water as a resource. WELL uses a scale of A to D for products for home use and A to F for products for use in public areas. In 2012, eight Geberit product groups (comprising over 330 sales products) already bore the WELL label, seven of which are represented in the top A class and one in the B class. For more information, see → **Business Report > Business and Financial Review > Sustainability**.

PR4 Non-compliance with labeling requirements

In the reporting period there were no known cases of violation of applicable laws or voluntary codes.

PR5 Customer satisfaction

A high degree of customer satisfaction in the individual regional markets is central to Geberit's success. A customer survey among 5,400 plumbers and planners in Switzerland at the end of 2011/beginning of 2012 yielded a high response rate and satisfactory results: On a scale of 1 (not satisfied at all) to 7 (completely satisfied), Geberit received a total mark of 6.0, which is very good. Above-average marks were also achieved for the question "Would you recommend Geberit to others?" and for the company's innovative ability and competence, its technical documentation and the quality of its products. In a satisfaction survey among Dutch wholesalers of sanitary systems and technology, Geberit was ranked first while BSS Industrial in the UK chose Geberit as the supplier of the year for the second year running.

In recent years, Geberit has built up a standardized Customer Relationship Management Process (CRM) for all markets with the aim of further boosting customer satisfaction. Thanks to this system, which is specially tailored to Geberit, customers benefit from more targeted communication with the relevant contact persons.

For more information, see → **Business Report > Business and Financial Review > Customers.**

PR6 Compliance with laws and standards with regard to marketing communications

Geberit adheres to the Group-wide Code of Conduct and the statutory requirements with respect to advertising. All advertising materials worldwide are inspected from this point of view prior to each publication. Geberit does not sell any products whose sale is forbidden on certain markets or which are the subject of public controversy.

PR7 Non-compliance with communications requirements

There were no incidents in the 2012 reporting period.

PR8 Complaints regarding customer privacy

There are no known cases of complaints based on violations of data protection.

PR9 Sanctions due to non-compliance with product liability regulations

No fines have been imposed in connection with Geberit products and services or their use.

Key figures environment

Environmental impact

Environmental impact	2011 UBP	2012 UBP	Deviation %
Electricity	58,427	54,407	-6.9
Combustibles	5,430	5,020	-7.6
Fuels	5,948	6,148	3.4
Disposal	3,836	4,067	6.0
Solvents	653	760	16.5
Water and waste water	470	518	10.4
Total environmental impact	74,764	70,920	-5.1

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

Material usage

Material usage	2011 Metric tons	2012 Metric tons	Deviation %
Raw material plastics	56,102	57,320	2.2
Raw material metal	44,333	46,141	4.1
Other raw materials	956	770	-19.5
Semi-finished products	27,528	28,742	4.4
Finished products	44,201	44,789	1.3
Total material usage	173,120	177,762	2.6

Energy consumption

Energy consumption	Unit	2011	2012	Deviation %
Electricity	GWh	114.2	113.4	-0.7
Heating oil extra light	Metric tons	33.5	20.2	-39.9
Natural Gas	m ³	4,240,229	3,771,199	-11.1
Biogas	m ³	-	878,297	-
Gasoline	Liter	233,497	214,990	-7.9
Diesel	Liter	1,498,105	1,577,960	5.3

Energy consumption	2011 TJ	2012 TJ	Deviation %
Electricity	411.1	408.2	-0.7
Heating oil extra light	1.4	0.9	-39.9
Natural Gas	154.3	137.3	-11.1
Biogas	-	33.8	-
Fuels (Gasoline, Diesel)	62.2	64.5	3.8
Total energy consumption	628.4	644.7	2.5

Electricity mix

Electricity mix 2012	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	79.7	16.0	45.2	35.6	3.2
USA	7.7	8.8	70.0	19.6	1.6
China	6.0	16.1	81.8	2.1	-
Green electricity	20.0	100.0	-	-	-
Total electricity mix	113.4	30.3	40.9	26.5	2.3

Electricity mix 2011	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	87.5	16.0	45.2	35.6	3.2
USA	7.7	8.8	70.0	19.6	1.6
China	6.0	16.1	81.8	2.1	-
Green electricity	13.0	100.0	-	-	-
Total electricity mix	114.2	25.1	43.7	28.7	2.5

Water and waste water

Water and waste water	2011 m³	2012 m³	Deviation %
Fresh water and well water	130,037	136,669	5.1
Rain water	9,687	5,949	-38.6
Waste water	103,308	114,932	11.3

Emissions

Absolute CO ₂ emissions	2011 Metric tons	2012 Metric tons	Deviation %
from combustibles	11,020	9,717	-11.8
from fuels	6,741	6,994	3.7
from electricity	59,142	55,142	-6.8
Total absolute CO₂ emissions	76,903	71,853	-6.6

Relative CO ₂ emissions	2011 g CO ₂ / CHF	2012 g CO ₂ / CHF	Deviation %
from combustibles	5.2	4.4	-15.7
from fuels	3.2	3.2	-0.8
from electricity	27.9	24.9	-10.8
Total relative CO₂ emissions	36.2	32.4	-10.6

CO₂ emissions in relation to sales in CHF, currency adjusted

Air emissions		2011 Kilogram	2012 Kilogram	Deviation %
NO _x	direct	18,923	19,317	2.1
	indirect	108,378	102,006	-5.9
	Total NO_x	127,301	121,323	-4.9
SO ₂	direct	1,197	1,379	15.2
	indirect	228,812	215,768	-5.7
	Total SO₂	230,009	217,147	-5.9
NMVOC	direct	37,850	44,678	18.0
	indirect	10,355	9,597	-7.3
	Total NMVOC	48,205	54,275	11.2
Dust (PM10)	direct	412	394	-4.4
	indirect	19,431	18,422	-5.2
	Total dust	19,843	18,816	-5.5
CFC11 equivalents	direct	0.3	0.9	240.0
	indirect	2.2	2.1	-7.7
	Total CFC11 equivalents	2.5	3.0	16.3

Waste

Waste	2011 Metric tons	2012 Metric tons	Deviation %
to incineration	660	697	5.6
to inert waste landfill	363	360	-0.8
to mixed waste landfill	561	610	8.9
to external recycling	8,549	9,140	6.9
to hazardous waste incineration	203	179	-11.8
to hazardous waste recycling	1,180	1,199	1.6
Total waste	11,516	12,185	5.8

Key figures employees and society

Workforce

Workforce as of December 31	2011	Share%	2012	Share%
Germany	2,345	39	2,351	38
Switzerland	1,184	20	1,259	21
China	764	13	758	12
Austria	490	8	491	8
USA	250	4	237	4
Slovenia	214	3	224	4
Italy	101	2	113	2
Others	656	11	701	11
Total	6,004	100	6,134	100
Production	3,267	54	3,361	55
Marketing and sales	1,727	29	1,784	29
Administration	567	9	545	8
Research and development	211	4	215	4
Apprentices	232	4	229	4
Total	6,004	100	6,134	100
Unlimited	4,613	77	4,918	80
Temporary	1,391	23	1,216	20
Total	6,004	100	6,134	100
Full-time	5,706	95	5,856	95
Part-time	298	5	278	5
Total	6,004	100	6,134	100
Management	155	3	153	3
Employees	5,849	97	5,981	97
Total	6,004	100	6,134	100

Information in full-time equivalents

Diversity

Diversity as of December 31, 2012	Management %	Employees %	Total %
Proportion of female employees	6.5	31	30
Age structure			
> 45 years	39	54	54
30 - 45 years	61	25	25
< 30 years	0	21	21
Diversity as of December 31, 2011			
Proportion of female employees	5	29	29
Age structure			
> 45 years	57	37	37
30 - 45 years	42	41	41
< 30 years	1	22	22

Fluctuation

Fluctuation		2011	Rate %	2012	Rate %
Fluctuation		250	5.3	243	5.0
Fluctuation incl. attrition		2011	Rate %	2012	Rate %
Age group	> 45 years	144	7.3	116	5.5
	30 - 45 years	127	6.1	115	5.5
	< 30 years	80	12.1	87	12.6
Gender	Male	246	7.4	204	5.9
	Female	105	7.7	114	8.0
Region	Germany	82	4.2	76	3.9
	Switzerland	114	10.2	75	6.3
	China	15	13.3	12	10.8
	Austria	29	6.4	41	8.4
	USA	28	12.4	23	10.3
	Slovenia	9	4.3	8	3.8
	Italy	2	2.5	0	0.0
	Others	72	12.5	83	13.5
Total fluctuation incl. attrition		351	7.4	318	6.5

Information in full-time equivalents

attrition includes e.g. temporary absences, retirements

Training and education

Training and education	Unit	2011	2012	Deviation %
Apprentices	Number	232	229	-1.3
Training and education	Hours per employee	15	17	13.1

Personnel expenses

Personnel expenses	2011 MCHF	2012 MCHF	Deviation %
Wages and salaries	327.9	344.5	5.1
Pension contributions	23.5	28.3	20.4
Other social benefits	56.1	60.1	7.1
Other personnel expenses	28.1	30.6	8.9
Total personnel expenses	435.6	463.5	6.4

Social engagement

Social engagement	Unit	2011	2012	Deviation %
Donations and contributions	MCHF	2.7	2.7	0.0
Orders to social institutions	MCHF	3.5	4.8	37.1
Charitable work	Hours	2,390	2,335	-2.3

Health and Safety

Health and Safety	2011	2012	Deviation %
Number of occupational accidents	144	125	-13.2
Accident frequency rate (AFR)	13.9	11.7	-15.7
Lost days due to occupational accidents	2,128	2,164	1.7
Accident severity rate (ASR)	206	203	-1.5

Accident frequency rate (AFR) = Number of occupational accidents per performed total working hours times 1 million hours

Accident severity rate (ASR) = Number of lost working days due to accidents per performed total working hours times 1 million hours

Absenteeism rate per region 2012	Illness %	Accident %	Total %
Europe	4.15	0.16	4.31
Asia	0.75	0.13	0.88
USA	4.50	0.29	4.79
Others	0.57	0.00	0.57
Total absenteeism rate	3.37	0.16	3.53

Absenteeism rate per region 2011	Illness %	Accident %	Total %
Europe	3.83	0.18	4.01
Asia	0.07	0.12	0.19
USA	1.13	0.09	1.22
Others	0.77	0.03	0.80
Total absenteeism rate	3.04	0.16	3.20

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