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“The market expects the highest possible performance and seeks benefits. An innovative corporate culture serves these purposes. It enables us to deliver the right product at the right time.”

From the “Geberit Identity”

Financial Highlights

		2002	2001
Sales	MCHF	1273.0	1165.1
Change on previous year	%	+9.3	-3.6
Operating profit (EBIT)	MCHF	186.3	157.1
Margin	%	14.6	13.5
Net income	MCHF	118.1	92.1
Margin	%	9.3	7.9
Operating cashflow (EBITDA)	MCHF	295.7	261.7
Margin	%	23.2	22.5
Net cashflow	MCHF	247.1	206.8
Margin	%	19.4	17.7
Financial income (expenses), net	MCHF	(23.0)	(29.1)
Research and development expenses	MCHF	30.1	34.1
in % of sales	%	2.4	2.9
Earnings per share	CHF	29.22	23.00
Earnings per share – adjusted [▪]	CHF	37.95	31.64
Capital expenditure	MCHF	59.6	76.6
Number of employees	31. 12.	4436	4144
Annual average		4307	4189
Sales per capita	TCHF	295.6	278.1
		31.12.2002	31.12.2001
Total assets	MCHF	1500.2	1445.1
Cash and cash equivalents	MCHF	137.5	101.5
Net working capital	MCHF	85.0	86.4
Property, plant and equipment	MCHF	492.0	492.3
Intangible assets	MCHF	510.3	512.0
Corporate debt	MCHF	432.0	505.3
Shareholders' equity	MCHF	630.2	546.8
Equity ratio	%	42.0	37.8
Gearing	%	46.7	73.8

[▪] Adjusted by amortisation of goodwill and intangible assets, net of tax effects

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

To our Shareholders



Ladies and gentlemen,

The fiscal year 2002 was a good year for Geberit. In a still difficult market environment and against the background of a continuously weak economic situation in the construction sector, we have achieved a significant growth and gained new market shares.

Consolidated sales amounted to CHF 1,273.0 million, corresponding to a rise of CHF 107.9 million or 9.3% over the year 2001. Calculated at constant exchange rates, the growth rate was about 12.2%.

At 18.6%, the operating result rose markedly faster than sales and amounted to CHF 186.3 million. Net income even increased by 28.2% to CHF 118.1 million.

Thanks to this satisfactory development, financial debt was further reduced and the equity ratio rose to 42.0%.

There are many reasons for this substantial growth and the high profitability of our activities. On the one hand, we have achieved a significant internal 3.4% (6.4% in local currencies) growth with new products and strong marketing efforts. On the other hand, we have been able to successfully complete three acquisitions that contributed another 5.9% to overall growth. With a majority stake in the Austrian company Huter Vorfertigung GmbH, the Geberit Group further expands its leading position in the European installation systems market. As a result of the acquisition of the US-based Chicago Faucet Company, the position of Geberit in the United States was significantly strengthened. The acquisition of the small US development company WCTC has opened up additional growth potential. Finally, the cost-cutting measures initiated at the end of 2001 have been successful in the fiscal year 2002.

In view of the good earnings situation and the sound financial structure, the distribution to shareholders is to be increased substantially. The Board of Directors will propose to the general meeting a repayment of par value of CHF 9.00 per share as well as a dividend of CHF 5.00 per share, i.e. a total distribution of CHF 14.00 per share.

The successful fiscal year 2002 also presented an opportunity to reconsider major internal business processes and to improve our structures.

The new management and organisational structure adopted as of the beginning of the new fiscal year takes into account the Group's increasing internationalisation and is focused even more strongly on the markets and customer demands. Headed by the Chief Executive, the Group Executive Board is now divided into two geographic marketing and sales divisions, two product areas as well as the finance division.

The new structure is focused on the determination of the management and results in a clear definition of tasks, a decrease in the number of interfaces as well as in an improved and accelerated innovation process.

There were also personnel changes on the Group Executive Board: Hans-Rudolf Völkin left the Company according to his own wishes. We would like to express our thanks to Mr. Völkin for many years of dedicated work with the Geberit Group. Albert M. Baehny has joined the Group Executive Board in January 2003. He has a degree in biology and started his career in R&D. Albert M. Baehny held various marketing and sales functions within the chemical industry. Before joining Geberit he was executive Vice President of the division "Wacker Specialities" at Wacker Chemie GmbH, Munich.

The success of the fiscal year 2002 was again based on the competence and dedicated work of our employees, and we would like to take this opportunity to thank them very much for their great commitment and exemplary performance. However, we would also like to thank our customers in commerce and trade who have responded so positively to our new products and have marketed them successfully.

Last but not least, we would like to express our thanks to you, our esteemed shareholders, who have again placed their trust in us.

The Geberit Group has started the new fiscal year strengthened and well prepared. The focus of our activities in 2003 continues to be on reaching the sales and earnings targets we have set for ourselves, to make the new structure come alive as well as to integrate into the Group the companies acquired in the past year and to take advantage of potential synergies. We intend to invest again in the promotion and further education of our employees, to forge ahead in market development, to invest in new products and services and to improve our business processes.



Kurt E. Feller
Chairman of the Board



Günter F. Kelm
President and CEO

Investor Information

Share price development in the year under review

Despite the difficult conditions in the equity markets in the fiscal year 2002, the price development of the Geberit share was positive. In the first quarter, the Geberit share was in line with the Swiss Performance Index (SPI). From the second quarter, however, it was significantly more positive. At a price of CHF 398.00 as of the year-end, the Geberit share rose by 7.1% over the price of CHF 371.50 at the end of the prior year (SPI -26,0%).

Share price development (1 January until 31 December 2002)



The Geberit shares are listed on the Swiss Exchange (SWX) but may also be traded on Xetra in the OTC market of the German Stock Exchange, Frankfurt.

At the end of 2002, the free float, as defined by SWX, was 93.2%

Repayment of par value/distribution

Geberit AG intends to decrease the share capital from MCHF 41.6 to MCHF 4.16 by a further reduction of the par value from CHF 10.00 to CHF 1.00. The reduction amount of CHF 9.00, together with a dividend of CHF 5.00, is to be distributed. Thus the total distribution amount to shareholders will be CHF 14.00 per share.

At the general meeting on 30 April 2003, the Board of Directors will propose the capital reduction and dividend distribution. Subject to the approval of shareholders, the dividend will be paid on 6 May 2003, and the repayment of par value will be made on 15 July 2003.

Time schedule

	2003
Annual general meeting	30 April
Interim report 1 st quarter	30 April
Dividend payment	6 May
Repayment of par value	15 July
Half-year results	7 August
Interim report 3 rd quarter	29 October
	2004
First information on the fiscal year 2003	15 January
Media and analysts' conference	18 March
Annual general meeting	22 April
Interim report 1 st quarter	22 April
Dividend payment	27 April

(subject to minor changes)

Communication

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

Günter F. Kelm (President and CEO) and Dr. Rudolf Huber (CFO) are the direct contacts for ongoing communication with shareholders, the capital market and the general public. Geberit information is provided in the form of regular press information, media and analysts' conferences as well as financial presentations.

As of 1 January 2003, Roman Sidler was appointed Head of Corporate Communications.

Contact may be established at any time under corporate.communications@geberit.com.

Major data relating to the Geberit share (as of 31 December 2002)

Registered shareholders	10 921
Capital stock (CHF)	41 600 000
Number of registered shares of CHF 10.00 each	4 160 000
Registered shares	3 038 835
Treasury stock	107 417
Stock exchange	swx, Zurich
Swiss securities identification number	803822
Telekurs	GEBN
Reuters	gebzn
WKN	922734

Key figures (CHF per share)	2002	2001
Net income	29.22	23.00
Net income, adjusted [■]	37.95	31.64
Net cashflow	61.13	51.65
Shareholders' equity	155.91	136.56
Distribution	14.00 ^{■■}	10.00 ^{■■■}

■ Adjusted by amortisation of goodwill and intangible assets, net of tax effects

■■ Proposal: CHF 9.00 repayment of par value, CHF 5.00 dividend

■■■ Repayment of par value

Board of Directors and Group Executive Board

Board of Directors

See page 24/25 for detailed information

The Board of Directors of Geberit AG consists of 5 members. The term of office of each member is 3 years, and the statutory age limit has been established at 70 years.

Kurt E. Feller (1937), Chairman

Günter F. Kelm (1940), President

Dr. Horst Heidsieck (1947)

Rudolf Maag (1946)

Klaus Weisshaar (1938)

The term of office of Rudolf Maag will end with the general meeting on 30 April 2003. He will be available for re-election for another term of office.

Audit Committee

Kurt E. Feller (Chairman), Dr. Horst Heidsieck, Rudolf Maag, Klaus Weisshaar

Personnel Committee

Kurt E. Feller (Chairman), Rudolf Maag, Günter F. Kelm

Executive Board of Geberit Group (left to right):
Günter F. Kelm, Randolph Hanslin, Albert M. Baehny,
Dr. Rudolf Huber, Paul Witschi, Dr. Thomas Raible



Group Executive Board

See page 28/29 for detailed information

Günter F. Kelm (1940)
Chief Executive (CEO)

Albert M. Baehny (1952)
Marketing & Sales Europe

Paul Witschi (1943)
Marketing & Sales International

Dr. Thomas Raible (1951)
Sanitary Systems

Randolf Hanslin (1942)
Piping Systems

Dr. Rudolf Huber (1955)
Finance (CFO)

Management Structure (1.3.2003)

Board of Directors

Chairman: Kurt E. Feller

President and CEO

Günter F. Kelm

Corporate Communications

R. Sidler

Human Resources

Dr. Ph. Uschatz

Environment

G. Wüest

Marketing & Sales Europe

Albert M. Baehny

Marketing

H. Rutishauser

Sales

Germany

K. Spachmann/
J. Henkel

Sales Italy

R. Fumasoli

Sales Switzerland

R. Vincenz

Sales Austria

A. Nowak

Sales United Kingdom

C. Bayliss

Sales Netherlands

M. Portengen

Sales France

N.N.

Sales Belgium

P. Forier

Sales Rest of Europe

M. Steg

Sales Shower Toilet
Balena (CH)
T. Nüesch

Sales Hungary
A. Denk

Sales Czech Republic
J. Hornicek

Sales Slovakia
V. Sedlacko

Sales Turkey
C. Kazazoglu

Sales Slovenia
M. Urbancic

Sales Poland
A. Dobrut

Sales Spain
A. Campos

Sales Portugal
J. Seabra

Sales Scandinavia
B. Andersen

Sales Luxembourg
J. Schintgen

Marketing & Sales International

Paul Witschi

Market Development

R. Morcos

Sales Middle East
P. Payne

OEM

T. Kehl

North America

K. Kramer

Sales/Production China
F. Aepli

Far East

F. Aepli

Sales Singapore
M. Zheng

Sales Australia
C. Stauber

Sanitary Systems	Piping Systems	Finance
Dr. Thomas Raible	Randolf Hanslin	Dr. Rudolf Huber
Installation Systems M. von Ballmoos	Building Drainage Systems R. Gatter	Treasury R. Iff
Flushing Systems M. Segieth	Water Supply Systems C. Meier	Controlling W. Müller
Public C. Bartholet	Underground Piping Systems R. Gatter	Internal Audit Dr. M. Rüttimann
Products N.N.	Products M. Ziegler	Information Technology P. Hartmann
Waste Fittings and Traps M. Schüpbach	Project Manager Pool M. Ziegler (PU)	Legal Services Dr. A. Riebel
Supply Chain A. 't Gilde	Design and Application Engineering E. Schibig	
Quality S. Stehlin	Quality R. Prügl	
Production/ Logistics H. Kirsch	Services R. Dolder	
Production Pfullendorf (DE) H. Kirsch/D. Eismar	Production Jona (CH) W. Wiggerhauser/ W. Frei	
Production Lichtenstein (DE) T. Schweikart/H. Müller	Production Pottenbrunn (AT) E. Thun/U. Wagner	
Production Weilheim (DE) K.-H. Horsmann	Production/ Logistics R. Hanslin (a.i.)	
Production Ruše (SI) M. Urbancic	Production Givisiez (CH) B. Bünzli	
Toolings Büchler (CH) M. Minikus	Production Aylesford (UK) C. Bayliss/C. Stuart	
Germany Holding (DE) J. Haas	Production Villadose (IT) E. Casazza	
Huter (AT) N. Huter		

Business and Financial Review

The fiscal year 2002 was a successful one for the Geberit Group. In a difficult market environment, the Company and its results contrast favourably with its environment in the industry and the overall economy. The Geberit Group has further expanded its leading position in the European and international sanitary technology markets.

Difficult economic environment

The global economic environment continued to be troubled in 2002. The strained geopolitical situation had a negative impact on the economy.

Economic institutes again had to adjust downwards their growth expectations. In the Euro area, the economic situation has not yet recovered from the prior year decline. The environment in the industry sector, i.e. the construction volume, was also affected by the overall economic development.

According to estimates of Euroconstruct dated December 2002, following a slight decline in 2001, the volume of European building construction continued to decrease in the year under review. New construction was reduced due to a significant decline of residential as well as non residential construction activities. However, there was a slightly positive development in the renovation sector.

European construction volume by sectors

(%-change compared previous year)

	2002	2001	2000
New Residential Construction	-1.1	-4.0	2.6
New non Residential Construction	-1.8	2.3	2.6
Total New Construction	-1.4	-1.1	2.6
Renovation Residential	0.4	0.2	3.0
Renovation non Residential	1.2	2.1	3.8
Total Renovation	0.8	0.8	3.3
Total Building Construction	-0.4	-0.3	2.9

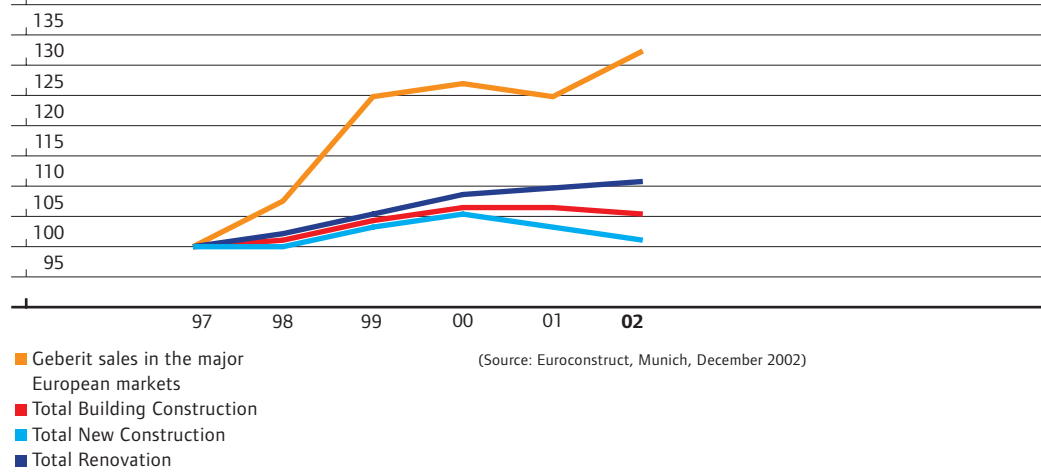
(Source: Euroconstruct, Munich, December 2002)



90 dB(A)

The development in Germany continued to be less favourable than in the rest of Europe. Within the building construction sector, new construction further declined in the year under review, while the decline in the renovation sector slowed down.

Construction output and Geberit sales in the major European markets 1997–2002
(Index: 1997 = 100)

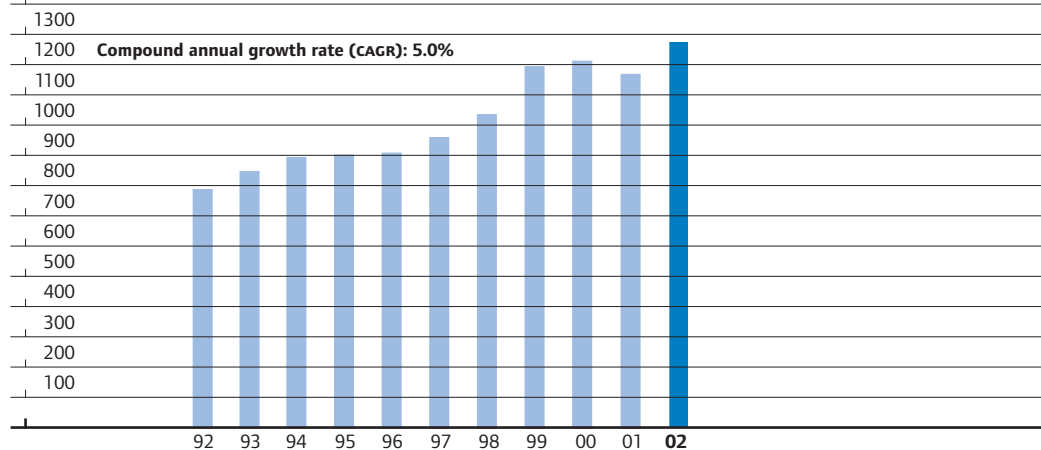


A comparison of the index performance of overall building construction as well as of the new construction and renovation segments with Geberit sales shows that the Company's development was substantially better. Contrary to the market trend, a positive growth was achieved in Germany as well.

Significant rise in total sales

Following the decrease in 2001, the Geberit Group generated consolidated sales of MCHF 1,273.0 in the fiscal year 2002. This corresponds to a rise of 9.3% in Swiss Francs and of 12.2% in local currencies. The Company also recorded a marked organic growth by 3.4% in Swiss Francs and by 6.4% at constant exchange rates.

Group sales development 1992–2002
(in MCHF)



Positive market development

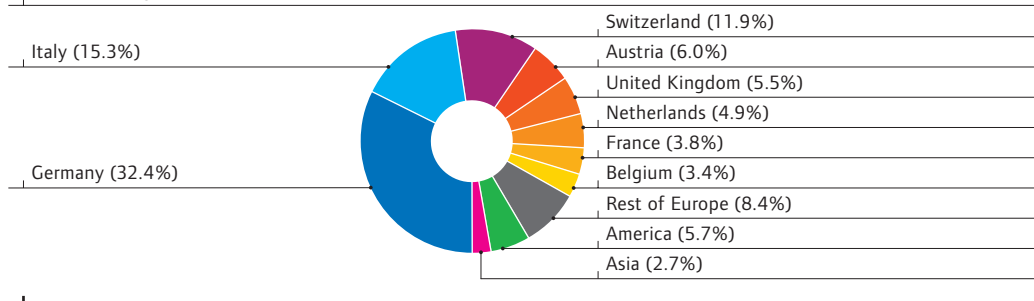
All percentage variations of market sales were calculated on the basis of constant exchange rates.

Over the past 10 years, in particular taking into account the positive development in the year 2002, a continuously positive growth trend has become evident. In the last decade, the average annual growth rate in Swiss Francs amounted to 5.0%.

With the exception of Switzerland, where the high prior year level was kept, all markets of the Group have grown. In Germany, a satisfactory +2.9% rise was generated. Some of the other major European markets also posted significant increases: France (+10.9%), the Netherlands (+9.2%), United Kingdom (+5.7%), Italy (+4.9%). Not least due to the acquisition of Huter, a rise of +30.3% was achieved in Austria. The organic growth in this country amounted to +6.9%. In Belgium, a +2.7% increase was generated.

The markets comprised by the "Rest of Europe" region – Rest of Western Europe and Eastern/Central Europe – grew by +19.8%. Therefore, Geberit sales in Europe as a whole increased by +6.5% in the past fiscal year. The development of sales in America was strongly influenced by the acquisition of Chicago Faucets in July 2002. Organic growth amounted to +13.8%, while total sales almost quadrupled. The Asian region grew by +67.8%.

2002 sales by markets



Due to the progressing internationalisation of the Geberit Group, the contribution of the major European markets further declined to 83.2% (prior year 88.5%). The contribution of Germany is now 32.4% after 35.5% in the prior year. On the other hand, the "Rest of Europe" regions increased to 8.4% (prior year 8.0%), America to 5.7% (prior year 1.7%) and Asia to 2.7% (prior year 1.8%).

Thus the tendency of a higher growth rate outside the major European markets that has been evident for years has continued in 2002.



Growth by product areas

2002 sales by product areas and product lines

Piping Systems (36.0%)

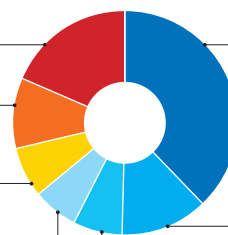
Sanitary Systems (64.0%)

Building Drainage Systems (18.5%)

Installation Systems (37.8%)

Water Supply Systems (10.2%)

Underground Piping Systems (7.3%)



The **Sanitary Systems product area** generated sales of MCHF 814.6 in the fiscal year 2002, which corresponds to a +13.6% growth. The contribution of Sanitary Systems to total sales amounted to 64.0%.

With a 37.8% contribution to Group sales, **Installation Systems**, the largest product line within Sanitary Systems, grew by +10.8%. New, innovative products, a stronger focus on design as well as the acquisition of Huter have resulted in larger market shares. The **Flushing Systems** product line, with a 12.6% contribution to Group sales, generated a moderate growth of +0.6%. This product line now also includes the Geberit shower toilets. As a result of the acquisition of Chicago Faucets, the contribution to Group sales of the **Public** product line rose to 7.1%. Sales amounted to MCHF 90.6, which corresponds to an increase of more than 150%. After adjustments for acquisition effects, the growth rate was +6.1%. In a market characterised by fierce price competition, the **Waste Fittings and Traps** product line suffered a decline of -5.7%. The contribution to Group sales amounted to 6.5%.

In the period under review, the **Piping Systems product area** generated sales of MCHF 458.4, corresponding to a +2.3% growth. The contribution to Group sales of this product area was 36.0%.

With a contribution to total sales of 18.5%, the product line **Building Drainage Systems** grew only moderately by +0.5%. **Water Supply Systems** recorded a satisfactory +6.6% increase. Their contribution to Group sales amounted to 10.2%. Sales of **Underground Piping Systems** grew by +1.4% over the prior year, with a reduction of the share in Group sales to 7.3%.

Successful acquisitions

Three acquisitions were successfully completed in the year under review. One of them related to Huter Vorfertigung GmbH in Matri (AT) in which the Geberit Group, effective as of 1 January 2002, has acquired a 51% stake. Huter is the leading provider of installation elements, pre-wall systems and lightweight prefabricated bathrooms in Austria. With this acquisition, the Geberit Group is expanding its strong position in the area of sanitary installation systems.

In July 2002, the Chicago Faucet Company (CFC) in Des Plaines, Illinois (USA) was acquired. CFC is a well-known brand in the United States for high-quality faucets in the commercial and public areas. The Chicago Faucets products, which complement the

Geberit product range, are primarily used in schools, laboratories, hospitals, office buildings, food services, airports and sport facilities. The company has an efficient sales organisation, which operates nationwide, and it produces at four US locations. With this acquisition, Geberit is developing into a leading provider of complete sanitary systems for the commercial and public sectors in the USA. We anticipate substantial synergies in connection with the use of the successful CFC sales network as well as of the established Chicago Faucets brand.

As of 1 November 2002 of the year under review, the Geberit Group has acquired 100% of the shares of WC Technology Corporation (WCTC), Farmington Hills, Michigan (USA) from the Masco Group. WCTC holds internationally protected, state-of-the-art patents in the area of the future-oriented pressure-tank technology for WC flushing. With this acquisition, Geberit has secured access to the water-saving pressure-tank technology.

The companies acquired in the fiscal year 2002 have contributed 5.9% to the Group's total growth.

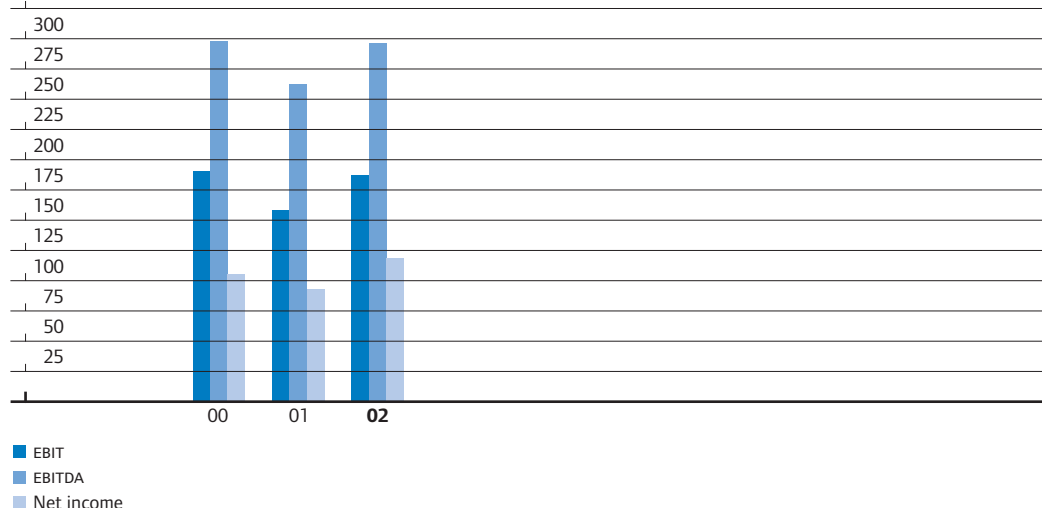
Increased profitability

In the fiscal year 2002, the Geberit Group has significantly increased its profitability compared to the prior year. The substantial input of previous years with respect to new product launches, the marked increase in volume and the positive effects of the cost-cutting measures initiated in 2001 have contributed to this development.

The operating cashflow (EBITDA) rose by +13.0% over the prior year to MCHF 295.7. This corresponds to an EBITDA margin of 23.2% (prior year 22.5%). The operating profit (EBIT) rose by +18.6% to MCHF 186.3. The EBIT margin was 14.6% (prior year 13.5%).

Net income increased by +28.2% to MCHF 118.1. Thus the return on sales in the fiscal year 2002 amounted to 9.3%. Net income per share was CHF 29.22 (+27.0% against the prior year).

EBIT, EBITDA, Net income 2000–2002
(in MCHF)





100 dB(A)

Operating expenses under control

Mainly as a result of a rise in discounts to clients, sales deductions increased by 10.4% to MCHF 167.3. At 13.1% (prior year 13.0%), the percentage share of sales deductions in Group sales rose only marginally.

Operating expenses in the year 2002 amounted to MCHF 919.4 (prior year MCHF 856.4). This corresponds to a less-than-proportionate rise of +7.4%. As a percentage of Group sales, operating expenses declined from 73.5% in the prior year to 72.2%. The increase in operating expenses in absolute terms is mainly due to the first consolidation of the companies acquired. This is reflected in the expense items of the income statement.

The cost of raw materials amounted to MCHF 362.9, a +9.6% rise against the prior year. However, as a percentage of sales, 28.5%, the prior year level was sustained. Personnel expenses increased by +9.8% to MCHF 325.9.

Depreciation rose by +6.1% to MCHF 73.2. With respect to other operating expenses, the acquisition effects were more than set-off by the cost-cutting measures initiated at the end of 2001. Thus other operating expenses were reduced by -2.3% to MCHF 121.2. Amortisation of goodwill and other intangible assets increased slightly to MCHF 36.2.

Significant rise in net income

In the year under review, Geberit generated net income of MCHF 118.1 (prior year MCHF 92.1). This corresponds to a significant rise of +28.2%.

Net financial expenses were reduced by -21.0% to MCHF 23.0. In addition to declining interest rates, lower amortisation of capitalised financing costs and further repayments of debt contributed to the improved financial result. Due to a strong increase in the pre-tax result, tax expenses rose against the prior year by +22.8% to MCHF 43.7. The effective tax rate declined from 27.7% to 26.7%.

High cashflow level

In the year under review, the net cashflow of MCHF 247.1 rose by +19.5% over the prior year figure. This corresponds to a cashflow margin of 19.4% (prior year 17.7%). Due to the higher operating profit and improved financial result as well as lower investments in property, plant and equipment and positive effects of changes in net working capital, the free cashflow rose markedly over the prior year by +40.1% to MCHF 200.1. From this free cashflow, MCHF 41.0 were distributed to the shareholders and debt of MCHF 77.2 was repaid. The remaining amount was mainly used to strengthen liquidity, to purchase treasury shares and for acquisitions.

Strengthened equity base and balance sheet structure

Thanks to the substantially increased free cashflow, the Geberit Group was able to further improve its balance sheet structure by the end of 2002. Financial debt was reduced by an additional MCHF 73.3 to MCHF 432.0. Net debt declined by MCHF 109.3 to MCHF 294.5.

In 2002, the equity ratio further rose to 42.0%. In terms of the average shareholders' equity, the Group generated a return on equity of 20.1% (prior year 17.7%). The gearing (net financial debt/shareholders' equity) improved from 73.8% in the prior year to 46.7% as of 31 December 2002.

The Group's liquidity situation is very satisfactory. In addition to liquid funds in the amount of MCHF 137.5 (+MCHF 36.0 against the prior year) at the year-end, the Group had access to operating credit facilities of MCHF 106.9, which were not drawn as of 31 December 2002.

Debt and equity base

(in MCHF)	12/02	12/01	12/00
Long term debt	367.5	439.9	493.5
Total debt	432.0	505.3	560.1
Cash and cash equivalents	137.5	101.5	64.4
Net debt	294.5	403.8	495.7
Equity ratio	42.0%	37.8%	34.1%

As of 31 December 2002, the Geberit Group held 107,417 of its own shares (prior year 157,814) in treasury. In the year under review, 106,049 shares were used for the acquisition of Chicago Faucets in the USA. An additional 55,652 shares, net, were purchased. Treasury shares are primarily earmarked for acquisitions, future stock ownership plans as well as general corporate purposes.

As a result of the acquisitions, total assets rose by MCHF 55.1 to MCHF 1,500.2 in the year under review. However, net working capital and property, plant and equipment as well as intangible assets remained practically stable at MCHF 85.0, MCHF 492.0 and MCHF 510.3, respectively.

Operating capital, comprising net working capital, property, plant and equipment and intangible assets, as of the end of 2002 amounted to MCHF 1,087.3 (prior year MCHF 1,090.7). Return on operating assets, as a ratio of operating profit before amortisation (EBITA) to average operating capital, amounted to 20.4% in the year under review (prior year 17.3%).

Lower investment ratio

In 2002, investments in property, plant and equipment as well as intangible assets amounted to MCHF 59.6 and thus were MCHF 17.0 below the prior year level. As a percentage of sales, the investment ratio in the year under review amounted to 4.7% (prior year 6.6%). The decline against the prior year was mainly the result of the launch of new products at the beginning of 2002 for which major previous investments in tools and devices were required in 2001.

The bulk of investments in 2002 was required for the ongoing replacement of production facilities and the procurement of tools and devices for new products. A significant portion of capital expenditure was spent on the production facilities at the Pfullendorf plant (DE) as well as for replacements and rationalisations at the Pottenbrunn (AT) and Aylesford (UK) plants. In Aylesford, additional funds were invested in the new customer training centre.

Efficient research and development

Expenditures for property, plant and equipment	2002	2001	2000	1999	1998
In MCHF	59.6	76.6	66.9	78.1	67.5
In % of sales	4.7	6.6	5.5	6.6	6.5

Intensive research and development (R&D) efforts continue to be among the Geberit Group's factors of performance. MCHF 30.1 or 2.4% of sales were invested in the future of our product range in the year under review. Following the strong increase in R&D expenditure in the previous year, there was a normalisation in the year under review. However, due to the large number of newly launched products in 2002, the rate of innovation rose markedly to 36% (prior year 26%). This means that more than one third of sales in 2002 were generated by new or improved products launched in the market during the last three years. The new products introduced in 2002 included the new generation of concealed cisterns and installation systems launched on a Group-wide basis, a new corner element for wall-hung WCs, flush valves for ceramic cisterns as well as additions to the product range of electronically controlled urinal flushing systems within the Public product line. In the year under review, 20 new patent applications were filed.

The decentralised R&D activities were further expanded. Separate R&D units in Shanghai (CN) as well as in Des Plaines (USA) were established for the Asian and North American markets. The activities of such units will be designed to meet the specific demands of local clients and markets.

Research and development expenses	2002	2001	2000	1999	1998
In MCHF	30.1	34.1	30.5	29.1	28.0
In % of sales	2.4	2.9	2.5	2.4	2.7

Intensified marketing efforts

General and client-specific marketing efforts are a key element of Geberit's successful sales activities. In the field, more than 370 technical consultants are in daily contact with customers. At the 20 information centres in Europe and overseas, more than 20,000 customers, mainly plumbers and planners as well as architects, were trained with Geberit systems and software tools. The successful and rapid introduction of the new installation elements in Germany among others was the result of the 121 "Top Treff" events with a total of 17,000 participants. Numerous client contacts were intensified on the occasion of approx. 50 trade fairs in which Geberit participated with attractive booths. The most important fairs in the year under review were "Mostra Convegno" in Milan, "Aquatherm" in Vienna, "Batibouw" in Brussels and "Kitchen/Bath Industry Show" in Chicago.

One of the highlights of the year 2002 was the International Acoustics Symposium in Jona (CH) with renowned scientists and experts. The acoustic competence of Geberit was widely recognised, and the exchange of ideas resulted in new approaches in building acoustics.



170 dB(A)

New management and organisational structure

A new management and organisational structure was adopted as of the beginning of the fiscal year 2003 (see pages 10/11 of this annual report). It has replaced the structure introduced eight years ago, takes into account the increasing internationalisation and is designed to improve the Geberit Group's momentum in a changed environment.

The new structure is less complicated and is characterised by a clear assignment of responsibilities as well as a reduced number of interfaces. It accelerates the decision-making process, bundles sales activities and emphasises the strategic focus of top management.

Headed by the Chief Executive, Günter F. Kelm, the Group Executive Board is divided into two geographic marketing and sales divisions, two product areas as well as the finance division headed by Dr. Rudolf Huber.

"Marketing & Sales Europe" is headed by Albert M. Baehny who has joined the Group Executive Board in January 2003. Paul Witschi is responsible for "Marketing & Sales International". The two Group divisions "Sanitary Systems", and "Piping Systems" headed by Dr. Thomas Raible and Randolph Hanslin, respectively, are in each case in charge of the complete supply chain (product development, procurement, production).

The environment remains one of our major concerns

Geberit has again improved its environmental performance in 2002. Among others it was decided to discontinue the Group-wide certification in accordance with EMAS and ISO 14001 in the future, as the restrictions imposed by the related requirements are too rigid. In the future, Geberit will carry out internal audits to find out if the targets set have been achieved. Such audits often are a useful instrument for the reconsideration and targeted improvement of activities. The special focus in the environmental management is on the locations not yet certified. For these locations, an initial certification in accordance with the known guidelines is still deemed useful and will be promoted on a Group-wide basis.

The "sustainability" issue becomes increasingly more important. Therefore, Geberit is planning a Group-wide sustainability report for the year 2003.

Saving water continues to be a major topic for the company. The UNESCO, a special organisation of the United Nations, has declared 2003 the "International Year of Freshwater". This is an incentive for Geberit to continue to develop eco-friendly and water-saving products.

Increased number of employees

At the end of 2002, the Geberit Group employed a staff of 4,436 worldwide, corresponding to an increase of 292 or +7.0% against the prior year. The number of employees was reduced mainly in Germany, Switzerland and China, while in Austria and in the USA the number of staff increased as a result of the acquisitions. Based on an average staff of 4,307, sales per employee amounted to TCHF 295.6, a +6.3% rise against the prior year.

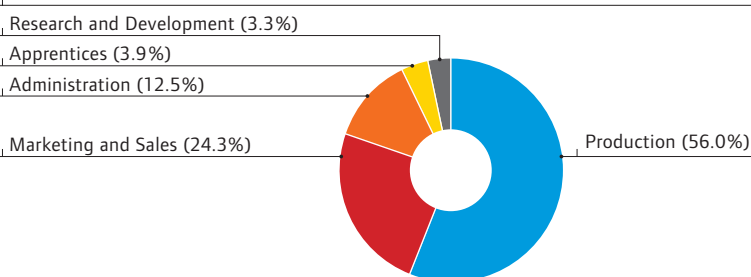
Employees by country

(as of 31.12.)	2002	% share	2001	% share
Germany	1463	33	1544	37
Switzerland	974	22	1025	25
Austria	468	11	417	10
USA	429	10	67	2
United Kingdom	267	6	273	7
China	223	5	237	6
Italy	168	4	161	4
Slovenia	156	4	151	4
Others	288	5	269	5
Total	4436	100	4144	100

There was a marginal change against the prior year in the break-down of the number of employees by business process. The percentage of employees active in production rose from 53.1% in the prior year to 56.0%, mainly as a result of the acquisitions.

2002 headcount by business process

(as of 31.12.)



Motivation by promotion

In the year under review, the "Management Development" programme developed and adopted in 2001 was implemented on a Group level. This programme supports the increased internal promotion of junior executives. In connection with the Company's restructuring as of the beginning of 2003, various management positions had to be filled. In many cases, internal junior staff were appointed under this programme.

Outlook

In 2003, the Geberit Group will again have to prove its ability to grow and generate good results in difficult times. The successful concentration on the core business, the efficient use of resources, strong innovation capacities, a good position in the renovation sector as well as the strength of the Geberit brand are major keys to success.

The geopolitical and economic environment will remain difficult. From today's point of view, the overall economic situation and basic data of the European construction industry will not improve significantly in the short and medium term. The volume of new construction, in particular in the residential sector, will decline slightly. However, there is a growth stimulus from the renovation sector.

We want to take advantage of this positive aspect. With a large number of innovative products and services in the areas of sanitary systems as well as of piping systems, we intend to expand our market position.

In geographic terms, we still see good growth opportunities, mainly in Central and Eastern Europe, United Kingdom, North America, China and South East Asia. The companies acquired last year will be able to make valuable contributions.

With a strong, market-oriented organisation, experienced and highly motivated executives and employees as well as many new product ideas, we seek a close and trusting cooperation with our market partners in the commercial and trade sectors.

All in all, we see a good chance for the current fiscal year to build on the achievements of the year 2002, to generate a solid sales growth, to maintain operating results at an above-average level and to further increase per share earnings.

90 dB(A)





Corporate Governance

1. Group structure and shareholders

Group structure

The operational Group structure is shown in the diagram on pages 10/11 ("Management Structure").

The Group's consolidated subsidiaries are listed in the Notes to the Consolidated Financial Statements, Note 30. The scope of consolidation does not include any listed companies.

Shareholders/significant shareholders/cross-shareholdings

Shareholders holding equity interests in excess of certain percentages are required to be disclosed under the Federal Act on Swiss Stock Exchange. Geberit is aware of the following significant shareholders that, directly or indirectly, at the end of 2002 held between 5% and 10% of the shares:

- Klaus Gebert Erben (CH)
- Capital Group Companies, Inc. (USA)
- Merrill Lynch & Co., Inc. (USA)

On 31 December 2002, Klaus Gebert Erben held a voting interest of 6.76%. On 3 April 2002, Capital Group crossed the 5% limit with a 5.09% voting interest. On 20 December 2002, Merrill Lynch reported that they held a 6.08% interest in Geberit. On 28 February 2003 Merrill Lynch has decreased its voting rights again below the 5% limit.

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

2. Capital structure

The share capital of Geberit AG, the parent company of the Geberit Group, is fully paid-in and amounts to MCHF 41.6. It is divided into 4.16 million registered shares with a par value of CHF 10.00 each. Each share carries one vote in the general meeting.

Conditional and authorised capital

The extraordinary general meeting of Geberit AG on 21 June 1999 approved an increase of the conditional capital by CHF 1,664,000, divided into 166,400 shares with a par value of CHF 10.00 each, available without restriction. These shares are to cover future requirements under the employee stock ownership plans. By 31 December 2002, no additional shares were issued from such conditional capital.

As of 31 December 2002, the Geberit Group had no authorised capital.

Changes of capital

In the reporting year, the share capital was reduced from MCHF 83.2 to MCHF 41.6 by way of a repayment of par value in the amount of CHF 10.00 per share. At the general meeting on 30 April 2003 it will be proposed to reduce the par value for its shares from CHF 10.00 to CHF 1.00, which would result in a share capital of MCHF 4.16. For further details on changes of capital reference is made to the Geberit Group's Consolidated Financial Statements (consolidated statements of shareholders' equity, Note 19 [shareholders' equity]) as well as the information in the Financial Statements of Geberit AG (pages 79–82). With respect to the changes in the year 2000, reference is made to the relevant annual report.

No bonus and participation certificates as well as convertible and warrant bonds of the Geberit Group are outstanding.

3. Board of Directors

Members of the Board of Directors

On 31 December 2002, the Board of Directors was composed of five members.

Kurt E. Feller (1937)



Non-executive, independent member of the Board of Directors since 1999
Chairman of the Board of Directors since 1999, elected until 2005
Swiss citizen, resident in Wollerau, CH

Chairman of the Board of Directors of Rieter Holding AG, Winterthur, Vice Chairman and Lead Director of Ciba SC AG, Basle, member of various Boards of Directors, among others of Scintilla AG, Solothurn and Büro-Fürer AG, Zurich

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

Günter F. Kelm (1940)



Executive member of the Board of Directors and President since 1997, elected until 2005
German citizen, resident in Jona, CH
Chief Executive Officer (CEO) of Geberit AG, Jona

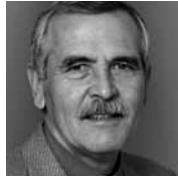
Günter F. Kelm has graduated with the degree of Dipl. Ing. (business engineering) from the Berlin Technical University. From 1966, his career, via various positions and management functions (among others Assistant to the Management Board, Head of Corporate Development, Managing Director, Finance Director) with international industrial companies such as Deutsche Lufthansa, Dornier, Eckes Group and Sommer Allibert, led him to the Geberit Group, which he joined as Chairman of the Management Board of Geberit GmbH Deutschland and member of the Group Executive Board in 1986. In 1991, Günter F. Kelm was appointed Chief Executive of the Geberit Group.

Dr. Horst Heidsieck (1947)



Non-executive, independent member of the Board of Directors since 1999, elected until 2004
German citizen, resident in Büdingen, DE
CEO of Demag Holding S.A.R.L., Luxembourg

Dr. Horst Heidsieck studied physics in Bonn and Aachen. In 1979, he graduated with the degree of Dr. rer. nat. and started his career as a scientific employee with Degussa AG where, having held various positions, he was appointed Deputy Member of the Board of Management in 1989. In 1990, he joined Leybold AG as Chairman of the Board of Management and in 1995, as CEO, he became head of the Balzers Leybold Group within the Oerlikon Bühler Group. From 1999 to 2002, Dr. Horst Heidsieck worked with the Heraeus Group, most recently as Chief Executive and Chairman of the Management Board of Heraeus Holding GmbH.



Rudolf Maag (1946)

Non-executive, independent member of the Board of Directors since 2000, elected until 2003

Swiss citizen, resident in Binningen, CH

Chairman of the Board of Directors of Straumann Holding AG, Waldenburg and Axovan, Allschwil, member of various Boards of Directors, among others of Basilea Pharmaceutica, Basle, Actelion, Allschwil, Rothschild Bank, Zurich, ErfindungsVerwertung AG, Basle, member of the board of the Chamber of Commerce of Basle

Rudolf Maag holds a commercial diploma and graduated with the degree of an INSEAD MBA. He started his career in 1968 with UTC (Basler Handelsgesellschaft). In 1973, he joined Sandoz AG where he held various management positions in the agricultural division, among others as Marketing and Sales Director USA and Head of Division Brazil. In 1986, Rudolf Maag joined Institut Straumann AG as a Director. Four years later, he founded Stratec Medical by way of a management buy-out. Following a successful going public in 1996, Stratec merged with the US company Synthes Ltd. to form Synthes-Stratec. Rudolf Maag became Vice Chairman of the Board of Directors and CEO. In 2000, he left Synthes-Stratec to act as an independent member of various Boards of Directors as well as a private equity investor.



Klaus Weisshaar (1938)

Non-executive, independent member of the Board of Directors since 1999, elected until 2004

German citizen, resident in Frankfurt a. M., DE

Member of the Supervisory and Advisory Boards of various German industrial enterprises, among others of Burg Bad AG, Schmallenberg, Siepmann-Werke, Warstein and F.W. Oventrop, Olsberg

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

Cross-involvement

There is no cross-involvement among Boards of Directors.

Elections/terms of office

The term of office of each member of the Board of Directors is three years and the statutory age limit has been established at 70 years. The individual members are re-elected alternately.

The term of office of Rudolf Maag will expire at the general meeting on 30 April 2003. He will be available for re-election for another term of office.

Internal organisational structure

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

The Board of Directors is self-constituent. In the first meeting following the relevant ordinary general meeting in which re-elections are held, the Board of Directors elects the Chairman and President from among its members. The positions of President of the Board of Directors and Chief Executive are held by the same person.

The Board of Directors meets whenever business so requires, usually six times every year. The meetings are chaired by the Chairman or – if he is unable to do so – by the President of the Board of Directors. The Board of Directors appoints a secretary who is not required to be a member of the Board of Directors. Upon consultation with the Chairman of the Board of Directors, the President may invite members of the Group Executive Board to attend meetings of the Board of Directors.

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

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

– Personnel Committee

The members of the Personnel Committee are Kurt E. Feller (Chairman), Rudolf Maag and Günter F. Kelm. The committee meets at least twice every year. It develops proposals to be submitted to the entire Board of Directors, including personnel decisions and the determination of compensation regulations and models (salaries, bonus payments, share and option plans) as well as the annual determination of the compensations for the Board of Directors and Group Executive Board. Detailed responsibilities are stipulated in an organisation regulation of the Personnel Committee.

– Audit Committee

The Audit Committee is composed of the four non-executive, independent members of the Board of Directors, Kurt E. Feller (Chairman), Dr. Horst Heidsieck, Rudolf Maag and Klaus Weisshaar. It meets at least twice every year. The committee's tasks include in particular the supervision of the internal and external audit as well as the control of the financial reporting. It determines the scope and planning of the external and internal audit and monitors the implementation of the conclusions of the audit. The Audit Committee also assesses the functionality of the internal control system, including risk management. It may invite members of the Group Executive Board to attend its meetings. Furthermore, it is entitled to hold meetings exclusively with representatives of the external as well as the internal auditors. The detailed responsibilities are stipulated in an organisation regulation of the Audit Committee.

Definition of areas of responsibility

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

- supervision of the Company and giving the instructions required
- determination of the organisation
- 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, statutes, regulations and instructions
- establishment of the annual report and preparation of the general meeting and the implementation of its resolutions
- notification of the judge in case of a debt overload

The Board of Directors determines the strategic goals and general means to reach such goals and makes decisions on individual major business transactions. To the extent legally permissible and in accordance with an Organisation Regulation, it has assigned the operational management to the President of the Board of Directors.

The President of the Board of Directors is at the same time the Chief Executive. Currently, the Group Executive Board is composed of the Chief Executive as well as five other members. The members of the Group Executive Board are appointed by the Board of Directors at the suggestion of the President.

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

Information and control instruments vis-à-vis the management board

At every meeting, the Group Executive Board informs 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 informed in writing of current business developments and the Company's financial situation on a monthly basis. In the past fiscal year, the Board of Directors held six ordinary meetings.

In addition, the Board of Directors has held a strategic seminar with the Group Executive Board. At this seminar, major strategic issues were discussed with the Group Executive Board and decisions were made. The Group Executive Board informed the Board of Directors of the progress of implementation of the strategic measures.

Furthermore, the Chairman of the Board of Directors and the President of the Board of Directors were in contact at regular intervals with respect to all major issues of corporate policy. Each member of the Board of Directors may individually demand information with respect to all matters of the Group or Group companies, as the case may be. In the year under review, the Personnel Committee held three meetings, the Audit Committee held two meetings. The external and internal auditors have access to the minutes of the meetings of the Board of Directors and Group Executive Board.

95 dB(A)



4. Group Executive Board



Günter F. Kelm (1940)

Chief Executive Officer (CEO) since 1991, member of the Group Executive Board since 1986, with Geberit since 1986

German citizen, resident in Jona, CH

President of the Board of Directors of Geberit AG, Jona

Günter F. Kelm has graduated with the degree of Dipl. Ing. (business engineering) from the Berlin Technical University. From 1966, his career, via various positions and management functions (among others Assistant to the Management Board, Head of Corporate Development, Managing Director, Finance Director) with international industrial companies such as Deutsche Lufthansa, Dornier, Eckes Group and Sommer Allibert, led him to the Geberit Group, which he joined as Chairman of the Management Board of Geberit GmbH Deutschland and member of the Group Executive Board in 1986.



Albert M. Baehny (1952)

Member of the Group Executive Board since 2003, with Geberit since January 2003

Swiss citizen, resident in Arlesheim, CH

Head of Group Division Marketing & Sales Europe

Albert M. Baehny graduated in biology from the University of Fribourg (CH). In 1979, he started his career in the research department of Serono-Hypolab. In his further career he held various management positions in the marketing and sales area with Dow Chemicals Europe, Ciba Geigy (later Ciba SC and Vantico), and Wacker Chemie. In more than 20 years, Albert M. Baehny has gained vast experience in the marketing and sales area, strategic marketing, division management and as a member of a group executive board. Prior to joining Geberit, he was Director of the "Wacker Specialities" business division and member of the extended Group Executive Board of Wacker Chemie GmbH. Albert M. Baehny has joined the Company on 13 January 2003.



Randolf Hanslin (1942)

Member of the Group Executive Board since 1979, with Geberit since 1977

Swiss citizen, resident in Jona, CH

Head of Group Division Piping Systems

Member of the Board of Directors of Maestrani AG, St. Gallen, Member of the association Swissmem, Zurich

Randolf Hanslin has graduated with the degree of Dipl. Masch.-Ing. ETH. He started his career in 1968 as an internationally active consulting engineer with Dr. OHC Messner, a firm of consulting engineers. In 1977, he joined former Geberit AG as Head of Product Research and Product Development. Shortly afterwards he was appointed a member of the Management Board of former Geberit AG as well as of the Group (Research and Development Department). In addition, in 1988/89 he was Head of the Group Division Marketing & Sales. From 1991 to 1994, Randolph Hanslin was Chief Executive of former Geberit AG and member of the Group Executive Board.



Dr. Rudolf Huber (1955)

Member of the Group Executive Board since 1992, with Geberit since 1992
Swiss citizen, resident in Wilen, CH
Head of Group Division Finance (CFO)
Member of the Board of Directors of Swiss Prime Site AG, Olten

After business school and commercial high school as well as a position as bank employee with Zürcher Kantonalbank, Dr. Rudolf Huber started to study economics at the University of Zurich in 1977. Subsequently, he was an assistant and doctorate student and graduated with the degree of Dr. oec. publ. Dr. Rudolf Huber started his career as Head of Controlling of Sibir AG. From 1987 to 1992, he worked with the Swiss Bucher Guyer Group, most recently as Chief Financial Officer of Bucher Guyer AG and Head of Group Finance of the former Bucher Holding AG.



Dr. Thomas Raible (1951)

Member of the Group Executive Board since 1998, with Geberit since 1985
Swiss citizen, resident in Jona, CH
Head of Group Division Sanitary Systems

Dr. Thomas Raible studied chemistry at ETH Zürich and graduated with the degree of Dr. sc. techn. Prior to joining the Geberit Group, Dr. Thomas Raible worked at EMPA for one year and subsequently in the research and development division of Capsugel AG for two years. In 1985, he joined Geberit as group-wide responsible for technology. In 1991, he assumed responsibility for research and development at the former Geberit AG. From 1994 he was Managing Director of Geberit Technik AG, from 1996 Managing Director of Geberit Produktions GmbH, Pfullendorf.



Paul Witschi (1943)

Member of the Group Executive Board since 1989, with Geberit since 1989
Swiss citizen, resident in Rüslikon, CH
Head of Group Division Marketing & Sales International
Member of the Board of Directors of Reichle + de Massari AG, Wetzikon

Following his apprenticeship, Paul Witschi attended the HTL Winterthur. After several years with firms of consulting engineers in Winterthur and Zurich, he joined Luwa AG in 1971. Following positions as Export Manager and Head of Business Division, he became there responsible for Group marketing as a member of the Management Board in 1984. In 1989, he joined the Geberit Group as a member of the Group Executive Board in charge of marketing and sales. In 1993, he assumed responsibility within the Group Executive Board for the internationalisation of the Group.

Hans-Rudolf Völkin has left the Group Executive Board as of 31 January 2003.

Management contracts

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



5. Compensations, shareholdings and loans

Content and method of determining the compensations and of the shareholding programmes

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

Based on a regulation, there is an option to pay the compensation of the Board of Directors, in whole or in part, in shares. In this case, the shares are subject to a lock-up period of two years.

The compensation of the Group Executive Board is paid on the basis of a regulation applicable to the entire Group management of the Geberit Group (approx. 130 persons). Such compensation is composed of a fixed salary and a performance-related bonus. The target salary (fixed salary plus medium bonus) is determined in line with market conditions and performance.

The bonus may be received, in whole or in part, in cash and/or in shares. In case of payment in shares, an additional incentive is granted in the form of options. The shares and options are subject to a lock-up period of three years and two years, respectively.

In addition to the salary, there is an annual option plan for the Group Executive Board and other management members (approx. 50 executives) corresponding to a market value of 10% of the target salary at the time of granting. These options are subject to a lock-up period of two and four years, respectively.

There are special pension fund regulations for the Group Executive Board and other management members. In addition, no other significant payments in kind are made.

Compensations for acting members of governing bodies

Total compensations paid to non-executive members of the Board of Directors amounted to TCHF 290. TCHF 78 thereof was paid in cash. 491 shares were granted for the remaining amount.

Total compensations paid to the executive member of the Board of Directors and the other members of the Group Executive Board in 2002 (fixed salary, bonus ex 2001, pension contributions) amounted to TCHF 4,380. TCHF 3,845 thereof was paid in cash. For the remaining amount, 732 shares were granted and contributions to the pension plan were made.

Compensations for former members of governing bodies

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

Shares and options ownership as well as allotments of options

On 31 December 2002, the non-executive members of the Board of Directors held 59,959 shares, the executive member of the Board of Directors and the other members of the Group Executive Board held 261,024 shares of which 16,346 are subject to lock-up periods.

At the end of the year under review, the non-executive members of the Board of Directors held no options. The options of the executive member of the Board of Directors and the other members of the Group Executive Board are set forth in the table below:

Year of issue	End of blocking period	Maturity	Number	Exercise price	Knock-in price*
1999	lapsed	22.06.04	5356	330.00	
1999	lapsed	22.06.04	6995	346.50	
1999	22.06.03	22.06.04	9295	363.00	
2000	lapsed	14.04.05	1545	555.00	
2000	13.02.04	13.02.05	1978	595.00	649.00
2001	04.04.03	04.04.06	1656	458.50	
2001	22.01.03	22.01.06	3369	458.00	480.00
2001	22.01.05	22.01.06	3369	480.00	523.00
2002	08.04.04	08.04.07	732	431.00	
2002	21.01.04	21.01.07	3626	386.00	405.00
2002	21.01.06	21.01.07	3626	405.00	442.00

* If the knock-in price is not reached at the end of the lock-up period, the option will lapse irrevocably.

A total of 41,547 options were outstanding as of 31 December 2002. 3,369 thereof lapsed on 22 January 2003, as the knock-in clause was not fulfilled.

Additional honorariums and remunerations as well as loans granted to governing bodies

No significant additional honorariums and remunerations were paid to members of governing bodies in the year under review. No loans to members of governing bodies are outstanding.

Highest total compensation

The highest individual compensation in the year under review (fixed salary, bonus ex 2001, pension contributions) amounted to TCHF 1,150. TCHF 824 thereof was paid in cash, for the remaining amount, 245 shares were granted and contributions to the pension plan were made.

2,151 options were allotted to the member of the Board of Directors with the highest total compensation in accordance with the following table.

Year of issue	End of blocking period	Maturity	Number	Exercise price	Knock-in price*
2002	08.04.04	08.04.07	245	431.00	
2002	21.01.04	21.01.07	953	386.00	405.00
2002	21.01.06	21.01.07	953	405.00	442.00

* If the knock-in price is not reached at the end of the lock-up period, the option will lapse irrevocably.

6. Shareholders' participation rights

Voting right

Upon request and against evidence of the purchase, the purchasers of shares are recorded as voting shareholders in the share register, if they expressly declare that they hold the shares in their own name and for their own account. The statutes provide for exceptions with respect to shares held by nominees the registration of which may be permitted by the Board of Directors in certain circumstances.

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

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

Statutory quorums

The rules relating to statutory quorums set forth in the statutes correspond to the legal minimum requirements.

Convocation of the general meeting of shareholders/agenda

The general meeting of shareholders will be convened by the Board of Directors 20 days prior to the date of the meeting, at the latest. No resolutions may be passed on any subject not announced in this context. Applications for the convocation of an extraordinary general meeting or implementation of a special audit are exempt from this rule. Shareholders representing shares with a par value of 1 million Francs may demand in writing that a subject of discussion be added to the agenda at least 45 days prior to the meeting.

At the general meeting on 30 April 2003, together with the proposal to reduce the par value (see page 23, "changes of capital"), a reduction of the threshold will be proposed, shareholders may demand in writing a subject of discussion to be added to the agenda. The respective amount would be TCHF 50.

Registrations in the share register

From the 10th day prior to and until the day after the general meeting no registrations are made.

7. Changes of control and defence measures

There are no regulations with respect to changes of control or defence measures.

8. Auditors

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

PricewaterhouseCoopers AG, Zurich, have been the auditors of the Geberit Group and Geberit AG since 1997. The head auditor, Daniel Ketterer, has been in charge of the auditing mandate since 2001.

Auditing honorarium and additional honorariums

In the fiscal year 2002, PricewaterhouseCoopers invoiced the Geberit Group approx. TCHF 960 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. For additional services PricewaterhouseCoopers invoiced approx. TCHF 60 regarding audit-related services (mainly acquisition Chicago Faucets), approx. TCHF 785 to tax consultancy and approx. TCHF 115 to other services.

Supervisory and control instruments vis-à-vis the auditors

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

9. Information policy

Geberit maintains an open and regular communication with shareholders, the capital market and the general public, with the CEO and CFO as direct contacts.

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

For further details on the Geberit Group's information policy reference is made to the "Investor Information" chapter on page 6/7 of this annual report.



90 dB(A)

Sound

Sounds have accompanied humanity since the beginning of time: the rustling of leaves, the splashing of water, song and speech. Whether this pleases us, serves as a warning for us or disturbs us, is almost always related to ourselves and how we interpret noise. When we measure noise physically we describe it as “sound”.

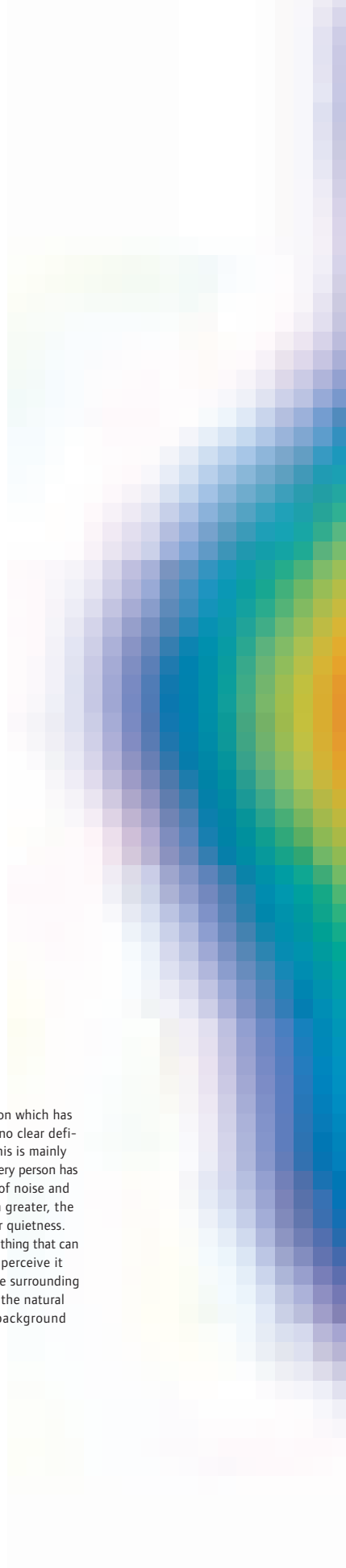
Many human beings experience “sound” negatively if it is loud and comes along as “noise”, such as, for example, the droning of aircraft. In certain situations, however, even quiet sounds can drive people to despair – a dripping tap, for example, or the flushing of the toilet at night in the flat next door.

Geberit has been working intensively for a long time on the reduction of noise emissions in sanitary technology with the aim of banishing the world of precisely these quiet, but irritating noises. The following double pages show fascinating, colourful pictures taken with a new kind of sound-measuring device, the so-called acoustic camera. Geberit investigates and examines its own products to find out where unpleasant noises originate. The findings of these investigations are channelled into the development of new products and the continued improvement of existing ones – in order to offer you even quieter products in future.

The acoustic camera

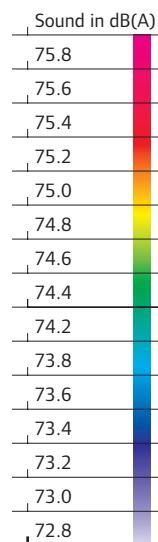
The acoustic camera (see picture on the page opposite), enables airborne sound emissions generated by sound sources to be recorded and displayed visually in dazzling colours. The acoustic camera does not take “photographs” in the conventional sense, but records a sound using 32 microphones. The recorded data is evaluated and coded according to a coloured decibel scale. Finally, a “sound picture” visualises the development of sound. Red indicates the loud, and blue the quiet areas – the sound volumes measured, however, vary according to the object measured. This means that, in one instance, red indicates a sound level of 30 dB(A), and in another case 50 dB(A). The same applies for blue as well, of course.

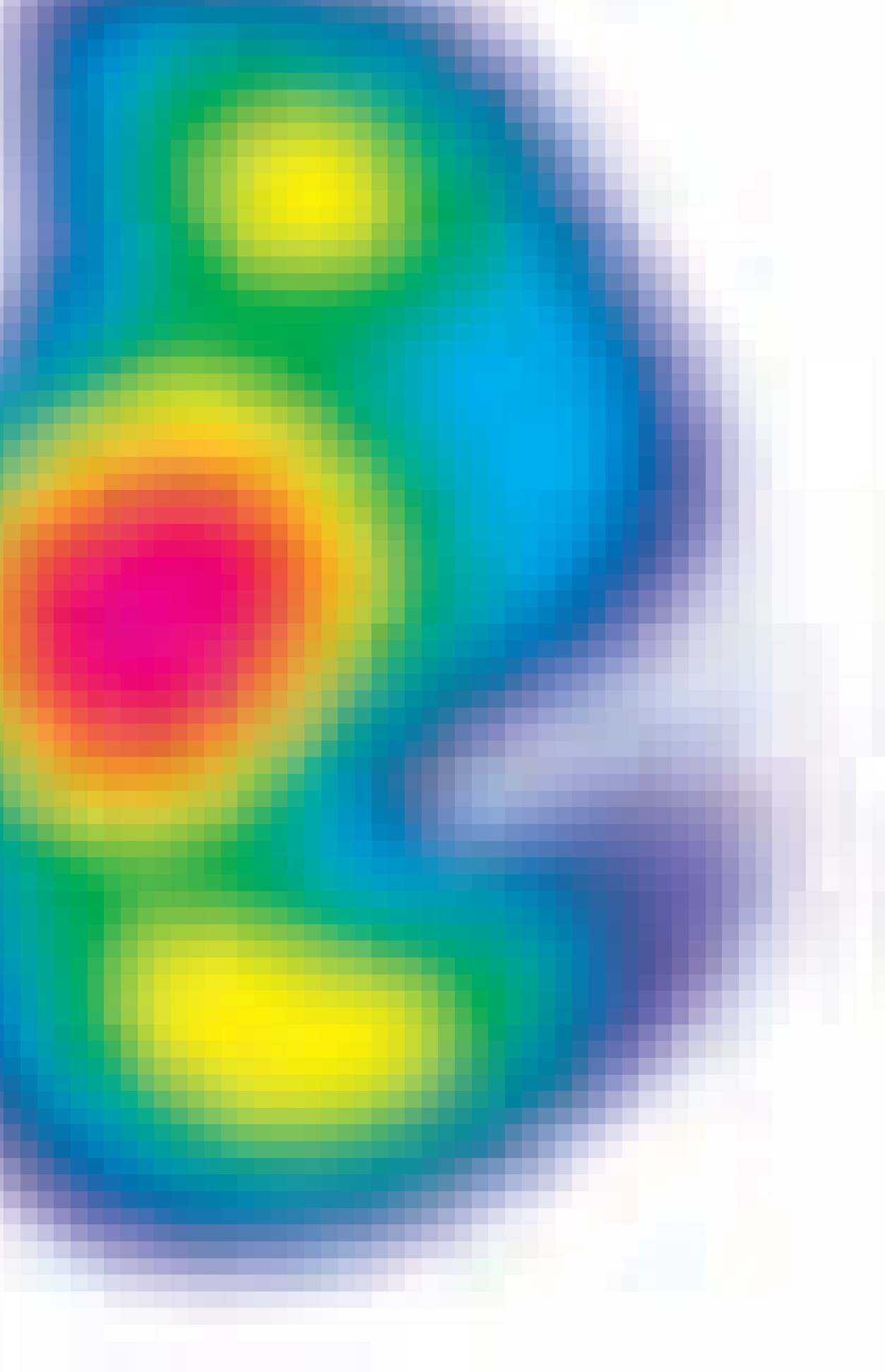




Quietness

Quietness is a condition which has many facets. There is no clear definition of quietness. This is mainly due to the fact that every person has different perceptions of noise and that one person has a greater, the other a lesser need for quietness. There is, however, one thing that can be said: most people perceive it to be "quiet" when the surrounding sound corresponds to the natural background sound (background noise).

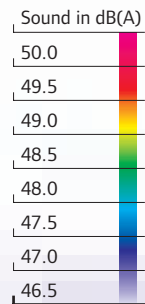




Noise

Noise is the absolute opposite of quietness. Noise is sound, but on the other hand sound is not necessarily noise. One speaks of noise when sound is perceived as being disturbing. How this disturbing effect is perceived, however, is very much dependent upon each individual person, because noise is subjective. In this context, noise is often defined as disturbing – meaning unwelcome – sound.

Consequently, noise cannot merely be measured but must also be assessed. Standards and guidelines attempt to objectify this assessment by establishing a relationship between a measured value and the disturbing effect on an average person.

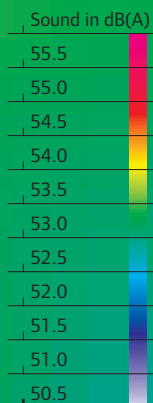




Volume

Volume perception and sound pressure level are linked. The size (amplitude) of the tiny fluctuations of the air pressure is called sound pressure. For practical reasons, sound pressure is measured logarithmically and converted into a so-called sound pressure level. The unit of measurement is the decibel (dB). Since the sensitivity of our ear is heavily dependent upon the tone-level, the sound level often does not correspond to the perceived volume. Today, this link between sound pressure level and volume perception is programmed into modern sound meters as standard. In this way, the signal to be measured is evaluated and specified as a so-called A sound level in dB(A).

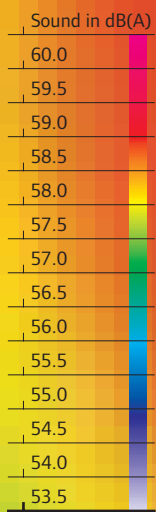
A normal conversation is between 50 and 60 dB(A), whilst the take-off of a jet plane at a 100 meters distance is approximately 130 dB(A). Changes in volume must be around 3 dB(A) before they become clearly audible. A change of 10 dB(A) corresponds to a doubling or halving of the subjectively perceived volume.



Frequency

Sound production causes the surrounding air of the sound source to vibrate. The number of these vibrations per second is called "frequency". The unit measurement of frequency is the Hertz (Hz). People perceive frequency as tone-level, whereby low frequencies mean low tones and high frequencies mean high tones.

The perceptibility of the human ear lies between 20 and 20,000 hertz. For example, the lowest note on a piano is 27.5 Hz and the highest is 4,186 Hz.

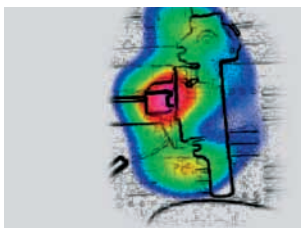


Conclusion: applications in sanitary technology

With the aid of the acoustic camera, Geberit has succeeded for the first time in isolating sound sources typical to the sanitary technology and making these not only audible but also visible under laboratory conditions. The findings resulting from these measurements are being channelled directly into the development and manufacturing of products. So that you can live quiet and peacefully within your own four walls.

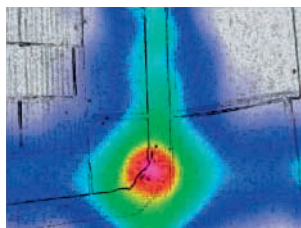
Newly developed urinal flush valve

In the development-process of a new flush valve we could take advantage of observations made by the acoustic camera. The aim was to reduce the sound level of the valve even further. The acoustic camera visualised two causes for the origin of sound, which both contributed equally to the overall sound level produced. It would have been difficult to differentiate between these two sound sources using standard procedures. Once recognised, it was possible to tackle the sound sources with appropriate measures in a targeted manner.



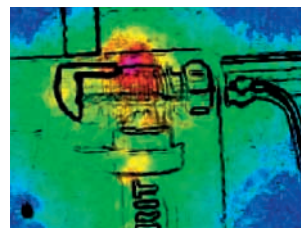
Silent/db20

The acoustic camera shows clearly, how water impacts in fittings and changes of direction in the low-noise drainage system Silent/db20 produce noises. The visualisation indicates the points at which the greatest sound emissions occur. With this information, noise-reduction measures can be implemented in a targeted manner. One example of this is the use of noise reduction ribs in the elbows and fittings of the Silent/db20 drainage system.



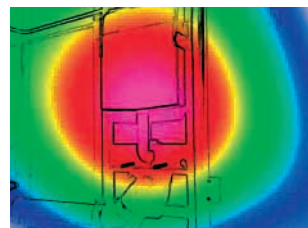
Unifill fill valve

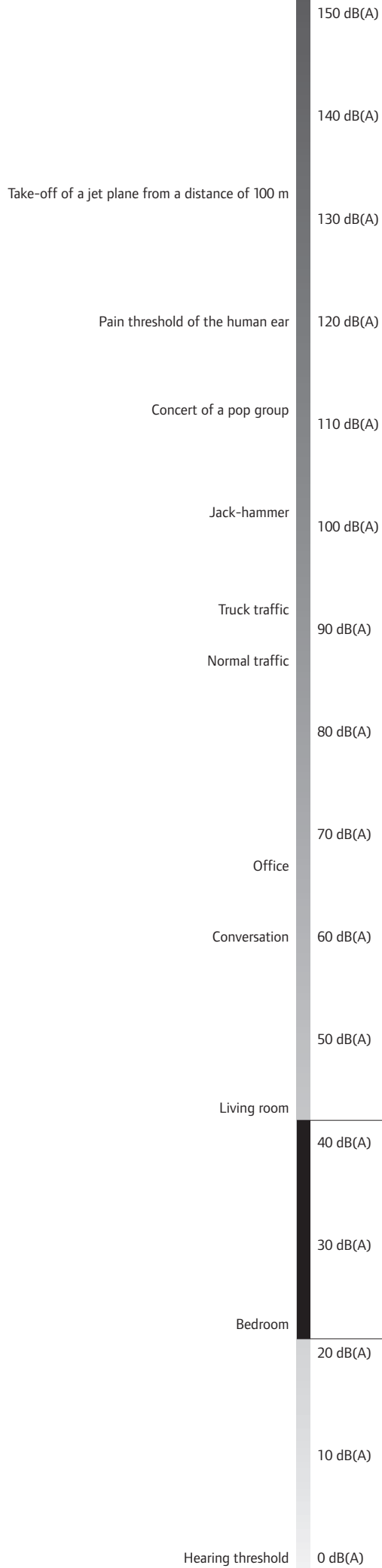
With the Unifill fill valve, the primary aim was to localise the sound peaks and thus improve the level of understanding of the origin of sounds in the valve. Insights of this kind help with the further optimisation of existing products and to develop new ideas for the next generation of products.



New concealed cistern

When flushing a water closet, sounds occur at various places during the flushing process. The flushing noise or the sound of a cistern refilling are well known to the consumer. Geberit has come to interesting conclusions about the individual causes of noise here too, and implemented these into the development of its products.





**Sanitary noise level
using Geberit systems**

Consolidated Financial Statements

Geberit Group

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Consolidated Balance Sheets

	Note	31.12.2002	31.12.2001
		MCHF	MCHF
Assets			
Current assets			
Cash and cash equivalents		137.5	101.5
Trade accounts receivable	4	81.8	76.3
Other accounts receivable and prepaid expenses	5	29.8	37.2
Inventories	6	125.3	114.0
Total current assets		374.4	329.0
Non-current assets			
Property, plant and equipment	7	492.0	492.3
Financial assets and other non-current assets	8	123.5	111.8
Goodwill and intangible assets	9	510.3	512.0
Total non-current assets		1125.8	1116.1
Total assets		1500.2	1445.1
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term debt	10/12	64.5	65.4
Trade accounts payable		67.3	72.7
Tax liabilities and tax provisions		42.5	37.6
Other current provisions and liabilities	11	84.6	68.4
Total current liabilities		258.9	244.1
Non-current liabilities			
Long-term debt	12	367.5	439.9
Accrued pension obligation	14	91.9	85.4
Deferred tax liabilities	16	120.2	112.4
Other non-current provisions and liabilities	17	19.4	9.4
Total non-current liabilities		599.0	647.1
Minority interest		12.1	7.1
Shareholders' equity			
Capital stock	19	41.6	83.2
Reserves	19	569.7	430.3
Cumulative translation adjustments	19	18.9	33.3
Total shareholders' equity		630.2	546.8
Total liabilities and shareholders' equity		1500.2	1445.1

The accompanying notes on pages 52 to 77 are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2002 MCHF	2001 MCHF
Sales		1273.0	1165.1
Sales deductions	21	167.3	151.6
Net sales		1105.7	1013.5
Cost of materials		362.9	331.0
Personnel expenses		325.9	296.8
Depreciation expense	7	73.2	69.0
Amortisation of goodwill and intangibles	9	36.2	35.6
Other operating expenses, net	22	121.2	124.0
Total operating expenses, net		919.4	856.4
Operating profit (EBIT)		186.3	157.1
Financial income and (expenses), net	23	(23.0)	(29.1)
Non-operating income, net		0.1	0.3
Profit before income tax expenses and minority interest		163.4	128.3
Income tax expenses	24	43.7	35.6
Net income before minority interest		119.7	92.7
Minority interest, net of tax		1.6	0.6
Net income		118.1	92.1
Other financial figures			
Earnings per share (CHF)	20	29.22	23.00
Earnings per share diluted (CHF)	20	29.15	22.93
Earnings per share adjusted (CHF)	20	37.95	31.64
Research and development expenses	3	30.1	34.1
Interest expenses, net	23	(17.7)	(25.2)
Operating cashflow (EBITDA)		295.7	261.7
Net cashflow	25	247.1	206.8
Free cashflow	25	200.1	142.8

The accompanying notes on pages 52 to 77 are an integral part of the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Ordinary shares	Capital in excess of par	Treasury shares	Retained earnings	Distr. in excess of predeces- sor basis	Cum. translation adjust- ments	Total share- holders' equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 1 January 2001	83.2	421.0	(80.8)	126.7	(88.3)	30.7	492.5
Dividends and repayments of par value				(40.1)			(40.1)
Net income				92.1			92.1
(Purchase)/sale of treasury shares		1.4	0.1				1.5
Foreign currency items						3.7	3.7
Other		(0.3)		(1.5)		(1.1)	(2.9)
Balance at 31 December 2001	83.2	422.1	(80.7)	177.2	(88.3)	33.3	546.8
Dividends and repayments of par value	(41.6)		0.6				(41.0)
Net income				118.1			118.1
(Purchase)/sale of treasury shares		(10.9)	32.8				21.9
Foreign currency items						(11.1)	(11.1)
Other		(1.2)				(3.3)	(4.5)
Balance at 31 December 2002	41.6	410.0	(47.3)	295.3	(88.3)	18.9	630.2

The accompanying notes on pages 52 to 77 are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2002 MCHF	2001 MCHF
Cash provided by operating activities			
Net income		118.1	92.1
Adjustments to cashflow from operating activities			
Depreciation and amortisation	7/9	109.4	104.6
Financial expenses, net	23	23.0	29.1
Income tax expenses	24	43.7	35.6
Other		7.2	3.0
Operating cashflow before changes in net working capital and taxes		301.4	264.4
Income taxes paid		(30.8)	(48.0)
Changes in net working capital	25	15.4	15.9
Net cash provided by operating activities		286.0	232.3
Cash used in investing activities			
Acquisitions, net		(29.0)	(1.1)
Purchase of property, plant & equipment and intangible assets	7	(59.6)	(76.6)
Proceeds from sale of property, plant & equipment and intangible assets		3.4	1.9
Other, net		1.9	4.0
Net cash used in investing activities		(83.3)	(71.8)
Cash used in financing activities			
Proceeds from short-term borrowings		38.7	2.4
Repayments of short-term borrowings		(38.6)	(3.8)
Proceeds from long-term borrowings		142.4	18.2
Repayments of long-term borrowings		(219.7)	(65.7)
Interest paid		(21.2)	(33.8)
Dividends and repayments of par value		(41.0)	(40.1)
(Purchase)/sale of treasury shares		(20.7)	1.5
Other, net		(2.2)	(1.1)
Net cash used in financing activities		(162.3)	(122.4)
Effects of exchange rates on cash		(4.4)	(1.0)
Net increase (decrease) in cash		36.0	37.1
Cash and cash equivalents at beginning of year		101.5	64.4
Cash and cash equivalents at end of year		137.5	101.5

The accompanying notes on pages 52 to 77 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Basis of presentation

The Geberit Group is a leading European supplier of sanitary plumbing systems for the residential and commercial new construction and renovation markets. The products of the Group consist within the two product areas sanitary systems and piping systems principally of the product lines installation systems, flushing systems, building drainage systems and water supply systems which are sold to plumbers and installers through wholesalers.

The consolidated financial statements include Geberit AG and the companies which it controls ("the Group"). Control is "the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities". This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting power of a company. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheets and consolidated income statements, respectively. The Group eliminates all intra-group transactions as part of the Group consolidation process.

The consolidated financial statements of the Group comply with International Financial Reporting Standards ("IFRS", formerly "IAS"), and are prepared using the historical cost convention. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates.

These financial statements have been approved by the board of directors on 7 March 2003.

According to the definitions of the International Accounting Standards Board all International Accounting Standards hitherto published are abbreviated with "IAS". This abbreviation is used in the following pages.

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-dollar.

2. Changes in Group organisation

2002

Effective as of 1 January 2002, the Group has acquired a 51% interest in Huter Vorfertigung GmbH, Matrei, Austria. Huter is a leading provider of installation elements, prewall-systems as well as lightweight prefabricated bathrooms in Austria.

As of 9 July 2002 the Group purchased 100% of the shares of the Chicago Faucet Company (CFC), Des Plaines, Illinois, USA for MUSD 33.3. Chicago Faucets produces highly recognised commercial faucets and fittings and generated sales of USD 70.0 with approx. 400 employees in the fiscal year 2001. Additionally, as of 1 November 2002 the Group through CFC bought 100% of the shares of WC Technology Corporation (WCTC), Farmington Hills, Michigan, USA for MUSD 5.5. The small development and sales company holds latest international state-of-the-art patents of the innovative pressure tank technology. After the acquisition WCTC was merged into CFC.

2001

In 2001 there were no material changes within the organisational structure of the Group.

3. Summary of significant accounting policies

Foreign currency translation

The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. As per end of 2002 all material subsidiaries within the European monetary union were using the Euro as their functional currency. Assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates for the period. Translation gains or losses are accumulated as a separate component of equity within cumulative translation adjustments. 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, the unsettled balances in foreign currency receivables and liabilities are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to income. Exchange rate differences related to intra-group loans of a long-term investment nature are recorded as a separate component of equity within cumulative translation adjustments.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and liquid short-term investments with maturities of three months or less on their acquisition date.

Receivables

Trade and other receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of raw materials and goods purchased for resale are valued on a weighted average basis. Provision is made for obsolete and slow-moving inventories.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Betterments that increase the useful lives of the assets, improve the quality of the output or enable a substantial reduction in operating costs are capitalised and depreciated over the remaining useful lives. Depreciation on property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (20–50 years), production machinery and assembly lines (8–15 years), moulds (8 years), equipment (5–20 years) and vehicles (4–8 years). Repairs and maintenance are charged to income as incurred.

Intangible assets and goodwill

The excess of the purchase price over the fair value of net assets acquired is recorded as goodwill. Goodwill and intangibles such as patents, trademarks and software acquired from third parties are stated at cost less accumulated amortisation. The amortisation of goodwill and intangible assets is calculated using the straight-line method based upon the following useful lives: goodwill (5–20 years), patents (3–10 years), trademarks (20 years) and software (4 years).

Valuation of property, plant and equipment and intangible assets

Where the carrying amount of an asset is bigger than its estimated recoverable amount, it is written down to its recoverable amount.

Deferred financing fees

Financing fees are deferred and amortised over the expected life of the related debt instrument, on a straight-line basis, or if the debt instrument has scheduled principal repayments, using the bond outstanding method. Amortisations of deferred financing fees are part of financial income and expenses.

Associated companies and joint ventures

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

Provisions

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

Sales and sales deductions

Sales include the invoiced net amounts after deduction of rebates and are recognised upon shipment of products to customers. Credit notes issued subsequently are deducted.

Sales deductions are recognised when the sales are recorded.

Marketing expenses

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

Taxes

The consolidated financial statements include direct taxes that are based on the results of the Group companies and are calculated according to local tax rules. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated using the tax rate expected to apply in the period in which these differences reverse, based on currently enacted tax rates. If the realisation of future tax savings related to tax loss carry-forwards and other deferred tax assets is not probable, valuation allowances are recorded. Provision is made for incremental taxes on only those available earnings of foreign subsidiaries which are intended to be remitted.

Research and development expenditures

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

Retirement benefit plans

The Group companies have various defined benefit and defined contribution pension schemes which comply with applicable laws and customs in the respective countries in which the Group operates. For defined benefit plans, the projected benefit obligations are calculated annually by independent actuarial experts using the projected unit credit method based on the service life, projected salary and pension benefit development and expected return on pension fund investments. Annual net pension costs are charged to income in the period incurred. Experience adjustments and the effects of changes in actuarial assumptions are amortised over the estimated average remaining service life of plan participants. Payments to defined contribution plans are based on fixed percentages of participant salaries as defined in the respective plan documents and are charged to income as incurred.

Stock ownership plans

Differences between the fair market value of shares issued and proceeds received from employees under the Group's stock ownership plans are recorded within shareholders' equity. Options issued to employees under the stock ownership plans are generally issued using market values on the date of grant.

Earnings per share

Diluted earnings per share is calculated using the weighted average number of ordinary shares issued and outstanding, adjusted for the number of shares that could have been acquired at market price (determined as the average annual share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding dilutive share options. These shares, potentially to be issued, are added to the weighted average ordinary shares outstanding by which attributable net income is divided to calculate diluted earnings per share.

Financial instruments and risk management

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. The fair values of derivative financial instruments are based on quotes obtained from brokers and recognised according to IAS 39. Long-term debts are generally recorded at amortised cost.

When necessary under its risk management policies, the Group uses financial instruments, primarily collars and options, to reduce exposures to market risks resulting from fluctuations in interest rates and foreign exchange rates, principally on the Group's long-term debt. The instruments are described in Note 13. Interest expenses under the interest rate risk management agreements, and the respective debt instruments they hedge, are recorded as interest expenses at the effective interest rate of the hedged transactions. Excess portions of instruments which are designated and otherwise effective as hedges are recorded in the balance sheet at their pro rata fair value, with the related charge included in financial income and expenses.

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

The Group invests its cash in both deposits with major banks throughout the world and other high quality short-term liquid money market investments (commercial papers, government and government agency notes and bills, etc.). The Group has a policy of making investments only with major credit-worthy commercial institutions. These investments generally mature within three to six months and the Group has not incurred any related losses.

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

4. Trade accounts receivable

	2002	2001
	MCHF	MCHF
Trade accounts receivable	88.3	81.8
Allowance	(6.5)	(5.5)
Total trade accounts receivable	81.8	76.3

Of trade accounts receivable, MCHF 3.9 was denominated in CHF (2001: MCHF 5.5), MCHF 51.8 was denominated in EUR (2001: MCHF 49.4), MCHF 11.8 was denominated in USD (2001: MCHF 2.6) and MCHF 6.5 was denominated in GBP (2001: MCHF 11.1).

5. Other accounts receivable and prepaid expenses

	2002	2001
	MCHF	MCHF
Income tax refunds receivable	3.4	9.8
Other tax receivables	16.6	16.6
Other receivables	2.2	2.8
Prepaid expenses and other current assets	7.6	8.0
Total other accounts receivable and prepaid expenses	29.8	37.2

6. Inventories

Inventories, net of allowances for excess and obsolete items of MCHF 12.6 as of 31 December 2002 (2001: MCHF 10.0) were as follows:

	2002	2001
	MCHF	MCHF
Raw materials, supplies and other inventories	34.8	29.4
Work in progress	21.7	17.8
Finished goods	56.0	53.9
Goods purchased for resale	12.5	12.3
Prepayments to suppliers	0.3	0.6
Total inventories	125.3	114.0

7. Property, plant and equipment

	2002					2001
	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr. + advanced payments	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Cost at beginning of year	679.7	232.8	396.7	37.7	12.5	632.5
Changes in Group organisation (see Note 2)	28.4	19.0	8.7	0.6	0.1	
Additions	59.6	1.6	28.8	4.6	24.6	76.6
Disposals	(35.6)	(0.1)	(26.8)	(8.2)	(0.5)	(20.7)
Transfers		7.3	18.9	0.4	(26.6)	
Translation differences	(19.5)	(6.6)	(11.3)	(1.3)	(0.3)	(8.7)
Cost at end of year	712.6	254.0	415.0	33.8	9.8	679.7
Accumulated depreciation at beginning of year	187.4	30.5	144.4	12.5		141.8
Additions	73.2	8.8	56.2	8.2		69.0
Disposals	(30.4)		(23.4)	(7.0)		(18.0)
Translation differences	(9.6)	(1.0)	(7.8)	(0.8)		(5.4)
Accumulated depreciation at end of year	220.6	38.3	169.4	12.9		187.4
Net carrying amounts at end of year	492.0	215.7	245.6	20.9	9.8	492.3

As of 31 December 2002 buildings were insured at MCHF 356.8 (2001: MCHF 325.9) and equipment at MCHF 695.0 (2001: MCHF 658.2), which amounts to a total insurance value for property, plant and equipment of MCHF 1,051.8 (2001: MCHF 984.1).

8. Financial assets and other non-current assets

	2002	2001
	MCHF	MCHF
Prepaid pension asset (see Note 14)	85.9	86.4
Deferred financing fees, net	3.5	3.6
Deferred tax assets (see Note 16)	21.7	12.3
Investments in associated companies	0.1	0.1
Deposits	10.3	6.1
Other	2.0	3.3
Total financial assets and other non-current assets	123.5	111.8

9. Goodwill and intangible assets	2002				2001
	Total	Goodwill	Patents	Trademarks and other intangible assets	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Cost at beginning of year	773.0	533.1	95.1	144.8	771.1
Changes in Group organisation (see Note 2)	34.5	26.1	4.0	4.4	
Additions					1.9
Disposals					
Translation differences					
Cost at end of year	807.5	559.2	99.1	149.2	773.0
Accumulated amortisation at beginning of year	261.0	131.5	95.1	34.4	224.8
Additions	36.2	29.1	0.1	7.0	35.6
Disposals					
Translation differences					0.6
Accumulated amortisation at end of year	297.2	160.6	95.2	41.4	261.0
Net carrying amounts at end of year	510.3	398.6	3.9	107.8	512.0

From goodwill and amortisations of MCHF 398.6 and MCHF 36.2 respectively, MCHF 353.3 (2001: MCHF 378.3) and MCHF 31.9 (2001: MCHF 31.9) resulted from the Leveraged-buyout in 1997.

10. Short-term debt

Under the working capital facility, the Group maintains an overdraft credit line to fund corporate working capital requirements totalling MCHF 50.0 of available credit. In addition it maintains several credit lines with various lenders which together amount to MCHF 57.0. The Group considers borrowing under the working capital facility and the local facilities to be short-term in nature, and accordingly, includes these borrowings in short-term debt.

The working capital facility bears interest at *libor* plus an interest margin of 0.625% per annum. Interest is payable at the maturity of a revolving advance, which can have terms of one, two, three or six months or such other period as the lender may agree to. Furthermore, a commitment fee is paid equal to one-half of the applicable margin, which was 0.3125% as of 31 December 2002, on the unused portion of such facility.

At 31 December 2002 short-term debt of MCHF 0.1 was outstanding (2001: –).

11. Other current provisions and liabilities

	2002	2001
	MCHF	MCHF
Compensation related liabilities	43.5	32.2
Accrued interest	1.3	1.7
Customer related liabilities	30.7	25.5
Other	9.1	9.0
Total other current provisions and liabilities	84.6	68.4

In 2001 the positions "Compensation related liabilities and provisions" and "Other" include restructuring provisions of MCHF 5.4 and MCHF 0.8 respectively. These amount to MCHF 2.6 and MCHF 0.5 at the end of 2002 respectively.

12. Long-term debt

	2002	2001
	MCHF	MCHF
Senior facilities		
Scheduled Term A bank loan	217.9	378.5
Scheduled Term B bank loan	41.1	72.3
Scheduled Term C bank loan	19.6	33.3
Private Placement	138.7	
10.125% senior subordinated notes		6.8
Other long-term debt	14.6	14.4
Total long-term debt	431.9	505.3
Short-term portion of long-term debt	(64.4)	(65.4)
Total long-term debt	367.5	439.9

The scheduled bank loans of MCHF 500.0 (Term A), MEUR 65.0 (Term B) and MEUR 30.0 (Term C) were repaid as scheduled. The repayments in 2002 were MCHF 46.1 (2001: MCHF 48.6) for Term A, MEUR 6.5 (2001: MEUR 6.5) for Term B and MEUR 3.0 (2001: MEUR 3.0) for Term C, respectively. In addition, the group made an extraordinary repayment on a voluntary basis in the amount of MEUR 95.0 (Term A: MEUR 75.0, Term B: MEUR 14.0, Term C: MEUR 6.0). During 2002 and 2001, the effective interest rate on the scheduled bank loans was 3.83% and 4.88%, respectively.

In December 2002 the group raised MUSD 100.0 from various US insurance companies through privately placed debt ("The Notes"), issued by its US subsidiary The Chicago Faucet Company. The Notes are split in (i) a series A (MUSD 35.0), which carry a coupon of 5.0% and which are due on 19 December 2009 and (ii) a series B (MUSD 65.0), which carry a coupon of 5.54% and which are due on 19 December 2012. The Notes are pari-passu to the scheduled bank loans.

Borrowings under the senior facilities are secured by guarantees from Geberit AG, Geberit Holding AG and Geberit Beteiligungs GmbH & Co. KG, and contain a number of covenants and conditions typical to senior financing, including among others the compliance with certain financial ratios.

At 31 December 2002, the Group has outstanding MCHF 14.6 of other interest-bearing long-term debt (2001: MCHF 14.4). These borrowings incurred interest at a weighted average rate of 4.98% (2001: 4.96%).

Scheduled maturities of the long-term debt for the next five years are as follows:

	MCHF
2003	64.4
2004	220.9
2005	1.2
2006	1.0
2007 and thereafter	144.4
Total	431.9

Of the financial debt outstanding as of 31 December 2002, MCHF 143.5 was denominated in EUR and MCHF 138.7 in USD (2001: MCHF 332.5 in EUR).

13. Financial instruments

Where necessary under the risk management policy, the Group enters into derivative financial instruments to hedge its exposure to foreign currency exchange rate risk and interest rate risk. The risk management policy and the accounting policies for the Group's derivative financial instruments are disclosed in Note 3. At 31 December 2002 and 2001, the following derivative financial instruments were outstanding:

Foreign currency exchange rate instruments

The group hedges foreign exchange rate risk on its fixed rate debt (see Note 12) as follows (Cross Currency Interest Rate Hedge):

2002						
Maturity	Strike price	Contract Amount Purchase	Contract Amount (Sale)	Estimated fair value	USD-Interest rate	EUR-Interest rate
		MUSD	MEUR	MCHF	in %	in %
USD buy / EUR sell	1.004	55.0	(54.8)	(5.8)	5.54	5.9775

MUSD 55.0 of the Notes (see Note 12) were converted into Euro to repay the existing scheduled bank loans. The foreign exchange rate risk arising from this conversion is hedged with the above mentioned financial instrument. The change in fair value of this instrument is booked (i) in financial income and expenses (foreign exchange rate part), thereby offsetting the valuation of the underlying hedged item (fair value hedge) and (ii) in equity (interest part).

Interest rate instruments

The Group hedges interest rate risk on its floating rate debt (see Note 12) as follows:

	2002				2001			
	Maturity	Interest rate in %	Contract amount net of repayments	Estimated fair value	Interest rate in %	Contract amount net of repayments	Estimated-fair value	
			MCHF			MCHF		
Interest rate cap	28.02.2004	4.00	MCHF 100.0	(1.2)	4.00	MCHF 100.0	(1.3)	
Interest rate floor	28.02.2003	3.25	MCHF 100.0		3.25	MCHF 100.0		
Interest rate cap	28.02.2004	5.25	MEUR 115.0	(0.9)	5.25	MEUR 115.0	(0.1)	
Interest rate floor	28.02.2004	3.15	MEUR 115.0		3.15	MEUR 115.0		

Interest expenses under these agreements, and the respective debt instruments that they hedge, are recorded at the net effective interest rate of the hedged transactions in financial income and expenses.

In 2002 the group purchased the existing forward contracts related to the MCHF 100.0 interest rate floor for the period between 1 March 2003 and 28 February 2004 for MCHF 1.3.

14. Retirement benefit plans

The Group sponsors defined benefit and defined contribution plans for its employees in certain countries, of which the most significant plans are in Switzerland, Germany, Austria and USA. These plans are accounted for according to the IAS rules for defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds, and are principally invested in marketable securities and real estate. For its defined benefit pension schemes, net periodic pension cost included in the net income for the years 2002 and 2001 includes the following components:

	2002	2001
	MCHF	MCHF
Service cost	12.1	11.9
Interest on projected benefit obligation	13.1	12.5
Expected return on plan assets	(12.9)	(15.8)
Net amortisation and deferral	2.9	1.3
Contributions of plan participants	(5.1)	(4.6)
Net periodic pension cost	10.1	5.3

The following table sets forth the status of the defined benefit pension plans and the amounts recognised in the Group's consolidated balance sheets at 31 December 2002 and 2001:

	2002	2001
	MCHF	MCHF
Benefit obligation		
At beginning of year	290.1	278.7
Acquisitions (see Note 2)	4.4	
Current service cost	12.1	11.9
Interest cost on projected benefit obligation	13.1	12.5
Actuarial (gains)/losses	(3.8)	(0.8)
Foreign currency translation	(1.9)	(2.2)
Benefits paid	(11.6)	(10.0)
Benefit obligation at end of year	302.4	290.1
Plan assets at fair value		
At beginning of year	258.6	287.7
Expected return on plan assets	12.9	15.8
Contributions of plan participants	5.1	4.6
Benefits paid	(5.7)	(5.6)
Actuarial gains/(losses)	(30.5)	(43.9)
Plan assets at fair value at end of year	240.4	258.6
Funded status at end of year		
	(62.0)	(31.5)
Unrecognised transition obligation	1.3	2.6
Unrecognised net (gains)/losses	57.4	32.5
Prepaid pension cost	(3.3)	3.6
Prepaid pension cost is comprised of		
Prepaid pension asset	85.9	86.4
Accrued pension obligation	89.2	82.8
Prepaid pension cost	(3.3)	3.6

Pension assets and obligations are predominately non-current. Prepaid pension assets include the overfunded part of the Swiss pension plans, adjusted for unrecognised prior service cost as well as unrecognised net gains and losses. The legal context relating to pension plans in Switzerland limits the company's control of the surplus in the pension fund. The pension obligations of MCHF 3.4 in the USA are covered by insurance policies the cash surrender value of which is recognised as a financial asset in the amount of MCHF 2.9.

The projected benefit obligation of unfunded defined benefit plans is MCHF 87.6 at 31 December 2002 (2001: MCHF 83.3) and is included, net of unrecognised items, in the accrued pension obligation in the consolidated balance sheets.

The figures are based on the following assumptions (weighted average) in %:

	2002	2001
	MCHF	MCHF
Discount rate used in determining present values	4.0–6.0	4.0–6.0
Annual rate of increase in future compensation levels	2.0–5.0	2.0–3.0
Expected rate of future increases in pension benefits	0.0–2.5	0.0–2.5
Expected long-term rate of return on plan assets	5.0	5.5

The consolidated income statements also include expenses for defined contribution plans of MCHF 2.9 in 2002 and MCHF 1.9 in 2001, respectively.

15. Stock ownership plans

There are various stock ownership and option plans within the Group.

Stock ownership plans for employees and the management

In 2002 the employees could purchase a limited number of shares at a discount of 10% to the market price (“Employee stock ownership plan 2002”). The plan for the management (“Management stock ownership plan 2002”) entitled the participants to draw the previous year’s bonus partly or wholly in shares at the market price. Each of these shares provided the participants with one additional option (see part 2: “Option plans for the management”). All stock ownership plans are subject to blocking periods which are valid beyond the period of employment.

The stock ownership plans introduced in 2002 are summarised below:

	End of blocking period	Number of partici- pants	Number of shares issued	Issuing price CHF
Employee stock ownership plan 2002	2004	112	781	387.90
Management stock ownership plan 2002	2005	28	1214	431.00

The 1995 shares required for these plans were held by the Group as treasury shares.

As of 31 December 2002, active managers and employees together owned 340 948 (2001: 396 818) shares, i.e. 8.2% (2001: 9.5%) of the share capital of Geberit AG. 0.5% of the decrease of 1.3% is due to personnel leaving the Group and retirements.

Option plans for the management

Each of the shares purchased in connection with the Management stock ownership plan 2002 provided the participants with one option to purchase an additional share. The options can be exercised after a blocking period of two years at the price at which the underlying shares were allocated. They lapse if not exercised after five years from grant date.

In connection with an additional option plan ("Option plan 2002"), the top-management of the Group was entitled to additional options with a time to maturity of five years and a blocking period of two and four years, respectively. The exercise of these options is subject to knock-in clauses that must be fulfilled at the end of the blocking period. The options will lapse at the time of the blocking period if the conditions of the knock-in clauses are not fulfilled.

The following is a summary of the options allocated in 2002:

	End of blocking period	Maturity	Number of participants	Number of options allocated	Exercise price CHF	
Management stock ownership plan 2002	2004	2007	28	1 214	431.00	
Option plan 2002 type A	2004	2007	49	11 545	386.00	Knock-in: 405
Option plan 2002 type B	2006	2007	49	11 545	405.00	Knock-in: 442
Total				24 304		

The following table summarises all option plans in place as of 31 December 2002:

End of blocking period	Maturity	Number of options outstanding	Average exercise price CHF	Number of options in the money [■]	Average exercise price CHF
lapsed	2004–2005	44 757	354.04	41 787	339.76
2003	2004–2006	39 689	389.64	27 211	363.00
2004	2005–2007	16 967	457.44		
2005	2006	9 392	480.00		
2006	2007	10 250	405.00		
Total		121 055	394.29	68 998	348.92

■ As per 31 December 2002 and considering knock-in clauses

In 2002 18 108 options were exercised at an average price of CHF 334.83. 10 928 options lapsed as managers left the Group and 6 323 options became worthless.

16. Deferred tax assets and liabilities

Deferred income tax assets and liabilities and the deferred income tax charges and credits are attributable to the following items:

	2002 Total	Movements in 2002			2001 Total	Movements in 2001			2000 Total
		(Charged)/ credited to income	Trans- lation differences	Other (Note 2)		(Charged)/ credited to income	Trans- lation differences	Other	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets									
Loss carry-forwards	3.5	0.6	(0.5)	0.8	2.6	0.4	(0.1)		2.3
Accrued pension obligation	3.4	0.8	(0.1)		2.7	0.8	0.1		1.8
Property, plant and equipment	3.0	(0.4)		2.6	0.8				0.8
Other	11.8	(2.5)		8.1	6.2	1.9	(0.3)		4.6
Total deferred tax assets	21.7	(1.5)	(0.6)	11.5	12.3	3.1	(0.3)		9.5
Deferred tax liabilities									
Inventories	(5.6)	1.1		(3.5)	(3.2)	(0.6)	(0.2)		(2.4)
Property, plant and equipment	(66.4)	(0.1)	0.7	(2.5)	(64.5)	(1.3)	2.9		(66.1)
Prepaid pension asset	(21.5)	0.1			(21.6)	(1.4)			(20.2)
Intangible assets	(10.9)	1.3	0.1	(2.6)	(9.7)	1.1	(0.9)		(9.9)
Provisions, reserves and other	(15.8)	(3.8)	0.4	1.0	(13.4)	2.0	(0.5)		(14.9)
Total deferred tax liabilities	(120.2)	(1.4)	1.2	(7.6)	(112.4)	(0.2)	1.3		(113.5)

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently not anticipated to be remitted to the parent. These unremitted earnings totalled MCHF 5.5 at 31 December 2002 (2001: MCHF 4.9).

Loss carry-forwards for which no deferred tax assets were recognised amounted to MCHF 19.5 (2001: MCHF 23.5).

17. Other non-current provisions and liabilities

	2002 MCHF	2001 MCHF
Provisions for operating risks	10.0	6.7
Accrued grant payments	1.0	1.3
Derivatives	7.9	1.4
Other	0.5	
Total other non-current provisions and liabilities	19.4	9.4

Provisions for operating risks mainly include provisions for warranties. For details to derivatives see Note 13.

18. Commitments and contingencies

The Group has entered into firm commitments for capital expenditures of MCHF 5.4 at 31 December 2002 (2001: MCHF 7.3).

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

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

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

19. Shareholders' equity

As per 31 December 2002 the Group held a total of 107 417 (2001: 157 814) treasury shares with a carrying value of MCHF 47.3 (2001: MCHF 80.7). In 2002 the Group sold a net total of 50 397 treasury shares. This decrease includes 106 049 shares used for the acquisition of the Chicago Faucet Company. Treasury shares are deducted at cost from shareholders' equity.

In October and May 2002 the Group wrote put options for 37 500 and 25 000 shares respectively. The put options issued in May 2002 and a part of the call options from May 2001 were purchased back by the Group in 2002. The positive net effect of MCHF 0.3 of proceeds and payments from the sale and the purchase of the options was recorded in equity, net of tax.

As of 31 December 2002 MCHF 3.1 in cash served as a guarantee for the put options.

In May 2001 the Group agreed to a call option for 50 000 shares (expiring in December 2002). The proceeds of the premium of MCHF 2.0 were recorded in equity, net of tax.

For transactions in connection with the stock ownership plans see Note 15.

20. Earnings per share

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

	2002	2001
Net income according to income statement (MCHF)	118.1	92.1
Net income attributable to shareholders (MCHF)	118.1	92.1
Weighted average number of ordinary shares in issue (thousands)	4 042	4 004
Earnings per share (CHF)	29.22	23.00

For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares (see Note 3). The Group has share options granted to employees which qualify as potentially dilutive ordinary shares.

	2002	2001
Net income attributable to shareholders used to determine diluted earnings per share (MCHF)	118.1	92.1
Weighted average number of ordinary shares in issue (thousands)	4 042	4 004
Adjustments for share options (thousands)	9	13
Weighted average number of ordinary shares for diluted earnings per share (thousands)	4 051	4 017
Diluted earnings per share (CHF)	29.15	22.93

For the calculation of adjusted earnings per share the amortisation of goodwill and intangible assets, net of tax, are not included in the net income attributable to shareholders.

	2002	2001
Net income according to income statement (MCHF)	118.1	92.1
Total amortisation, net of tax (MCHF)	35.3	34.6
Net income attributable to shareholders (MCHF)	153.4	126.7
Weighted average number of ordinary shares in issue (thousands)	4 042	4 004
Adjusted earnings per share (CHF)	37.95	31.64

21. Sales deductions

	2002	2001
	MCHF	MCHF
Early payment discounts	37.5	34.9
Outbound freight costs	40.9	38.4
Customer volume discounts	75.2	66.6
Other	13.7	11.7
Total sales deductions	167.3	151.6

22. Other operating expenses, net

Total other operating expenses, net, include other operating expenses less other operating income. Other operating expenses, net, consisted of the following:

	2002	2001
	MCHF	MCHF
Energy and maintenance expenses	43.0	38.7
Marketing expenses	33.4	33.1
Administration expenses	34.4	37.0
Other operating expenses	26.5	29.5
Other operating income	(16.1)	(14.3)
Total other operating expenses, net	121.2	124.0

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

In 2002 costs of MCHF 10.0 (2001: MCHF 15.9) were capitalised as property, plant and equipment, including in particular tools and assembly lines which are part of the production process. The amount was deducted from personnel expenses, cost of materials and other operating expenses, net.

23. Financial income and expenses, net

	2002	2001
	MCHF	MCHF
Interest income	3.0	2.7
Interest expenses	(20.7)	(27.9)
Amortisation of deferred financing fees	(1.8)	(2.9)
Foreign exchange result, net	(3.2)	(0.9)
Other financial income	0.5	0.8
Other financial expenses	(0.8)	(0.9)
Total financial income and (expenses), net	(23.0)	(29.1)

24. Income tax expenses

The components of income tax expenses were as follows:

	2002	2001
	MCHF	MCHF
Current taxes	40.8	38.5
Deferred taxes	2.9	(2.9)
Total income tax expenses	43.7	35.6

The differences between income tax expenses computed at the weighted average applicable rate of the Group of 26.6 % (2001: 26.0 %) and income tax expenses provided on earnings were as follows:

	2002	2001
	MCHF	MCHF
Income tax expenses, at applicable rate	43.5	33.3
Utilisation of loss carry-forwards	(1.1)	(0.6)
Operating losses with no current tax benefit	0.9	1.2
Changes in tax rates	(0.6)	(0.1)
Non-deductible expenses including goodwill amortisation	2.2	2.0
Other	(1.2)	(0.2)
Total income tax expenses	43.7	35.6

The Group has loss carry-forwards available for future tax periods. Loss carry-forwards amounted to MCHF 35.8 at 31 December 2002 (2001: MCHF 31.9).

Of this amount, MCHF 22.1 (2001: MCHF 25.0) will expire over the next six years.

25. Cashflow figures

Net cashflow is calculated as follows:

	2002	2001
	MCHF	MCHF
Net income	118.1	92.1
Depreciation expense	73.2	69.0
Amortisation of goodwill and other intangible assets	36.2	35.6
Changes in long-term provisions	13.9	11.1
Changes in other long-term assets and liabilities	5.7	(1.0)
Net cashflow	247.1	206.8

Changes in long-term provisions include the changes in tax provisions, provisions for operating risks and accrued pension costs, charged or credited to net income. The position changes in other long-term assets and liabilities includes the changes in prepaid pension assets and deferred financing fees, charged or credited to net income as well as the fair value of the derivatives.

Free cashflow is calculated as follows:

	2002	2001
	MCHF	MCHF
Net cashflow	247.1	206.8
Purchase of property, plant & equipment and intangible assets, net	(56.2)	(74.7)
Changes in net working capital	15.4	15.9
Payments charged to long-term provisions	(6.2)	(5.2)
Free cashflow	200.1	142.8

The term "Free cashflow" is using the Group's definition which excludes the impact of divestment or acquisition of subsidiaries, the purchase and sale of treasury shares and dividend payments.

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

Payments charged to long-term provisions mainly include pensions.

"Net cashflow" and "Free cashflow" are no substitute for figures which result from the consolidated income statements and from the consolidated statement of cashflows but they may give an indication about the capability of the Group to generate cash, to pay back debts, to finance acquisitions, to buy back shares and to pay dividends.

26. Segment information

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

The segment "Other major European markets" includes Austria, The United Kingdom, The Netherlands, Belgium and France. All other European markets are summarised in the North America "Other European markets". The segment "Other markets" includes principally the USA and China. The segment "Corporate Functions" consists in particular of Geberit Holding AG and Geberit International AG as the central management companies, and the research and development company Geberit Technik AG.

Balance sheet and profit information are allocated to geographical segments in accordance with the jurisdiction where the assets and liabilities are located and the profits are generated.

The Group considers operating profit before amortisation to be the segment result. Group companies principally account for inter-segment sales using the "market-minus" method.

Balance sheet information on the corporate functions include unallocated assets and liabilities of the Group which consist of cash and cash equivalents, goodwill, income tax assets and liabilities, certain intangible assets and financial assets and liabilities. Inter-company transactions have been eliminated in the column "Eliminations".

Balance sheet information was as follows:

	Switzerland	Germany	Italy	Other major European markets	Other European markets	Other markets	Corporate functions	Eliminations	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
2002									
Segment assets	283.3	262.8	83.8	172.4	45.0	90.8	1202.7	(640.6)	1500.2
Segment liabilities	45.2	150.8	32.0	64.4	15.3	23.2	1167.6	(640.6)	857.9
2001									
Segment assets	288.1	272.8	79.0	173.7	43.4	34.6	1069.9	(516.4)	1445.1
Segment liabilities	49.7	144.8	29.0	68.5	15.1	16.1	1085.2	(517.2)	891.2

Income statement information was as follows:

	Switzerland	Germany	Italy	Other major European markets	Other European markets	Other markets	Corporate functions	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
2002								
Sales intersegment	173.6	234.8	11.9	62.5	2.0	0.2	5.2	
Sales external	150.9	412.9	194.6	300.5	107.1	107.0		1273.0
Operating profit before amortisation (EBITA)	64.3	94.8	16.9	27.2	1.9	(2.4)	19.8	222.5
Amortisation expense								36.2
Financial income and (expenses), net								(23.0)
Non-operating income, net								0.1
Income tax expenses								43.7
Minority interest, net of tax								1.6
Net income								118.1
Capital expenditure	18.0	17.4	6.7	9.7	3.4	2.9	1.5	59.6
Depreciation expense	21.4	26.7	3.0	14.1	2.5	3.0	2.5	73.2
2001								
Sales intersegment	170.4	221.1	11.9	61.5	2.3	0.7	6.7	
Sales external	151.0	413.2	191.0	276.0	93.3	40.6		1165.1
Operating profit before amortisation (EBITA)	61.1	80.4	18.5	19.1	3.2	(4.1)	14.5	192.7
Amortisation expense								35.6
Financial income and (expenses), net								(29.1)
Non-operating income, net								0.3
Income tax expenses								35.6
Minority interest, net of tax								0.6
Net income								92.1
Capital expenditure	20.2	27.9	4.9	11.3	6.5	3.6	2.2	76.6
Depreciation expense	21.0	25.3	2.8	13.1	2.2	2.0	2.6	69.0

27. Foreign exchange rates

The following exchange rates were used for the consolidated financial statements for the years 2002 and 2001:

	Currency		2002		2001	
			Balance sheet	Income statement	Balance sheet	Income statement
European						
Currency union	EUR	1	1.4539	1.4676	1.4820	1.5112
United Kingdom	GBP	1	2.2243	2.3352	2.4283	2.4282
Poland	PLN	100	36.1010	38.1560	42.1090	41.1950
Slovenia	SIT	100	0.6290	0.6490	0.6780	0.6950
USA	USD	1	1.3870	1.5574	1.6755	1.6862

The income statement of the Chicago Faucet Company, acquired as of July 2002, was consolidated using the average USD exchange rate of 1.4786 for the period from July to December 2002.

28. Consolidated income statements in Euro (unaudited)

For the convenience of the readers, the consolidated income statements for the years as of 31 December 2002 and 2001 have been prepared in Euro:

	2002 MEUR	2001 MEUR	Variance in %
Sales	867.4	771.0	+12.5
Sales deductions	114.0	100.3	
Net sales	753.4	670.7	
Cost of materials	247.3	219.1	
Personnel expenses	222.1	196.4	
Depreciation expense	49.9	45.6	
Amortisation of goodwill and intangibles	24.7	23.5	
Other operating expenses, net	82.9	82.3	
Total operating expenses, net	626.9	566.9	
Operating profit (EBIT)	126.5	103.8	+21.9
Financial income and (expenses), net	(15.7)	(19.5)	
Non-operating income, net		0.2	
Profit before income tax expenses and minority interest	110.8	84.5	
Income tax expenses	29.8	23.5	
Net income before minority interest	81.0	61.0	
Minority interest, net of tax	1.1	0.4	
Net income	79.9	60.6	+31.8
Operating cashflow (EBITDA)	201.1	172.9	+16.3

29. Subsequent events

Effective as of 28 February 2003 Geberit Holding AG has increased its share in Geberit Fabrication S.A. from 70% to 80%.

**30. Group companies as of
31 December 2002**

	Currency	Share capital in thousand	Ownership in %	Activity
Switzerland				
Geberit AG, Jona	CHF	41 600		○
Geberit Holding AG, Jona	CHF	39 350	100	○
Geberit International AG, Jona	CHF	1 000	100	○
Geberit Technik AG, Jona	CHF	1 000	100	○
Geberit Verwaltungs AG, Jona	CHF	1 000	100	○
Geberit Vertriebs AG, Jona	CHF	1 000	100	△
Geberit Marketing e Distribuzione SA, Jona	CHF	1 000	100	△
Geberit Produktions AG, Jona	CHF	4 000	100	□
Balena AG, Bütschwil	CHF	300	100	△
Büchler Werkzeugbau AG, Flawil	CHF	3 000	100	□
Geberit Fabrication SA, Givisiez	CHF	7 000	70	□
Austria				
Geberit Vertriebs GmbH & Co. KG, Pottenbrunn	EUR	727	100	△
Geberit Produktions GmbH & Co. KG, Pottenbrunn	EUR	7 995	100	□
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn	EUR	35	100	○
Huter Vorfertigung GmbH, Matrei	EUR	37	51	□
Sanplast Handels GmbH, Villach	EUR	73	100	△
Belgium				
Geberit N.V., Machelen	EUR	62	100	△
Channel Islands				
Geberit Finance Ltd., Jersey	EUR	303	100	○
Geberit Reinsurance Ltd., Guernsey	EUR	2	100	○
China				
Geberit Flushing Technology Co. Ltd., Daishan	CNY	63 869	100	□/△
Geberit Plumbing Technology Co. Ltd., Shanghai	CNY	64 188	100	□/△
Czech Republic				
Geberit spol.s.r.o., Brno	CZK	6 000	100	△
Denmark				
Geberit A/S, Lystrup	DKK	6 500	100	△
France				
Geberit S.à.r.l., Antony	EUR	936	100	△
Hansgrohe Geberit s.A.S., Antony	EUR	300	50	△
Germany				
Geberit Beteiligungs GmbH & Co. KG, Pfullendorf	EUR	10 000	100	○
Geberit Deutschland GmbH & Co. KG, Pfullendorf	EUR	10 000	100	○
Geberit Management GmbH, Pfullendorf	EUR	50	100	○
Geberit GmbH & Co. KG, Pfullendorf	EUR	1 000	100	△
Geberit Produktions GmbH & Co. KG, Pfullendorf	EUR	7 500	100	□
Geberit Lichtenstein GmbH, Lichtenstein	EUR	1 025	100	□
Sanbloc GmbH, Weilheim	EUR	1 025	100	□

	Currency	Share capital in thousand	Ownership in %	Activity
Hungary				
Geberit Kft, Budapest	HUF	55 350	100	△
Italy				
Deriplast S.p.a., Villadose	EUR	4 200	100	□/○
Plastek S.r.l., Villadose	EUR	50	70	□
Luxembourg				
Prosan GmbH, Mertert	EUR	263	100	△
Netherlands				
Geberit Holding B.V., Nieuwegein	EUR	136	100	○
Geberit B.V., Nieuwegein	EUR	18	100	△
Mutra Investments B.V., Nieuwegein	EUR	32	100	○
Poland				
Geberit Sp.z.o.o., Warsaw	PLN	5 000	100	△
Portugal				
Geberit Tecnologia Sanitária S.A., Lisbon	EUR	275	100	△
Singapore				
Geberit South East Asia Pte. Ltd., Singapore	SGD	100	100	△
Slovakia				
Geberit spol.s.r.o., Bratislava	SKK	5 000	100	△
Slovenia				
Prosan d.o.o., Rusé	SIT	25 000	100	□/△
Spain				
Geberit S.A., Barcelona	EUR	159	100	△
Turkey				
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	EUR	100	100	△
United Kingdom				
Geberit Ltd., Aylesford	GBP	346	100	□/△
Geberit uk Ltd., Aylesford	GBP	16 000	100	○
USA				
Geberit Manufacturing Inc., Michigan	USD	5 515	100	□/△
Duffin Manufacturing Co., Elyria	USD	69	100	□/△
Starline Manufacturing Co., Milwaukee	USD	35	100	□/△
Synapse Inc., Huntsville	USD	24	90	□/△
The Chicago Faucet Company, Des Plaines	USD	100	100	□/△

- Services, holding functions
- △ Distribution
- Production

Report of the Group Auditors



To the general meeting of Geberit AG, Jona

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of shareholders' equity, statement of cashflows and notes, pages 48 to 77) of the Geberit Group for the year ended 31 December 2002.

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

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

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

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

PricewaterhouseCoopers AG

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

Daniel Ketterer

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

Gilles Thiéry

Zurich, Switzerland, 7 March 2003

Financial Statements

Geberit AG

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Financial Statements

		31.12.2002	31.12.2001
		MCHF	MCHF
Balance Sheets	Current assets		
	Cash and cash equivalents	1.3	1.3
	Accounts receivable		
	– Third parties	2.1	2.3
	– Group companies	5.4	53.0
	Total current assets	8.8	56.6
	Non-current assets		
	Investments	667.3	528.2
	Intangible assets: incorporation, capital increase and organisation costs	5.1	8.7
	Total non-current assets	672.4	536.9
	Total assets	681.2	593.5
	Current liabilities		
	– Third parties	0.4	0.2
	– Group companies	22.2	2.3
	Total current liabilities	22.6	2.5
	Shareholders' equity		
	Capital stock	41.6	83.2
Legal reserves:			
– General reserve	16.6	16.6	
– Reserve for treasury shares	47.3	80.7	
Free reserves	428.8	345.5	
Retained earnings	124.3	65.0	
Total shareholders' equity	658.6	591.0	
Total liabilities and shareholders' equity	681.2	593.5	
Income Statements		2002	2001
		MCHF	MCHF
	Income		
	Dividends from subsidiaries	108.5	55.0
	Financial income	6.7	5.1
	Other operating income	0.3	
	Total income	115.5	60.1
	Expenses		
	Administrative expenses	5.1	4.7
	Financial expenses	1.0	0.4
Taxes	0.1	0.1	
Total expenses	6.2	5.2	
Net income	109.3	54.9	

Notes to the Financial Statements

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

1.1 Guarantees, other indemnities and assets pledged in favor of third parties

	31.12.2002	31.12.2001
	MCHF	MCHF
Guarantee Deutsche Bank Term A, B, C	278.6	484.1
Guarantee US Privat Placement	138.7	–

1.2 Significant investments

Reference to Note 30, Geberit Group.

1.3 Share capital

The share capital of Geberit AG consists of 4 160 000 shares with a par value of CHF 10 each.

1.4 Treasury shares

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

	Number of registered shares	Price in CHF		
		High	Average	Low
Balance at 31 December 2001	157 814		511.50	
Purchases	106 810	451.00	406.35	348.25
Sales	157 207	451.00	406.25	353.00
Balance at 31 December 2002	107 417			
Number of treasury shares held by Geberit AG	0			

The legal reserves for treasury shares were recorded at their purchase price.

1.5 Capital increases

	31.12.2002	31.12.2001
	MCHF	MCHF
Conditional capital	1.7	3.3

The extraordinary general meeting of Geberit AG, held on 21 June 1999, resolved to increase the share capital of Geberit AG by conditional capital in the amount of up to CHF 3 328 000 divided into up to 166 400 shares at a par value of CHF 20 each. The third ordinary general meeting, held on 25 April 2002, decided to reduce the conditional capital by CHF 1 664 000 from CHF 3 328 000 to CHF 1 664 000 according to the reduction of the par value per share from CHF 20 to CHF 10. As per 31 December 2002, no shares have been issued in connection with this conditional capital increase.

2. Other disclosures required by the law

2.1 Significant shareholders

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

	31.12.2002	31.12.2001
Klaus Gebert Heirs	6.76%	6.76%
Merill Lynch & Co., New York	>5%	–
The Capital Group, Los Angeles	>5%	–

In 2003 Merill Lynch & Co. has decreased its voting interest below 5%.

Proposal for the appropriation of available earnings

Proposal by the board of directors to the general meeting

	2002 CHF	2001 CHF
Available earnings		
Net income	109 269 483	54 863 522
Balance brought forward	15 044 792	10 181 270
Total available earnings	124 314 275	65 044 792
Transfer to free reserves	90 000 000	50 000 000
Proposed dividend (2002: CHF 5 per share)	20 800 000	
Balance to be carried forward	13 514 275	15 044 792
Total appropriation of available earnings	124 314 275	65 044 792
Transfer of no longer used legal reserves to free reserves (according to the reduction of the nominal value per share in the year 2002)	8 320 000	

Proposed reduction of the nominal value per share

In addition to the proposed dividend payment of CHF 5 per share the board of directors proposes that the outstanding share capital be decreased by a reduction of the par value per share from CHF 10 to CHF 1, and that the reduction of CHF 9 per share be paid out to shareholders. In 2001 a repayment of par value of CHF 10 was made. The par value was reduced from CHF 20 to CHF 10.

Report of the Statutory Auditors



To the general meeting of Geberit AG, Jona

As statutory auditors, we have audited the accounting records and the financial statement (balance sheet, income statement and notes) of Geberit AG for the year ended 31 December 2002.

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

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

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

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

PricewaterhouseCoopers AG

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

Lorenz Lipp

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

Gilles Thiéry

Zurich, Switzerland, 7 March 2003

Geberit Key Figures

		2002	2001	2000	1999	1998
Sales	MCHF	1273.0	1165.1	1208.5	1190.7	1032.2
Change on previous year	%	+9.3	-3.6	+1.5	+15.4	+7.9
Operating profit (EBIT)	MCHF	186.3	157.1	189.7	176.4	140.4
Margin	%	14.6	13.5	15.7	14.8	13.6
Net income	MCHF	118.1	92.1	104.4	54.3	37.4
Margin	%	9.3	7.9	8.6	4.6	3.6
Operating cashflow (EBITDA)	MCHF	295.7	261.7	297.5	303.5	255.7
Margin	%	23.2	22.5	24.6	25.5	24.8
Net cashflow	MCHF	247.1	206.8	207.5	186.4	152.1
Margin	%	19.4	17.7	17.2	15.7	14.7
Financial income (expenses), net	MCHF	(23.0)	(29.1)	(37.4)	(37.9)	(59.4)
Research and development expenses	MCHF	30.1	34.1	30.5	29.1	28.0
in % of sales	%	2.4	2.9	2.5	2.4	2.7
Earnings per share	CHF	29.22	23.00	25.72	13.29	8.06
Earnings per share – adjusted [■]	CHF	37.95	31.64	35.16	32.84	33.70
Capital expenditure	MCHF	59.6	76.6	66.9	78.1	67.5
Number of employees	31. 12.	4436	4144	4240	4309	3788
Annual average		4307	4189	4267	4258	3822
Sales per capita	TCHF	295.6	278.1	283.2	279.6	270.1
		31.12.2002	31.12.2001	31.12.2000	31.12.1999	31.12.1998
Total assets	MCHF	1500.2	1445.1	1444.7	1546.2	1468.6
Cash and cash equivalents	MCHF	137.5	101.5	64.4	126.3	99.0
Net working capital	MCHF	85.0	86.4	96.4	72.1	59.8
Property, plant and equipment	MCHF	492.0	492.3	490.7	516.9	456.2
Intangible assets	MCHF	510.3	512.0	546.3	581.0	618.6
Corporate debt	MCHF	432.0	505.3	560.1	642.8	801.7
Shareholders' equity	MCHF	630.2	546.8	492.5	492.2	274.3
Equity ratio	%	42.0	37.8	34.1	31.8	18.7
Gearing	%	46.7	73.8	100.6	104.9	256.2

■ Adjusted by amortisation of goodwill and intangible assets, net of tax effects.

Geberit Products



Flush actuator

Electroweld sleeve coupling

Clamp

Sink trap

Pre-wall WC installation element

Hand-operated compression tool

Sound proof drainage fitting

Bath tub trap

Shower toilet

Siphonic rainwater roof outlet

Dual-flush actuator

Drainage fitting



Electronic faucet

Ball fitting

Flush valve

Visible cistern

Water supply fitting

Lavatory trap

Urinal trap

Electronic urinal control (USA)

Faucet connection elbow

Fill valve

Electronic urinal control (Europe)

Lavatory faucet (USA)

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