

Theme:  
Nature as  
a model  
for success

Annual Report 2003  
of the Geberit Group



# Financial Highlights

		2003	2002
<b>Sales</b>	MCHF	1403.9	1273.0
Change on previous year	%	+10.3	+9.3
<b>Operating profit (EBIT)</b>	MCHF	206.5	186.3
Margin	%	14.7	14.6
<b>Net income</b>	MCHF	147.0	118.1
Margin	%	10.5	9.3
<b>Operating cashflow (EBITDA)</b>	MCHF	329.9	295.7
Margin	%	23.5	23.2
<b>Net cashflow</b>	MCHF	271.3	247.1
Margin	%	19.3	19.4
<b>Financial income (expenses), net</b>	MCHF	(23.4)	(23.0)
<b>Research and development expenses</b>	MCHF	35.7	30.1
In % of sales	%	2.5	2.4
<b>Earnings per share</b>	CHF	36.31	29.22
Earnings per share – adjusted <sup>■</sup>	CHF	43.74	36.42
<b>Capital expenditure</b>	MCHF	69.8	59.6
<b>Number of employees</b>	31.12.	4412	4436
Annual average		4419	4307
<b>Sales per capita</b>	TCHF	317.7	295.6
		<b>31.12.2003</b>	<b>31.12.2002</b>
<b>Total assets</b>	MCHF	1507.8	1500.2
<b>Cash and cash equivalents</b>	MCHF	181.3	137.5
<b>Net working capital</b>	MCHF	77.6	85.0
<b>Property, plant and equipment</b>	MCHF	490.9	492.0
<b>Goodwill and intangible assets</b>	MCHF	469.7	510.3
<b>Corporate debt</b>	MCHF	297.2	432.0
<b>Shareholders' equity</b>	MCHF	739.0	630.2
Equity ratio	%	49.0	42.0
Gearing	%	15.7	46.7

■ Adjusted by amortization of goodwill

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.

**“Trust has to be gained – the trust of our customers, shareholders and business partners, as well as that of our employees and the general public. Our transparent and open communication style is a major contribution to this goal.”**

From the “Geberit Identity”

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## To our Shareholders



Ladies and gentlemen,

It is with great pleasure that we submit our report on another successful year. Our high expectations were met and, in some cases, even surpassed by the past fiscal year 2003.

The Group generated consolidated sales of CHF 1,403.9 million. This corresponds to a 10.3% growth rate of which 6.2% accounted for organic and 4.1% for acquisition-related growth. The overall growth at constant exchange rates was 9.0%.

Operating profit rose by 10.8% to CHF 206.5 million and net income increased by 24.5% to reach a new record level of CHF 147.0 million.

In the wake of this most positive development, financial debt was reduced further. The equity ratio increased to 49.0% (prior year 42.0%).

The good results of the fiscal year 2003 were due to several positive factors. On the one hand, we have experienced the first signs of a beginning slight recovery in important markets since mid year. In addition, our products, in particular, installation systems, flushing systems and water supply systems, are being well accepted in the market. Significant growth was recorded in France and in the countries of Western Europe as well as Central/Eastern Europe. In the second half of the year, a strong momentum developed in Switzerland and Germany. Finally, the acquisition of Chicago Faucets made a significant contribution to the Group's overall growth. However, the market for sanitary systems and faucets in the US commercial and public sectors experienced a decline in 2003 so that the targets of Chicago Faucets were not reached here.

Against the background of the overall satisfactory development of our Company, we would like to further increase the distribution to our shareholders. The Board of Directors will propose a dividend of CHF 17.00 per share to the general meeting.

The new management structure implemented at the beginning of 2003 was well established within a short period of time and showed its performance-enhancing effects. In Europe as well as throughout the world, marketing activities were bundled and increased. The Group-wide product development process was made more efficient, the production strategy was reviewed and global procurement expanded. Thus the basic elements for a further successful development of the Group were created.

Our continued acquisition efforts were again successful in 2003. The acquisition of all shares in the German-based Mapress Holding GmbH as per 1 January 2004 resulted in a strategic expansion of our piping systems division to include the complementary and high-quality products of the Mapress and Blücher brands. We would like to welcome the employees of the new companies to the Geberit Group and we look forward to a good cooperation.

In view of the great strategic benefit, our policy of profitable growth was continued and the value of the Geberit Group was increased substantially as a result of this acquisition.

We owe the fine success of the fiscal year 2003 to the great dedication, high motivation and competence of the employees of our numerous Group companies in more than 20 countries. We would like to take this opportunity to sincerely thank them for their exemplary performance.

Again we would like to express our special thanks to our customers in commerce and trade for another year of constructive cooperation which was very much appreciated.

Most of all, we want to thank you, our esteemed shareholders, for your great commitment to our Company.

The Geberit Group is well positioned to start the new fiscal year. One of the focal points of our work in 2004 will certainly be the integration of the Mapress and Blücher companies into the Geberit Group and to take advantage of the existing synergies. Our customers have to be familiarized with our broadened product range, the sales and income targets we have set for ourselves have to be achieved, and the Company has to be brought to a new dimension with a sales volume of CHF 1.8 billion and 5,300 employees. We also want to strengthen our brand policy and marketing activities, to push the development of new markets, to invest on a high level in new products, to promote the further education of our employees and executives and to pursue the ongoing optimization of our business processes.



Kurt E. Feller  
Chairman of the Board



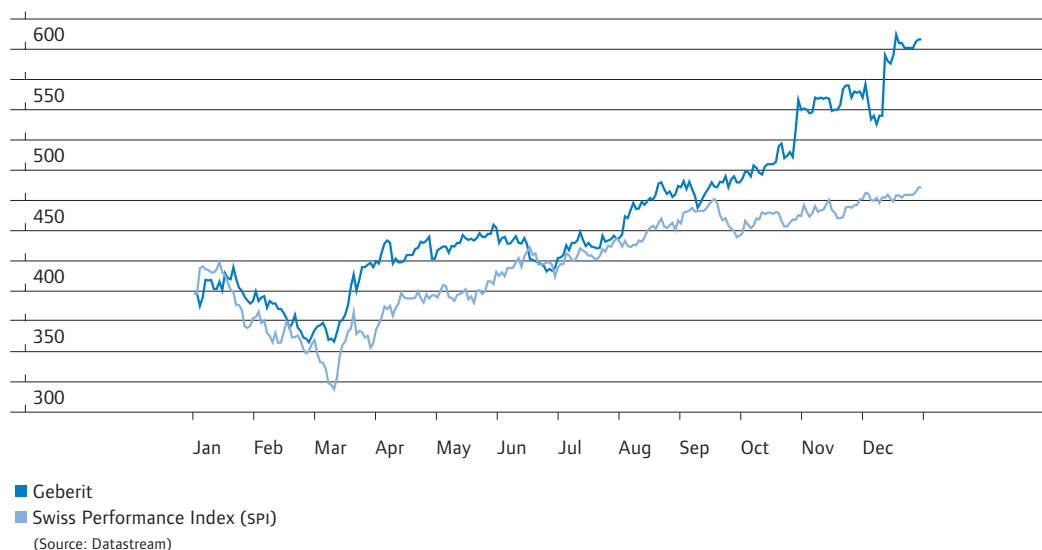
Günter F. Kelm  
President and CEO

# Investor Information

## Share price performance in 2003

The price performance of the Geberit share in the year under review reflected the Company's increasingly positive business development. In the second quarter and mostly in the fourth quarter 2003, the share price significantly exceeded the Swiss Performance Index (SPI) which was also on the rise. As of the year-end, the Geberit share at CHF 608.00 recorded an increase of almost +53% against the price of CHF 398.00 at the end of the previous year. The SPI rose by +22.1% during the same period. The Geberit Group's market capitalization as of 31 December 2003 amounted to MCHF 2,529.

**Share price development** (1 January until 31 December 2003)



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 2003, the free float, as defined by SWX, was 93.2%.

## Distribution

The Board of Directors of Geberit AG will propose a dividend of CHF 17.00 to the general meeting on 22 April 2004 which corresponds to a rise in the distribution of CHF 3.00 per share or +21.4%. Thus we will continue our shareholder friendly dividend policy. The distribution rate of 39.9% of net income after adjustments for amortization of goodwill is again within the range of 30 to 50% defined in connection with the stock exchange listing.

<b>Distribution</b> (CHF per share)	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Dividend	17.00	5.00		10.00	8.00
Repayment of par value		9.00	10.00		
<b>Total</b>	<b>17.00</b>	<b>14.00</b>	<b>10.00</b>	<b>10.00</b>	<b>8.00</b>

Subject to the shareholders' approval, the dividend will be paid on 27 April 2004.

## Time schedule

	2004
Annual general meeting	22 April
Interim report 1 <sup>st</sup> quarter 2004	22 April
Dividend payment	27 April
Half-year results	5 August
Interim report 3 <sup>rd</sup> quarter 2004	28 October

	2005
First information on the fiscal year 2004	18 January
Media and analysts' conference	17 March
Annual general meeting	28 April
Interim report 1 <sup>st</sup> quarter 2005	28 April
Dividend payment	3 May

(Subject to minor changes)

## Communication

Via the internet ([www.geberit.com](http://www.geberit.com)), Geberit simultaneously publishes current and comprehensive information for all market participants and interested parties. Among others, the current version of the investor presentation is available on the internet at any time.

Günter F. Kelm (President and CEO) and Dr. Rudolf Huber (CFO) are in charge of the ongoing communication with shareholders, the capital market and the general public. In addition, Roman Sidler, Head of Corporate Communications, is available as a contact. Geberit information is provided in the form of regular media information, media and analysts' conferences as well as financial presentations.

Contact may be established at any time under [corporate.communications@geberit.com](mailto:corporate.communications@geberit.com)

### Major data relating to the Geberit share (as of 31 December 2003)

Registered shareholders	9 656
Capital stock (CHF)	4 160 000
Number of registered shares of CHF 1.00 each	4 160 000
Registered shares	2 976 923
Treasury stock	65 544
Stock exchange	SWX, Zurich
Swiss securities identification number	803822
ISIN code	CH-0008038223
Telekurs	CEBN
Reuters	gebzn

Key figures (CHF per share)	2003	2002
Net income	36.31	29.22
Net income, adjusted <sup>■</sup>	43.74	36.42
Net cashflow	67.00	61.13
Shareholders' equity	182.51	155.91
Distribution	17.00	14.00 <sup>■■</sup>

■ Adjusted by amortization of goodwill

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

# Board of Directors and Group Executive Board

## Board of Directors

See page 23/24 for detailed information

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

**Kurt E. Feller (1937), Chairman**  
**Günter F. Kelm (1940), President**  
**Dr. Robert Heberlein (1941)**  
**Rudolf Maag (1946)**  
**Klaus Weisshaar (1938)**

The term of office of Klaus Weisshaar will end with the general meeting on 22 April 2004. He will be available for re-election for another term of office.

## Audit Committee

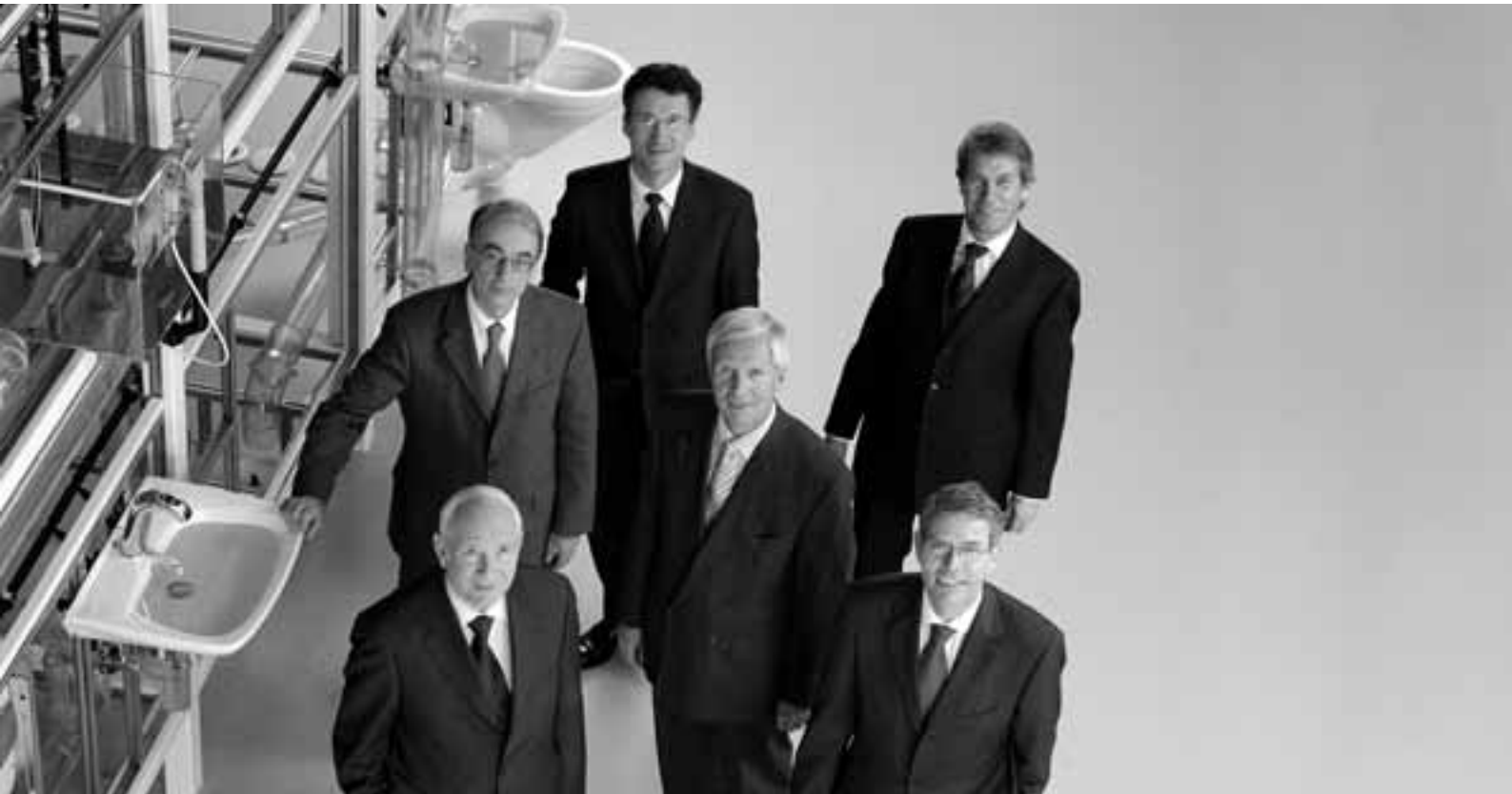
Kurt E. Feller (Chairman), Dr. Robert Heberlein, Rudolf Maag, Klaus Weisshaar

## Personnel Committee

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



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



## Group Executive Board

See page 27/28 for detailed information

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

**Albert M. Baehny (1952)**  
**Marketing & Sales Europe**

**Randolf Hanslin (1942)**  
**Piping Systems**

**Dr. Rudolf Huber (1955)**  
**Finance (CFO)**

**Dr. Thomas Raible (1951)**  
**Sanitary Systems**

**Paul Witschi (1943)**  
**Marketing & Sales International**

# Management Structure (1.1.2004)\*

## Board of Directors

Chairman: Kurt E. Feller

### President and CEO

**Günter F. Kelm**

#### Corporate Communications

R. Sidler

#### Human Resources

Dr. Ph. Uschatz

#### Environment/Sustainability

R. Högger

### Marketing & Sales Europe

**Albert M. Baehny**

#### Marketing

F. Veron

#### Sales

##### Germany

Dr. 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

V. Deflandre

##### Sales Belgium

P. Forier

#### Sales

##### Rest of Europe

N.N.

#### 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

#### OEM

T. Kehl

##### North America

K. Kramer

##### Sales Mexico

G. Hernandez Casado

#### Sales/

##### Production China

F. Aepli (PU)

##### Far East

F. Aepli

##### Sales Singapore

E. Foo

##### Sales Australia

C. Stauber

\* Without Mapress Group

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

## Business and Financial Review

### Slightly better economic environment

The Geberit Group's positive development continued in the fiscal year 2003. Against the background of an only marginally better economic environment, the Company generated considerable growth and further expanded its position in the global sanitary technology market.

In view of the strained geopolitical situation, mainly in the first half of 2003, the global economic environment was hardly promising. Despite minor indications of a turnaround from mid year on, the economic situation in Europe improved only hesitantly so that the growth impact was weak.

#### European construction volume by sectors

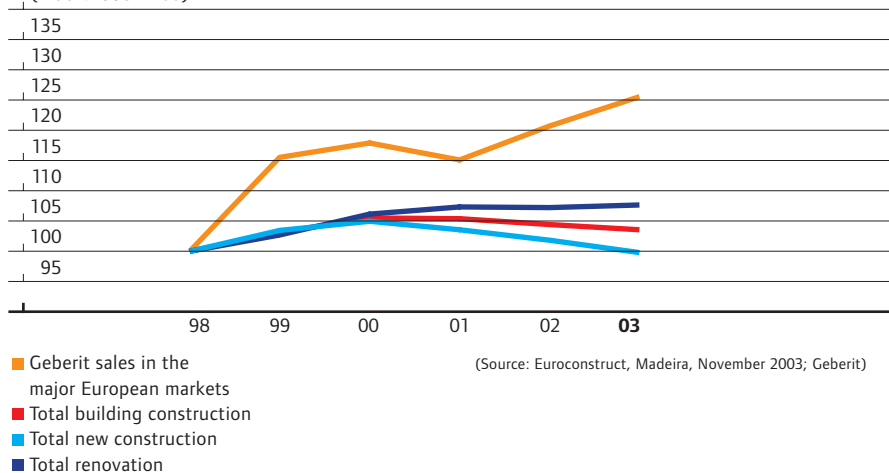
(% change against prior year)	2003	2002	2001
New residential construction	(0.4)	(1.0)	(2.6)
New non-residential construction	(3.2)	(0.5)	2.7
<b>Total new construction</b>	<b>(1.7)</b>	<b>(0.8)</b>	<b>(0.3)</b>
Renovation residential construction	0.9	0.0	0.3
Renovation non-residential construction	0.3	0.4	2.6
<b>Total renovation</b>	<b>0.7</b>	<b>0.2</b>	<b>1.2</b>
<b>Total building construction</b>	<b>(0.6)</b>	<b>(0.4)</b>	<b>0.4</b>

(Source: Euroconstruct, Madeira, November 2003)

According to Euroconstruct estimates of November 2003, European building construction in 2003 continued to record a slightly negative growth. A recovery in the renovation sector, primarily encouraged by an increase in residential construction, was offset by another decline in new construction. A particularly marked decrease was experienced in the area of new non-residential construction. The development in Germany continued to be weaker than in the rest of Europe. However, in the residential renovation sector, some growth has been recorded for the first time since the year 2000.

#### Construction output and Geberit sales in the major European markets 1998–2003

(Index: 1998 = 100)



A comparison of the index performance of total building construction as well as of the new construction and renovation segments with Geberit sales illustrates that the Geberit Group again markedly outperformed the direct industry environment in 2003. Experience shows that more than two thirds of Geberit sales are generated in the relatively stable renovation sector.

In the USA, the commercial and public sectors continued to decline, whereas the residential construction segment expanded.

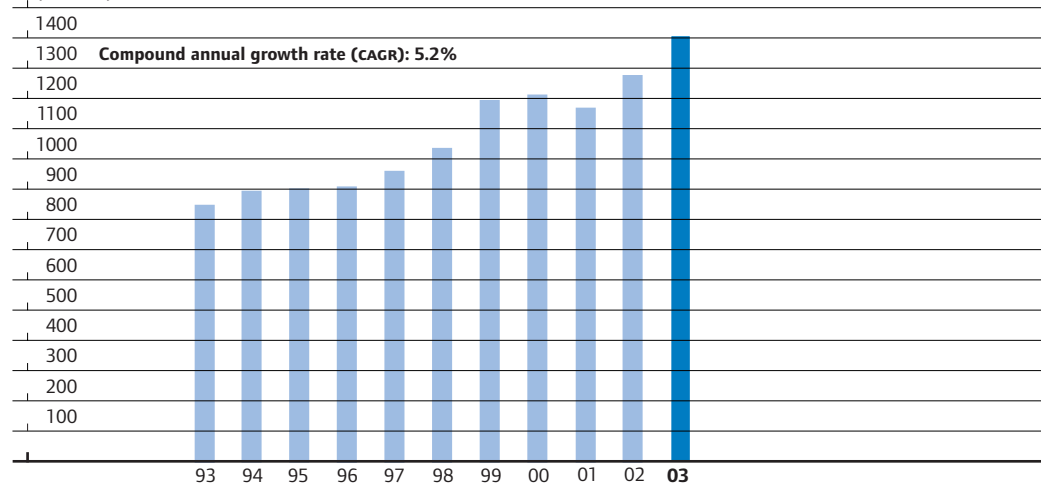
### Double-digit sales growth

In the fiscal year 2003, the Geberit Group generated consolidated sales of MCHF 1,403.9 (prior year MCHF 1,273.0). The growth rate, which had again improved over the previous year, amounted to +10.3% of which +6.2% was organic and +4.1% was acquisition-related growth. The growth rate in local currencies was +9.0%.

Of the +6.2% organic sales growth, +4.6% accounted for higher sales volumes, +0.2% for price adjustments as well as +1.4% for positive exchange rate developments.

The sales development of the last decade (1993–2003) indicates sustainable growth. The average annual growth rate of the last ten years amounted to +5.2%. Due to the positive development in recent time, the average annual growth rate of the last five years rose to +6.3%.

**Group sales development 1993–2003**  
(in MCHF)



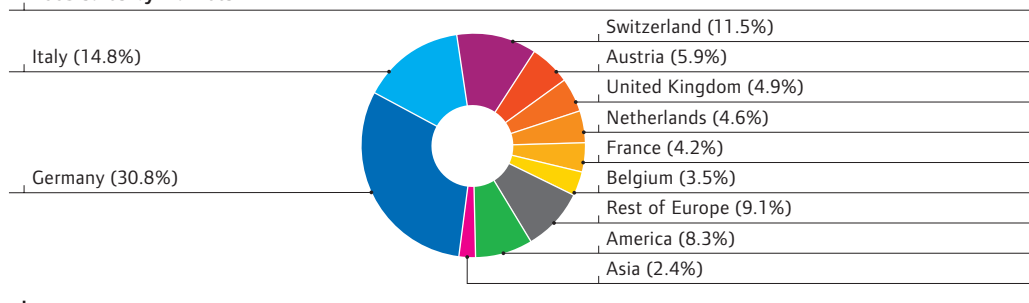
## Encouraging development in the markets

All percentage variations in market sales were calculated on local currency basis.

All major European markets outperformed their prior year sales. High sales growth was recorded in France (+18.6%), Belgium (+7.3%), Switzerland (+6.7%) and the United Kingdom (+5.0%). Sales in the Austrian market rose by +4.9%, in Italy by +3.1% and in the Netherlands by +1.0%. Germany recorded a strong second half of the year which more than offset the negative development in the first six months (–4.5% as of 30 June) and which resulted in a positive +0.9% growth for the total fiscal year.

The countries of the “Rest of Europe” region continued their positive development with a +19.9% increase over the prior year. The +70.3% rise in sales in America was affected by the Chicago Faucets acquisition in the first half-year. Acquisition adjusted, a decline in sales of –2.3% was recorded in America. The traditional Chicago Faucets business in the USA suffered from the adverse market conditions in the commercial and public sectors. On the other hand, sales of the still small Water Closet Technology Corporation (WCTC), which was also acquired in 2002, as well as the business with Geberit products in the USA recorded a very positive performance. Sales in the Asian region rose by +6.1%, thereof +24.1% in China.

### 2003 sales by markets



The contribution to Group sales from outside the eight major European markets increased to 19.8% (prior year 16.8%). This was due to higher contributions of America of 8.3% (prior year 5.7%) and the countries summarized in the “Rest of Europe” region of 9.1% (prior year 8.4%). The German contribution, on the other hand, decreased to 30.8% (prior year 32.4%). Thus the Group’s internationalization continued as planned.

## Product areas have grown

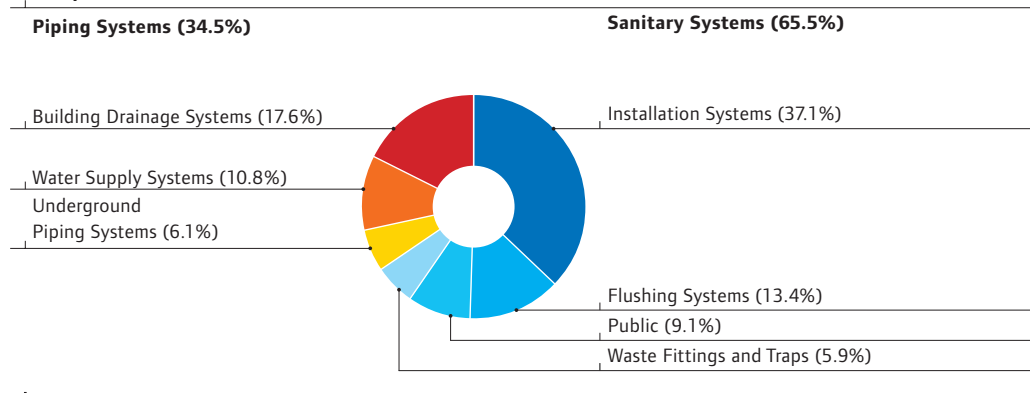
Sales of MCHF 919.6 were generated in the **Sanitary Systems** product area in the fiscal year 2003. This corresponds to an increase of +12.9%. The contribution of Sanitary Systems to total sales amounted to 65.5%.

**Installation Systems**, the largest product line within Sanitary Systems, grew by +8.2% with a 37.1% share in Group sales, mainly in the area of dry wall construction. The **Flushing Systems** product line contributes 13.4% to Group sales. Net of acquisition effects, the +17.4% sales increase was the largest growth of all product lines. The newly launched shower toilet 8000 as well as good market performances of flush and fill valves contributed to this success. The **Public** product line increased its share in Group sales to 9.1%. Sales rose by +41.4%, mainly as a result of the Chicago Faucets acquisition in mid 2002 which had an effect in the first half-year. After adjustments for acquisition effects, there was a decline of –7.9%. The **Waste Fittings and Traps** product line remained practically on the prior year sales level with a +0.2% increase. The contribution to Group sales amounted to 5.9%.

In the period under review, the product area **Piping Systems** generated sales of MCHF 484.3 which corresponds to a growth of +5.7%. Its share in Group sales amounted to 34.5%.

With a 17.6% contribution to total sales, the product line **Building Drainage Systems** grew by +4.9%. The sound-absorbing Silent/db20 fittings and pipes recorded an encouraging development. With a +16.5% increase, **Water Supply Systems** were the most successful product line after Flushing Systems in the past fiscal year. Their share in Group sales was 10.8%. The multilayer piping system Mepla showed a very positive performance in various markets. The product line **Underground Piping Systems** recorded a decline of -7.7%, and the contribution to Group sales was reduced further to 6.1%.

**2003 sales by product areas and product lines**



**Significant currency effects**

The weaker US Dollar and Pound Sterling compared to the Swiss Franc were more than offset by substantial currency gains in sales as a result of a strengthening of the Euro against the Swiss Franc. Accumulated currency gains contributed +1.3% to sales growth.

In 2003, Geberit generated 68% of its sales in Euro. 8% of sales were realized in US Dollars and 6% in Pounds Sterling. The currency risk is largely avoided by matching sales with corresponding expenses in these currencies. The remaining currency risk of approx. MCHF 180, thereof approx. MCHF 140 in Euro, is partly hedged via futures and options.

**Major acquisition-related sales contribution**

In the first half of the year under review, the US-based Chicago Faucet Company (CFC), acquired in July 2002, contributed acquisition-related sales of MCHF 44.7 to total sales. Water Closet Technology Corporation (WCTC), which was acquired in November 2002 and secured Geberit's access to the water-saving pressure tank technology, contributed a total of MCHF 7.9 acquisition-related sales.

The combined contribution of all companies acquired in the fiscal year 2002 to the Group's overall growth amounted to 4.1% in 2003.

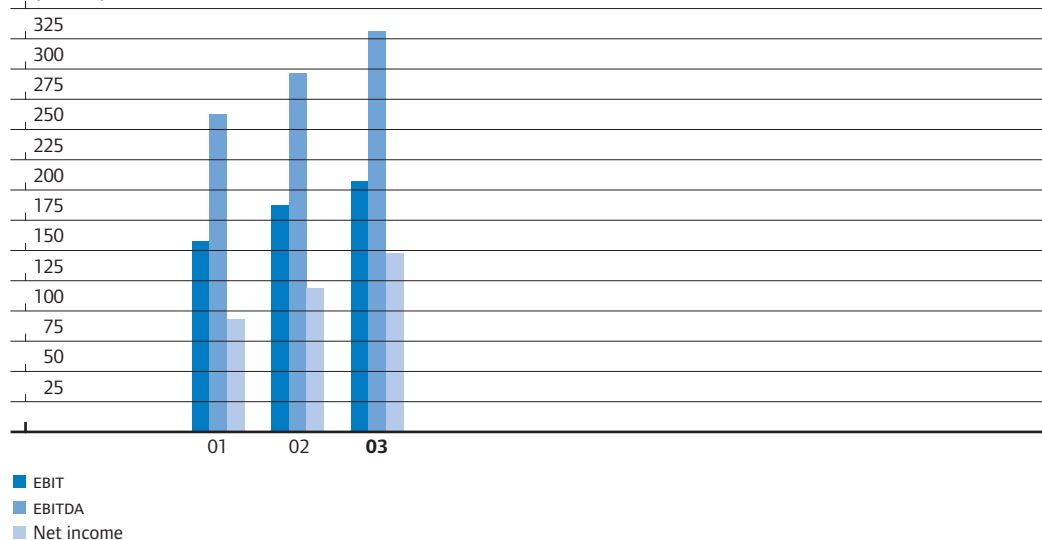
## Profitability increased further

In the fiscal year 2003, the Geberit Group was able to outperform the prior year's high profitability as a result of the increase in sales, successful cost management, further productivity improvements as well as positive currency effects.

The operating cashflow (EBITDA) rose by +11.6% against the prior year to MCHF 329.9. This corresponds to an EBITDA margin of 23.5% (prior year 23.2%). Thus the average EBITDA growth of the last decade of +5.4% was above the average sales growth of +5.2%. The operating profit (EBIT) increased by +10.8% to MCHF 206.5. The EBIT margin was 14.7% (prior year 14.6%).

Net income increased by +24.5% to MCHF 147.0. Thus the return on sales in the fiscal year 2003 amounted to 10.5%. Net income per share was CHF 36.31 (+24.3% against the prior year).

**EBIT, EBITDA, Net income 2001–2003**  
(in MCHF)



## Operating expenses under control

Mainly as a result of higher discounts to customers, sales deductions increased by +16.1% to MCHF 194.3. At 13.8% (prior year 13.1%), the percentage share of sales deductions in Group sales rose significantly which was primarily due to the concentration process in the wholesale trade and currency translation effects.

Operating expenses in 2003 amounted to MCHF 1,003.1 (prior year MCHF 919.4) which corresponds to a less-than-proportionate increase of +9.1%. As a percentage of Group sales, operating expenses declined from 72.2% in the prior year to 71.5%. The rise in operating expenses in absolute terms was mainly due to the effects of the Chicago Faucets acquisition in the first half-year. This was reflected in the expense items of the income statement.



Cost of materials amounted to MCHF 396.8, a +9.3% rise against the prior year. However, as a percentage of sales, cost of materials were slightly below the prior year level at 28.3%. Personnel expenses rose disproportionately by +6.2% to MCHF 346.0.

The depreciation expense, which increased by +14.5%, includes a non-recurring extraordinary depreciation in the amount of MCHF 11.6. Upward revaluations of property, plant and equipment carried out in the leveraged buyout in 1997 on the basis of an appraisal report were partially adjusted downward as the result of an impairment test. With respect to other operating expenses, acquisition effects resulted in an increase by +13.0% to MCHF 136.9. Amortization of goodwill and other intangible assets rose to MCHF 39.6.

### Strong net income

In the year under review, Geberit generated net income of MCHF 147.0 (prior year MCHF 118.1). This corresponds to a marked rise of +24.5%.

Net financial expenses remained practically unchanged. Reduced interest expenses due to further repayments of debt and a lower interest level were offset by a decline in interest income, non-recurrent expenses for the refinancing of bank loans and negative currency effects.

Tax expenses reflected a positive non-recurring effect. After completion of tax audits, tax provisions in the amount of MCHF 11.3 were released. Despite the increased pre-tax result, the tax expenses decreased therefore by -22.0% to MCHF 34.1. The effective tax rate was reduced from 26.7% to 18.6%.

### High cashflow

In the year under review, the net cashflow of MCHF 271.3 exceeded the prior year figure by MCHF 24.2 (+9.8%). This corresponds to a cashflow margin of 19.3% (prior year 19.4%). Thanks to the increase in net cashflow and as a consequence of a continued positive effect of net working capital, the free cashflow rose over the strong prior year figure by MCHF 5.9 to MCHF 206.0. Out of this free cashflow, distributions to shareholders of MCHF 56.6 were made and debt in the amount of MCHF 135.5 was repaid. The remaining amount was mainly used to strengthen liquidity.

### Sound equity base and balance sheet structure

Thanks to the free cashflow, which was again on a very high level, the Geberit Group was able to further strengthen its balance sheet structure by the end of 2003. Debt was reduced by an additional MCHF 134.8 to MCHF 297.2. Net debt declined by MCHF 178.6 to MCHF 115.9.

<b>Debt base</b> (in MCHF)	<b>12/03</b>	<b>12/02</b>	<b>12/01</b>
Long-term debt	293.6	367.5	439.9
Total debt	297.2	432.0	505.3
Cash and cash equivalents	181.3	137.5	101.5
Net debt	115.9	294.5	403.8

In 2003, the equity ratio further rose to 49.0%. In terms of the average shareholders' equity, the Group generated a return on equity of 21.5% (prior year 20.1%) in the year under review. The gearing (net debt/shareholders' equity) decreased from 46.7% in the prior year to 15.7% as of 31 December 2003.

The Group's liquidity situation is comfortable. In addition to liquid funds in the amount of MCHF 181.3 (+31.9% over the prior year) at the year-end, the Group had access to operating credit facilities of MCHF 271.0 which were not drawn as of 31 December 2003. To fund the acquisition of the Mapress Group, a credit facility in the amount of MEUR 200.0 was available to the Geberit Group.

As of 31 December 2003, the Geberit Group held 65,544 of its own shares in treasury, 41,873 less than at the end of the previous year. Treasury shares are primarily earmarked for stock ownership plans.

In the year under review, total assets remained practically unchanged at MCHF 1,507.8 (prior year MCHF 1,500.2). Net working capital decreased to MCHF 77.6, goodwill and intangible assets to MCHF 469.7. Property, plant and equipment remained almost unchanged at MCHF 490.9.

Operating capital, comprising net working capital, property, plant and equipment as well as goodwill and intangible assets, amounted to MCHF 1,038.2 (prior year MCHF 1,087.3) as of the end of 2003. Return on operating assets, expressed as a ratio of operating profit before amortization (EBITA) to average operating capital, amounted to 23.2% in the year under review (prior year 20.4%).

## Higher investments

In 2003, investments in property, plant and equipment and intangible assets amounted to MCHF 69.8 and thus rose by MCHF 10.2 against the prior year. As a percentage of sales, the investment ratio in the period under review amounted to 5.0% (prior year 4.7%). Thus it was slightly below the long-term average. The Group continued to benefit from substantial previous investments in the years before 2002.

As in previous years, the bulk of investments in 2003 was required for the ongoing improvement of production facilities and the procurement of tools and equipment for new products. Substantial amounts were invested in a new concealed cistern for the Italian market, a fill valve produced in China, an additional production line at the Mepla production plant in Givisiez (CH) and a cooling water facility at the production plant in Jona (CH) meeting the highest environmental standards. Also a new customer training and administration building was established for Italy, Geberit's second largest market.

<b>Expenditures for property, plant and equipment</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
In MCHF	69.8	59.6	76.6	66.9	78.1
In % of sales	5.0	4.7	6.6	5.5	6.6

## Efficient research and development

Intensive research and development (R&D) efforts continue to be among the Geberit Group's success factors. Innovation strength is to secure the Group's long-term development. In the year under review, Geberit invested MCHF 35.7 (+18.6% against the prior year) or 2.5% of sales in the future of its product range which is in line with the long-term average. The innovation rate of 34% was slightly above the medium-term target figure. This means that approx. one third of 2003 sales were generated by new or improved products launched in the market during the last three years.

Apart from various additions to the product range, the new products launched in 2003 included the easy-to-install Duofix installation system, the fill valve produced in China as well as the new all-in shower toilet. 21 new patent applications were filed in the year under review, more than 100 during the last five years.

Substantial advance contributions were made for 2004 with respect to the new concealed cistern for the Italian market, the improvement of the Mepla water supply system as well as comprehensive customer software to be newly launched in the markets.

<b>R&amp;D expenditure</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
In MCHF	35.7	30.1	34.1	30.5	29.1
In % of sales	2.5	2.4	2.9	2.5	2.4

In the first half of 2003, an interdisciplinary project team addressed the redesign of the Innovation Process Development (IPD). All business processes at Geberit focus on the IPD. It is to enhance employees' creativity and enable innovations. By thoroughly considering problems at the beginning of any project, by involving and cooperating with all future participants at an early stage and by assigning strong, independent project managers, new solutions are to be introduced to the market rapidly, successfully and on a high quality level.

## Declining number of employees

At the end of 2003, the Geberit Group worldwide employed a staff of 4,412 which corresponds to a decrease of 24 or -0.5% against the prior year. Due to the optimization of production processes and the relocation of production activities, the number of staff in Germany declined slightly. In the USA, the number of employees was reduced by -14% as a consequence of the sluggish business development. On the other hand, the workforce in the Far East grew markedly following the start of manufacturing new products in China. On the basis of the average number of staff of 4,419, sales per employee amounted to TCHF 317.7, a +7.5% rise against the prior year.

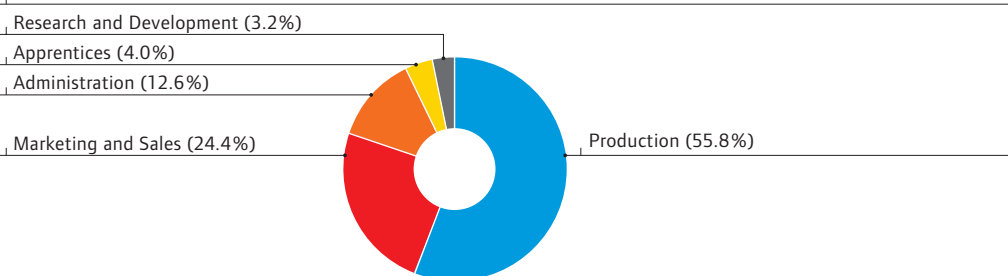
**Employees by country**

(As of 31.12.)	2003	Share in %	2002	Share in %
Germany	1439	33	1463	33
Switzerland	983	22	974	22
Austria	450	10	468	11
USA	370	8	429	10
United Kingdom	262	6	267	6
China	300	7	223	5
Italy	159	4	168	4
Slovenia	149	3	156	4
Others	300	7	288	5
<b>Total</b>	<b>4412</b>	<b>100</b>	<b>4436</b>	<b>100</b>

There were no major changes against the prior year in the break-down of employees by business process.

**2003 headcount by business process**

(As of 31.12.)

**Broad, customer-specific market approach**

To further exploit the potential of the major markets and to increasingly penetrate the other markets, Geberit again relied on a broad and customer-specific market approach in the past year. The network of technical consultants in the field as well as the 20 information centers in Europe and overseas, where more than 20,000 Geberit customers were trained and further educated every year, enables Geberit to prove its core competences on a daily basis. Numerous trade fairs, in which Geberit participated in 2003, were used as platforms to maintain customer contacts and to communicate Geberit's innovation strength. The most important were the "ISH" in Frankfurt, "Bati-bouw" in Brussels, "SAIE" in Bologna, "Swissbau" in Basle, "Kitchen/Bath Industry Show" in Orlando and "Kitchen & Bath China 2003" in Shanghai.

Geberit also plans to further professionalize its Group-wide appearance as well as to communicate competences and customer benefits in an even more transparent way. To this end, an extensive survey of Geberit customers was held in the past year. The goal of the survey was to determine the Company's external perception. Targets and measures for the future to establish an even stronger profile of the Geberit Group were derived from this survey.

## **Sustainability of major importance**

Sustainability within the meaning of a comprehensive definition – environment, people/social matters, economic aspects – becomes increasingly more important. Geberit has decided only to touch upon the issue of sustainability in this annual report and to address this matter in depth in a separate sustainability report. This report will be published in mid 2004.

Traditionally, Geberit places great value on the optimization of its environmental performance. In the past fiscal year, the improvement of the environmental performance was further promoted. The database for corporate eco balances was improved, in terms of quantity as well as in terms of quality, by adding further production sites.

Its long-standing good reputation as an environmental pioneer and socially conscious company made Geberit an interesting sustainability investment upon its stock exchange listing in 1999. In autumn 2003 approx. 2.5% of the Geberit shares were held by various funds and private investors focused on environment and sustainability. By the funds known to us, Geberit is rated “good” to “very good” in terms of sustainability. Geberit has also been included in the “Dow Jones Sustainability Index” (DJSI STOXX) since 2002 and in the “Kempen SNS Smaller Europe SRI Index” since October 2003. This index launched on 1 October 2003 comprises European companies committed to sustainable management. Inclusion is based on strict criteria, in particular in the three areas of business ethics, personnel and environmental management.

In the area of “people/social matters”, the management development programs were expanded further and refined. In addition, the policy to fill management positions with internal candidates as far as possible was upheld. Furthermore, Geberit will hold an extensive employee survey in the first half-year 2004 to test the satisfaction of all employees worldwide. Other interesting and important aspects, such as employees’ identification with the Company, willingness to perform, commitment to the Company as well as the risks of leaving and resignation are to be determined. Also it may be possible to draw among others conclusions with respect to willingness to change and customer-orientation. The first measures derived from this survey are scheduled to be implemented in the second half of 2004. To increase transparency in the area of “people/social matters”, a project team will develop a comprehensive personnel and social reporting system in 2004.

## **Successful acquisition policy**

On 27 January 2004, the Geberit Group completed the acquisition of the German Mapress Group announced at the end of 2003, with effect as of 1 January 2004. Following the competition authorities’ approval, the transaction was closed without further restrictions.

The Mapress Group is a pioneer and one of the leading European providers in the area of high-quality metal press fitting piping systems and drainage solutions made of stainless steel, carbon steel and copper for a broad variety of applications. The main areas of application are water supply and heating for residential buildings, building drainage, fire sprinkler systems, gas distribution, industrial applications as well as marine. With its own distribution organizations in Germany, Italy, Austria and France, Mapress operates within the classical distribution channels and, via Blücher Metal ApS (DK) acquired in 2002, has a strong position in Scandinavia. In other European countries and overseas, the company mainly cooperates with independent distributors. Production units are located in Langenfeld (DE) as well as in Vildbjerg and Vojens (DK).

The Mapress Group employs a staff of just over 900 and generates sales of approx. MEUR 230 (MCHF 360). The company is highly profitable and has been achieving substantial EBITDA margins on the same level as Geberit for years.

Geberit has acquired 100% of the interests in Mapress from a US financial investor at a price of MEUR 372.5, less net debt. The enterprise value corresponds to 6.9 times the operating cashflow (EBITDA). The transaction was financed from available cash, drawings on existing credit facilities as well as by raising a new loan.

## Outlook

Every new fiscal year is a new challenge. This applies especially to the year 2004. Geberit has taken a major growth step with the acquisition of the Mapress Group.

Geberit is now a Company with sales of approx. 1.8 billion Swiss Francs and 5,300 employees.

The integration of the Mapress and Blücher activities into the Geberit business processes will require full attention. The production plants in Germany and Denmark will be included as independent units in the "Piping Systems" division. The real challenge of this task lies in the combination of the distribution units existing in many countries as well as in the fast realization of additional sales in countries where Mapress and Blücher are not yet represented.

Based on these considerations, it also becomes clear that the strategy over the next two to three years will not focus on major acquisitions but on organic growth.

Against the background of an expected marginal market recovery in countries that are important to Geberit, further growth opportunities are anticipated. New products and services in the area of Sanitary Systems as well as in the substantially expanded area of Piping Systems will help to maintain and expand the market position.

We look into the future with confidence and keep up our medium-term goals: we want the Geberit Group to grow by 6 to 8% per year on the average, sales contributions from outside the eight major European markets to reach 25%, operating margins to remain on their currently high level, and earnings per share to grow faster than sales.

# Corporate Governance

## 1. Group structure and shareholders

### Group structure

The operational Group structure is shown in the diagram on pages 8/9 ("Management Structure").

Geberit AG, the parent company of the Geberit Group, has its headquarters in Jona (CH). For the place of listing, market capitalization, Swiss securities identification number and ISIN number please refer to pages 4/5 ("Investor Information").

The Group's consolidated subsidiaries are listed in the Notes to the Consolidated Financial Statements, Note 31. The scope of consolidation does not include any listed companies.

### Significant shareholders

Shareholders holding equity interests in excess of certain percentages are required to be disclosed under the Federal Act on Swiss Stock Exchange. Geberit is aware of the following significant shareholders that, directly or indirectly, at the end of 2003 held between 5% and 10% of the shares:

- Klaus Gebert Erben (CH)
- Capital Group Companies, Inc. (USA)

On 31 December 2003, Klaus Gebert Erben held a voting interest of 6.76%. Since April 2002, the Capital Group held a voting interest of more than 5%.

### Cross-shareholdings

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

## 2. Capital structure

### Capital

Ordinary capital:	MCHF 4.16
Conditional capital:	MCHF 0.2
Authorized capital:	–

For more details please refer to the following subchapters.

### Conditional and authorized capital in particular

For the conditional capital please refer to the Financial Statements of Geberit AG, pages 81, 1.5. These shares may be used exclusively to cover future requirements under the employee stock ownership plans. The issuance of such conditional capital is not subject to any further provisions.

As of 31 December 2003, the Geberit Group had no authorized capital.

### Changes of capital

In the reporting year, the share capital was reduced from MCHF 41.6 to MCHF 4.16 by way of a repayment of par value in the amount of CHF 9.00 per share pursuant to a resolution of the general meeting of 30 April 2003.

Changes of capital of Geberit AG were as follows:

	<b>31.12. 2003</b>	<b>31.12. 2002</b>	<b>31.12. 2001</b>
	MCHF	MCHF	MCHF
Capital stock	4.2	41.6	83.2
Reserves	582.7	492.7	442.8
Retained earnings	110.4	124.3	65.0

For further details on changes of capital reference is made to the Geberit Group's Consolidated Financial Statements in this annual report 2003 (consolidated statements of shareholders' equity, Note 19 [shareholders' equity]), to the information in the Financial Statements of Geberit AG (pages 80–82) as well as to the 2001 figures in the annual report 2002.

### Shares, participation and profit sharing certificates

The share capital of Geberit AG is fully paid-in and amounts to MCHF 4.16. It is divided into 4.16 million registered shares with a par value of CHF 1.00 each. Each share carries one vote in the general meeting.

No participation and profit sharing certificates of the Geberit Group are outstanding.

### Limitations on transferability and nominee registrations

The Geberit Group has not imposed any limitations on the transferability of its shares.

Upon request and presentation of evidence of the transfer, acquirers of shares are registered as shareholders with voting rights in the share register, if they explicitly declare to hold the shares in their own name and for their own account. The articles of incorporation provide for shares held by nominees the registration of a maximum of 3% of the shares, which may be permitted by the Board of Directors. The Board of Directors may register nominees as a shareholder with voting rights in excess of such registration limitation provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

### Convertible bonds and warrants/options

No convertible bonds of the Geberit Group are outstanding.

No options were issued to any external parties. For further details on options granted to employees reference is made to the Geberit Group's Consolidated Financial Statements, Note 15 ("option plans for the management") and to item 5. of this chapter "Corporate Governance" ("compensations, shareholdings and loans").



### 3. Board of Directors

#### Members of the Board of Directors

On 31 December 2003, 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 Board of Directors Rieter Holding AG, Winterthur, Vice Chairman  
and Lead Director Ciba SC AG, Basle, member Board of Directors 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 Program and Senior Executive Program at the IMD in Lausanne. In 1978, he joined Rieter AG where, having held the office of Commercial Director, he was promoted to member of the Group Executive Board in 1979. He was appointed CEO in 1989, President 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) 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. Robert Heberlein (1941)**



Non-executive, independent member of the Board of Directors since 2003, elected until 2006  
Swiss citizen, resident in Zumikon (CH)  
Partner at Lenz & Staehelin, Zurich, Chairman Board of Directors Gurit Heberlein, Wattwil,  
and Bank am Bellevue, Zurich

Dr. Robert Heberlein studied law at the University of Zurich and received his doctorate in law in 1969. He graduated from the University of Michigan, Ann Arbor, as a Master of Comparative Law (MCL) in 1970. After working for various law firms, including in New York and Paris, he joined Staehelin & Giezendanner, now Lenz & Staehelin, in 1972. He has been a partner of that law firm since 1977.



**Rudolf Maag (1946)**

Non-executive, independent member of the Board of Directors since 2000, elected until 2006

Swiss citizen, resident in Binningen (CH)

Chairman Board of Directors Straumann Holding AG, Waldenburg, member of various Boards of Directors, among others Actelion, Allschwil, Rothschild Bank, Zurich, ErfindungsVerwertung AG, Basle; member of the board 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 Supervisory and Advisory Boards of various German industrial enterprises, among others 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 industry 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 and 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 Klaus Weisshaar will expire at the general meeting on 22 April 2004. He will be available for re-election for another term of office.

**Internal organizational structure**

The organization of the Board of Directors is based on the "Organization 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 for one day each. 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 for half a day each. 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. Therefore, the tasks and responsibilities of a compensation and a nomination committee are combined in this committee. Detailed responsibilities are stipulated in the organization regulation of the Personnel Committee.

– Audit Committee

The Audit Committee is composed of the four non-executive, independent members of the Board of Directors, Kurt E. Feller (Chairman), Dr. Robert Heberlein, Rudolf Maag and Klaus Weisshaar. It meets at least twice every year for one day each. 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 the organization regulation of the Audit Committee.

**Definition of areas of responsibility**

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

- supervision of the Company and giving the instructions required
- determination of the organization
- design of the accounting, financial control as well as financial planning to the extent required for managing the Group

- appointment and dismissal of the persons responsible for management and representation
- supervision of the persons responsible for management, in particular with respect to compliance with the laws, articles of incorporation, regulations and instructions
- establishment of the annual report and preparation of the general meeting and the implementation of its resolutions
- notification of the judge in case of a debt overload

The Board of Directors determines the strategic goals and general means to reach such goals and makes decisions on major business transactions. To the extent legally permissible and in accordance with the Organization 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 Personnel Committee.

The Organization 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 and the Audit Committee held two meetings each. The external and internal auditors have access to the minutes of the meetings of the Board of Directors and Group Executive Board.

#### 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 Board of Directors 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. Further he held various management positions in the marketing and sales area with Dow Chemicals Europe, Ciba Geigy, Ciba SC, 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 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 Board of Directors 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 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 and 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 Board of Directors 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. In 1986, Dr. Rudolf Huber started his career as Head of Controlling of Sibir AG. From 1987 to 1992, he worked with the Bucher Industries Group, listed at the Swiss Exchange (SWX), 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 Zurich 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 as an Executive Board Member 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.



**Paul Witschi (1943)**

Member of the Group Executive Board since 1989, with Geberit since 1989  
Swiss citizen, resident in Rüsclikon (CH)  
Head of Group Division Marketing & Sales International  
Member Board of Directors 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 internationalization 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 programs**

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 the form of shares. In this case, the shares are subject to a lock-up period of two years and, from 2003 on, the Board member is granted a discount on the share price. Such discount depends on the results of the Company and corresponds to the discount granted to employees under the employee stock ownership plan (see Consolidated Financial Statements of the Geberit Group, Note 15, [stock ownership plan]).

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 440. Such payments will be made in the following year and may be received in cash and/or in the form of shares.

Total compensations paid to the executive member of the Board of Directors and the other members of the Group Executive Board in 2003 (fixed salary, bonus, pension contributions) amounted to TCHF 6,760. The bonus amounted to TCHF 2,889. Such bonus payments will be made in the following year and may be received in cash and/or in the form of shares.

### **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.

### **Share allotments and ownership in the year under review**

In the year under review, the non-executive members of the Board of Directors acquired 575 shares at market value under the compensation ex 2002. Under the optional bonus scheme ex 2002, the executive member of the Board of Directors and the other members of the Group Executive Board acquired 4,719 shares at market value.

On 31 December 2003, the non-executive members of the Board of Directors held 62,284 shares, the executive member of the Board of Directors and the other members of the Group Executive Board held 222,712 shares of which 16,402 are subject to lock-up periods.

#### Option allotments and ownership in the year under review

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 as of 31 December 2003 were 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	1812	346.50	
1999	lapsed	22.06.04	2381	363.00	
2000	lapsed	14.04.05	1545	555.00	
2000	13.02.04	13.02.05	1978	595.00	649.00
2001	lapsed	04.04.06	1656	458.50	
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
2003	27.03.05	27.03.08	4662	393.50	
2003	23.01.05	23.01.08	3638	429.50	
2003	23.01.07	23.01.08	3638	450.00	

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

One option entitles to purchase one share. A total of 32,663 options were outstanding as of 31 December 2003. In the year under review 17,453 options were exercised and 3,369 options lapsed as the knock-in clause was not fulfilled.

#### Additional fees and remunerations

No additional fees and remunerations were paid to members of governing bodies in the year under review.

#### Loans to members of governing bodies

No loans to members of governing bodies are outstanding.

#### Highest total compensation

The highest individual compensation in the year under review (fixed salary, bonus, pension contributions) amounted to TCHF 1,722. The bonus amounted to TCHF 655. Such bonus payment will be made in the following year and may be received in cash and/or in the form of shares.



3,272 options were allotted to the member of the Board of Directors with the highest total compensation in accordance with the following table. Each option entitles to purchase one share:

Year of issue	End of blocking period	Maturity	Number	Exercise price
2003	27.03.05	27.03.08	1606	393.50
2003	23.01.05	23.01.08	833	429.50
2003	23.01.07	23.01.08	833	450.00

## 6. Shareholders' participation

### Voting rights and representation restrictions

Upon request and presentation of evidence of the transfer, acquirers of shares are registered as shareholders with voting rights in the share register, if they explicitly declare to hold the shares in their own name and for their own account. The articles of incorporation provide for shares held by nominees the registration of a maximum of 3% of the shares, which may be permitted by the Board of Directors. The Board of Directors may register nominees as a shareholder with voting rights in excess of such registration limitation provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

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

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

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

### Statutory quorums

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

### Convocation of the general meeting of shareholders/agenda

The general meeting 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 TCHF 50 may demand in writing that a subject of discussion be added to the agenda at least 45 days prior to the meeting.

### Inscriptions into the share register

From the 10<sup>th</sup> day prior to and until the day after the general meeting no registrations are made. No exceptions to these rules were granted.

## 7. Changes of control and defense measures

There are no regulations in the articles of incorporation with respect to "opting-up" and "opting-out" as well as changes of control.

## 8. Auditors

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

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

### **Auditing fees**

In the fiscal year 2003, PricewaterhouseCoopers invoiced the Geberit Group approx. TCHF 1,075 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

### **Additional fees**

For additional services PricewaterhouseCoopers invoiced approx. TCHF 50 regarding audit-related services, approx. TCHF 700 to tax consultancy and approx. TCHF 530 to other services (mainly acquisition of the Mapress Group).

### **Supervisory and control instruments pertaining to 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. For details on the Audit Committee see item 3.

## 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](http://www.geberit.com). Quarterly financial statements are published. Media and analysts' conferences are held at least once every year.

Contact may be established at any time under [corporate.communications@geberit.com](mailto:corporate.communications@geberit.com). Contact addresses for investors, the media and the interested public can be found in the internet under [www.geberit.com](http://www.geberit.com).

For further details on the Geberit Group's information policy reference is made to the "Investor Information" chapter on page 4/5 of this annual report.



Strong drive

Targeted control



Clever manoeuvring



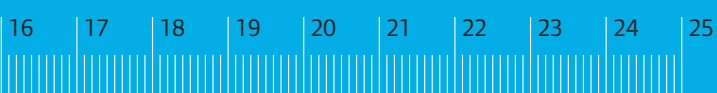
# The brown trout

*Salmo trutta fario*

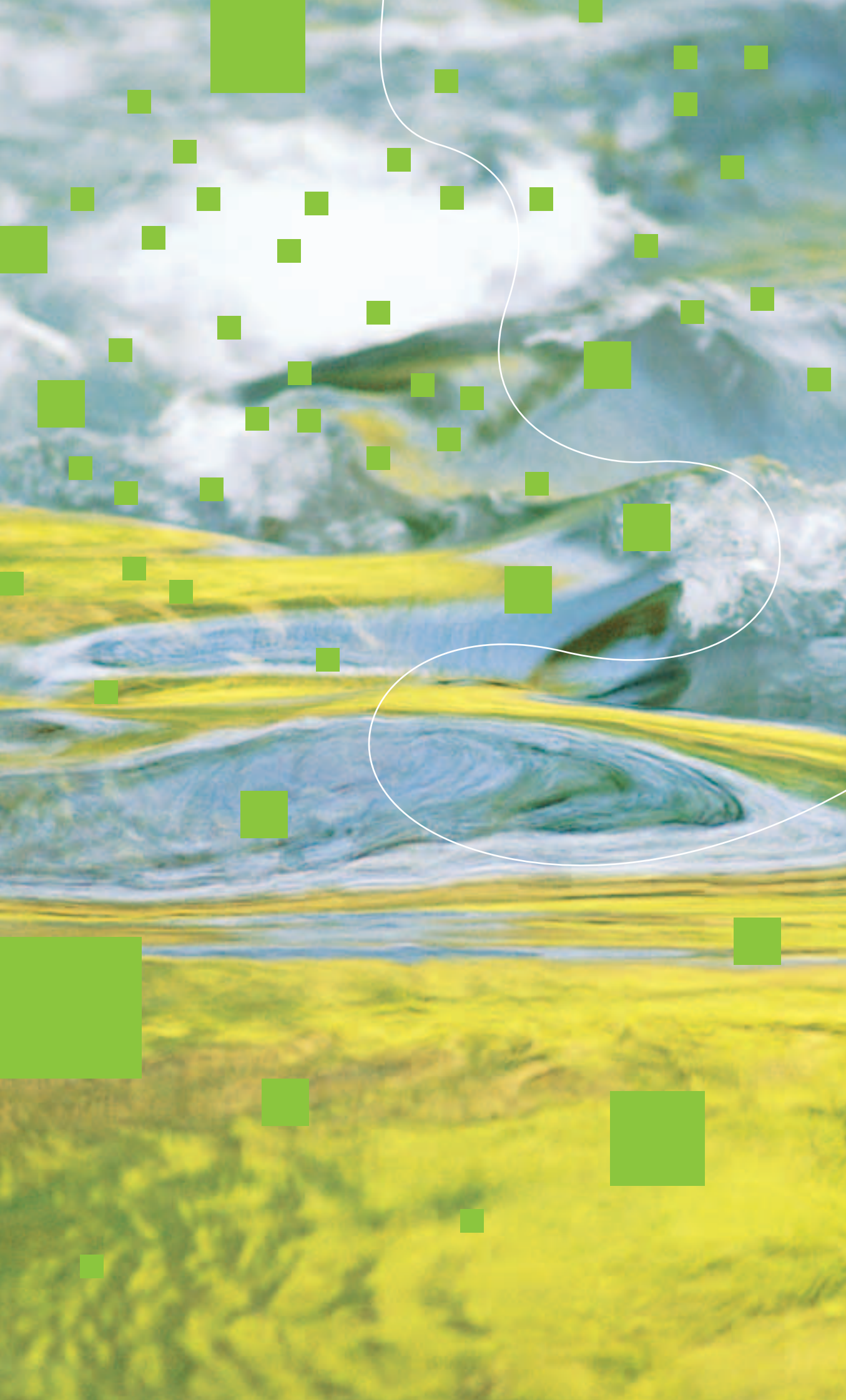


Infallible instinct

Subtle balance



Grown brown trout may be up to 25 cm long



Even trouts do not live in paradise. Perils lurk in crystal clear mountain lakes; foes lie in wait in idyllic meadow streams. The trout is constantly vigilant. Its infallible instinct alerts it to danger. It can detect when water is getting murkier and other signs of disaster before other creatures do. If its habitat changes for the worse, the trout rapidly and skilfully withdraws.

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Much water is saved with progressive Geberit flushing systems. Products and processes focus on sustainability. This is the only way to guarantee survival in the long term.

# prudent







The trout has no fear of resistance or obstacles. It is a nimble creature that follows the whims of the water with graceful movements. It does not battle the currents. Instead it lets the natural forces of the current work for it, gliding up the river, incessantly and effortlessly, it overcomes rapids with playful ease. The trout thus retains its energy for the great challenges in store for it on the way to its destination.

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Geberit spends more than 30 million Swiss francs every year on research and development. Trends and standards are set in the market with numerous inventions and innovative developments.

# nimble





The trout knows what it wants and where it wants to go. How does it know the way? To fertile feeding grounds, to the best spawning grounds? This is its secret. When the time is right, off it goes. Its inner compass leads it up from calm, deep waters to raging rivers, bubbly brooks, to new destinations. With fine sensory organs the trout senses its opportunities.

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Geberit is an international company and active in 100 countries. It strives for continued targeted growth and profitability, organic as well as through acquisitions.

# determined





The trout is a successful species that can be found all over the world, in Alpine rivers and Caucasian torrents, in American lakes and in cold oceans. Its beautifully dotted garb comes in many varieties. It changes with age, the environment and the seasons yet retains its distinctive feature: the fine red stripe along its sides. Whenever sunlight touches this stripe, it sparkles discreetly – the trout's familiar trademark.

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Geberit has been active in sanitary technology since 1874. Formerly as a family company in Switzerland, subsequently as a European market leader and now around the globe as a Group with international activities. Geberit remains faithful to its core business.

# versatile





# Consolidated Financial Statements Geberit Group

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## Consolidated Balance Sheets

	Note	31.12.2003 MCHF	31.12.2002 MCHF
<b>Assets</b>			
Current assets			
Cash and cash equivalents		181.3	137.5
Trade accounts receivable	4	88.6	81.8
Other accounts receivable and prepaid expenses	5	33.7	29.8
Inventories	6	117.0	125.3
<b>Total current assets</b>		<b>420.6</b>	<b>374.4</b>
Non-current assets			
Property, plant and equipment	7	490.9	492.0
Financial assets and other non-current assets	8	126.6	123.5
Goodwill and intangible assets	9	469.7	510.3
<b>Total non-current assets</b>		<b>1087.2</b>	<b>1125.8</b>
<b>Total assets</b>		<b>1507.8</b>	<b>1500.2</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Short-term debt	10/12	3.6	64.5
Trade accounts payable		76.1	67.3
Tax liabilities and tax provisions		57.4	42.5
Other current provisions and liabilities	11	85.6	84.6
<b>Total current liabilities</b>		<b>222.7</b>	<b>258.9</b>
Non-current liabilities			
Long-term debt	12	293.6	367.5
Accrued pension obligation	14	102.0	91.9
Deferred tax liabilities	16	102.7	120.2
Other non-current provisions and liabilities	17	36.4	19.4
<b>Total non-current liabilities</b>		<b>534.7</b>	<b>599.0</b>
Minority interest		11.4	12.1
Shareholders' equity			
Capital stock	19	4.2	41.6
Reserves	19	715.8	569.7
Cumulative translation adjustments	19	19.0	18.9
<b>Total shareholders' equity</b>		<b>739.0</b>	<b>630.2</b>
<b>Total liabilities and shareholders' equity</b>		<b>1507.8</b>	<b>1500.2</b>

The accompanying notes on pages 50 to 76 are an integral part of the consolidated financial statements.



## Consolidated Income Statements

	Note	2003 MCHF	2002 MCHF
<b>Sales</b>		<b>1403.9</b>	<b>1273.0</b>
Sales deductions	21	194.3	167.3
Net sales		1209.6	1105.7
Cost of materials		396.8	362.9
Personnel expenses		346.0	325.9
Depreciation expense	7	83.8	73.2
Amortisation of goodwill and intangibles	9	39.6	36.2
Other operating expenses, net	22	136.9	121.2
Total operating expenses, net		1003.1	919.4
<b>Operating profit (EBIT)</b>		<b>206.5</b>	<b>186.3</b>
Financial income and (expenses), net	23	(23.4)	(23.0)
Non-operating income and (expenses), net		(0.1)	0.1
Profit before income tax expenses and minority interest		183.0	163.4
Income tax expenses	24	34.1	43.7
Net income before minority interest		148.9	119.7
Minority interest, net of tax		1.9	1.6
<b>Net income</b>		<b>147.0</b>	<b>118.1</b>
<b>Other financial figures</b>			
Earnings per share (CHF)	20	36.31	29.22
Earnings per share diluted (CHF)	20	36.26	29.15
Earnings per share adjusted (CHF)	20	43.74	36.42
Research and development expenses	3	35.7	30.1
Interest expenses, net	23	(16.5)	(17.7)
Operating cashflow (EBITDA)		329.9	295.7
Net cashflow	25	271.3	247.1
Free cashflow	25	206.0	200.1

The accompanying notes on pages 50 to 76 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	<b>Total share- holders' equity</b>
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Balance at 1 January 2002</b>	<b>83.2</b>	<b>422.1</b>	<b>(80.7)</b>	<b>177.2</b>	<b>(88.3)</b>	<b>33.3</b>	<b>546.8</b>
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)
<b>Balance at 31 December 2002</b>	<b>41.6</b>	<b>410.0</b>	<b>(47.3)</b>	<b>295.3</b>	<b>(88.3)</b>	<b>18.9</b>	<b>630.2</b>
Dividends and repayments of par value	(37.4)			(20.2)			(57.6)
Net income				147.0			147.0
(Purchase)/sale of treasury shares		6.4	18.1				24.5
Foreign currency items						(0.7)	(0.7)
Other		(5.2)				0.8	(4.4)
<b>Balance at 31 December 2003</b>	<b>4.2</b>	<b>411.2</b>	<b>(29.2)</b>	<b>422.1</b>	<b>(88.3)</b>	<b>19.0</b>	<b>739.0</b>

The accompanying notes on pages 50 to 76 are an integral part of the consolidated financial statements.

## Consolidated Statements of Cashflows

	Note	2003 MCHF	2002 MCHF
Cash provided by operating activities			
Net income		147.0	118.1
Adjustments to cashflow from operating activities			
Depreciation and amortisation	7/9	123.4	109.4
Financial expenses, net	23	23.4	23.0
Income tax expenses	24	34.1	43.7
Other		11.6	7.2
<b>Operating cashflow before changes in net working capital and taxes</b>		<b>339.5</b>	<b>301.4</b>
Income taxes paid		(39.8)	(30.8)
Changes in net working capital	25	9.2	15.4
<b>Net cash provided by operating activities</b>		<b>308.9</b>	<b>286.0</b>
Cash used in investing activities			
Acquisitions, net		(2.6)	(29.0)
Purchase of property, plant & equipment and intangible assets	7	(69.8)	(59.6)
Proceeds from sale of property, plant & equipment and intangible assets		1.7	3.4
Other, net		0.2	1.9
<b>Net cash used in investing activities</b>		<b>(70.5)</b>	<b>(83.3)</b>
Cash used in financing activities			
Proceeds from short-term borrowings		0.3	38.7
Repayments of short-term borrowings		(0.4)	(38.6)
Proceeds from long-term borrowings		152.2	142.4
Repayments of long-term borrowings		(287.6)	(219.7)
Interest paid		(19.1)	(21.2)
Dividends and repayments of par value		(56.6)	(41.0)
(Purchase)/sale of treasury shares		17.6	(20.7)
Other, net		(6.1)	(2.2)
<b>Net cash used in financing activities</b>		<b>(199.7)</b>	<b>(162.3)</b>
Effects of exchange rates on cash		5.1	(4.4)
<b>Net increase (decrease) in cash</b>		<b>43.8</b>	<b>36.0</b>
Cash and cash equivalents at beginning of year		137.5	101.5
<b>Cash and cash equivalents at end of year</b>		<b>181.3</b>	<b>137.5</b>

The accompanying notes on pages 50 to 76 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 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 8 March 2004.

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.

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## **2. Changes in Group organisation**

### **2003**

In 2003 there were no material changes within the organisational structure of the Group.

### **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 MUSD 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 held latest international state-of-the-art patents of the innovative pressure tank technology. WCTC was merged into CFC at the end of 2002.

## **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. 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, 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, calculated at a discount rate of 7.5%.

**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.

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**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 are charged against the provision when incurred.

**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 taxes at source 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 by dividing net income by the weighted average number of ordinary shares issued and outstanding after adjusting for the number of shares that could potentially be issued (dilutive shares) 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.



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### **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 resulting from interest hedges, and the respective underlying debt instruments, are recorded as interest expenses at the effective interest rate of the hedged transactions. The portion of the gain or loss on hedging instruments that is determined to be an effective hedge is recognised in equity. The ineffective portion is reported 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 hold any 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 records allowances for potential credit losses. Such losses, in the aggregate, have not exceeded management's expectations.

**4. Trade accounts receivable**

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Trade accounts receivable	96.0	88.3
Allowance	(7.4)	(6.5)
<b>Total trade accounts receivable</b>	<b>88.6</b>	<b>81.8</b>

Of trade accounts receivable, MCHF 4.6 was denominated in CHF (2002: MCHF 3.9), MCHF 56.7 was denominated in EUR (2002: MCHF 51.8), MCHF 12.3 was denominated in USD (2002: MCHF 11.8) and MCHF 8.1 was denominated in GBP (2002: MCHF 6.5).

**5. Other accounts receivable and prepaid expenses**

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Income tax refunds receivable	5.8	3.4
Other tax receivables	17.5	16.6
Other receivables	2.5	2.2
Prepaid expenses and other current assets	7.9	7.6
<b>Total other accounts receivable and prepaid expenses</b>	<b>33.7</b>	<b>29.8</b>

**6. Inventories**

Inventories, net of allowances for excess and obsolete items of MCHF 12.4 as of 31 December 2003 (2002: MCHF 12.6) were as follows:

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Raw materials, supplies and other inventories	31.4	34.8
Work in progress	18.9	21.7
Finished goods	53.6	56.0
Goods purchased for resale	12.7	12.5
Prepayments to suppliers	0.4	0.3
<b>Total inventories</b>	<b>117.0</b>	<b>125.3</b>

## 7. Property, plant and equipment

	2003					2002
	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr. + advanced payments	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Cost at beginning of year</b>	<b>712.6</b>	<b>254.0</b>	<b>415.0</b>	<b>33.8</b>	<b>9.8</b>	<b>679.7</b>
Changes in Group organisation (see Note 2)						28.4
Additions	68.3	2.5	28.9	5.6	31.3	59.6
Disposals	(51.7)	(4.4)	(37.5)	(9.3)	(0.5)	(35.6)
Transfers		4.1	21.3	1.0	(26.4)	
Translation differences	29.0	8.6	18.5	1.6	0.3	(19.5)
<b>Cost at end of year</b>	<b>758.2</b>	<b>264.8</b>	<b>446.2</b>	<b>32.7</b>	<b>14.5</b>	<b>712.6</b>
<b>Accumulated depreciation at beginning of year</b>	<b>220.6</b>	<b>38.3</b>	<b>169.4</b>	<b>12.9</b>		<b>187.4</b>
Additions	83.8	9.6	64.8	9.4		73.2
Disposals	(51.0)	(4.1)	(38.2)	(8.7)		(30.4)
Transfers			0.2	(0.2)		
Translation differences	13.9	2.5	10.8	0.6		(9.6)
<b>Accumulated depreciation at end of year</b>	<b>267.3</b>	<b>46.3</b>	<b>207.0</b>	<b>14.0</b>		<b>220.6</b>
<b>Net carrying amounts at end of year</b>	<b>490.9</b>	<b>218.5</b>	<b>239.2</b>	<b>18.7</b>	<b>14.5</b>	<b>492.0</b>

As of 31 December 2003, buildings were insured at MCHF 386.7 (2002: MCHF 356.8) and equipment at MCHF 761.9 (2002: MCHF 695.0) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1 148.6 (2002: MCHF 1 051.8). In 2003, one-time impairment adjustments in the amount of MCHF 11.6 were made to machineries and equipments. The adjustments are based on an impairment test of fixed assets which had been revalued and whose useful lives had been changed as a result of an independent appraisal during the Leveraged-buyout in 1997. The impairment concerns various plants in the segments Germany (MCHF 6.6), Switzerland (MCHF 2.2) and "Other major European Markets" (MCHF 2.8). In the consolidated income statement, the amount is included under the position depreciation expense.

## 8. Financial assets and other non-current assets

	2003	2002
	MCHF	MCHF
Prepaid pension asset (see Note 14)	82.4	85.9
Deferred financing fees, net	4.7	3.5
Deferred tax assets (see Note 16)	24.6	21.7
Investments in associated companies	0.1	0.1
Deposits	11.5	10.3
Other	3.3	2.0
<b>Total financial assets and other non-current assets</b>	<b>126.6</b>	<b>123.5</b>

9. Goodwill and intangible assets	2003				2002
	Total	Goodwill	Patents	Trademarks and other intangible assets	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Cost at beginning of year</b>	<b>807.5</b>	<b>559.2</b>	<b>99.1</b>	<b>149.2</b>	<b>773.0</b>
Changes in Group organisation (see Note 2)					34.5
Additions	1.9	0.4		1.5	
Disposals					
Translation differences	(2.9)	(2.3)		(0.6)	
<b>Cost at end of year</b>	<b>806.5</b>	<b>557.3</b>	<b>99.1</b>	<b>150.1</b>	<b>807.5</b>
<b>Accumulated amortisation at beginning of year</b>	<b>297.2</b>	<b>160.6</b>	<b>95.2</b>	<b>41.4</b>	<b>261.0</b>
Additions	39.6	30.1	0.4	9.1	36.2
Disposals					
Translation differences					
<b>Accumulated amortisation at end of year</b>	<b>336.8</b>	<b>190.7</b>	<b>95.6</b>	<b>50.5</b>	<b>297.2</b>
<b>Net carrying amounts at end of year</b>	<b>469.7</b>	<b>366.6</b>	<b>3.5</b>	<b>99.6</b>	<b>510.3</b>

Of goodwill and amortisations of MCHF 366.6 and MCHF 39.6 respectively, MCHF 328.4 (2002: MCHF 353.3) and MCHF 31.9 (2002: MCHF 31.9) resulted from the Leveraged-buyout in 1997.

## 10. Short-term debt

The Group maintains credit lines of MCHF 27.0 (2002: MCHF 57.0) from various lenders which can be cancelled in the short-term. The use of these credit lines is always short-term in nature and, accordingly, these are included in short-term debt.

At 31 December 2003, the Group did not have any outstanding drawings on the above mentioned credit lines (2002: MCHF 0.1).

The working capital facility of MCHF 50.0 which was available as per 31 December 2002 was replaced by a long-term revolving facility of MCHF 400.0 (see Note 12).

## 11. Current provisions and other current liabilities

	2003	2002
	MCHF	MCHF
Compensation related liabilities	44.3	43.5
Accrued interest	0.8	1.3
Customer related liabilities	22.2	30.7
Other current liabilities	17.8	7.9
Current provisions	0.5	1.2
<b>Total current provisions and other current liabilities</b>	<b>85.6</b>	<b>84.6</b>

As of this year, current provisions are shown separately. In 2003, MCHF 0.2 were added to current provisions and MCHF 0.3 were used. MCHF 0.7 were credited to net income and MCHF 0.1 relate to positive currency translation effects.

## 12. Long-term debt

	2003	2002
	MCHF	MCHF
<b>Senior facilities</b>		
Private Placement	124.9	138.7
Scheduled Term A bank loan		217.9
Scheduled Term B bank loan		41.1
Scheduled Term C bank loan		19.6
Revolving Facility	156.1	
Other long-term debt	16.2	14.6
<b>Total long-term debt</b>	<b>297.2</b>	<b>431.9</b>
Short-term portion of long-term debt	(3.6)	(64.4)
<b>Total long-term debt</b>	<b>293.6</b>	<b>367.5</b>

In December 2002, the Group raised MUS\$ 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 (MUS\$ 35.0), which carry a coupon of 5.0% and which are due on 19 December 2009 and (ii) a series B (MUS\$ 65.0), which carry a coupon of 5.54% and which are due on 19 December 2012. The Notes are secured by guarantees from Geberit AG, Geberit Holding AG, Geberit Beteiligungs GmbH & Co. KG, Geberit Deutschland GmbH & Co. KG, Geberit Produktions GmbH & Co. KG and Geberit Produktions AG.

The senior facilities of MCHF 500.0 (Term A), MEUR 65.0 (Term B) and MEUR 30.0 (Term C) were fully repaid as per 28 November 2003. The repayments were MCHF 217.9 (2002: MCHF 46.1) for Term A, MEUR 28.3 (2002: MEUR 6.5) for Term B and MEUR 13.5 (2002: MEUR 3.0) for Term C, respectively. In 2002, 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).

Since November 2003 the Group maintains a credit line ("Revolving Facility") of MCHF 400.0 to fund working capital requirements, investments in PP&E and acquisitions. This credit line is firmly available over a period of 5 years (final maturity: 31 October 2008). At 31 December 2003 the Revolving Facility bears interest at libor plus an annual interest margin of 0.5%. The interest margin depends on the net debt to EBITDA ratio. This ratio is verified on a quarterly basis. The interest is payable at the maturity date of the respective facility used. The Revolving Facility can have terms of one to twelve months or such other period as the lender may agree to. Furthermore, a commitment fee is paid equal to 40 % of the applicable margin (31 December 2003: 0.20%). Drawings under the Revolving Facility are secured by guarantees from Geberit AG, Geberit Holding AG, Geberit Beteiligungs GmbH & Co. KG, Geberit Deutschland GmbH & Co. KG, Geberit Produktions GmbH & Co. KG, Geberit Produktions AG and the Chicago Faucet Company and contain covenants and conditions typical to syndicated financing, among others the compliance with certain financial ratios.

During 2003 and 2002, the effective interest rate on the senior facilities was 3.90% and 3.83%, respectively.

At 10 December 2003, the Credit Suisse Group made available to the Group a Term Loan Facility of MEUR 200.0 (final maturity: 30 April 2009) to fund the acquisition of the Mapress Group (see Notes 18 and 30). This facility bears interest at libor plus a margin which depends on the net debt to EBITDA ratio. At 31 December 2003 this facility was not used. Drawings under this facility can be cancelled in the short-term.

At 31 December 2003, the Group had MCHF 16.2 other interest-bearing long-term debt (2002: MCHF 14.6). This debt incurred interest at a weighted average rate of 4.72% (2002: 4.98%).

	MCHF
2004	3.6
2005	4.0
2006	1.5
2007	0.8
2008 and thereafter	287.3
<b>Total</b>	<b>297.2</b>

Of the financial debt outstanding as of 31 December 2003, MCHF 170.1 was denominated in EUR (2002: MCHF 143.5) and MCHF 124.9 in USD (2002: MCHF 138.7).

### 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 2003 and 2002, the following derivative financial instruments were outstanding:

#### Foreign currency exchange rate hedges

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

2003							
Maturity	Strike price	Contract Amount Purchase	Contract Amount (Sale)	Estimated fair value	USD-Interest rate in %	EUR-Interest rate in %	
		MUSD	MEUR	MCHF			
USD buy / EUR sell	19.12.2012	1.004	55.0	(54.8)	(22.5)	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).

In 2003 the Group bought the following EUR/CHF put options in the amount of MCHF 2.3:

2003			
Maturity	Strike	Contract Amount	Estimated fair value
	CHF/EUR	MEUR	MCHF
16.03.2004	1.55	15.0	0.2
16.06.2004	1.55	15.0	0.3
16.09.2004	1.55	15.0	0.4
16.12.2004	1.55	15.0	0.5

### Interest rate hedges

As per 31 December 2003, the Group had no open interest rate hedges.

In 2003, the Group repurchased the existing forward contracts related to the MEUR 115.0 interest rate collar for the period between 28 August 2003 and 28 February 2004 for MEUR 0.6.

In 2002, the Group repurchased the existing forward contracts related to the MCHF 100.0 interest rate collar for the period between 1 March 2003 and 28 February 2004 for MCHF 1.3.

In order to limit the interest rate risk on its floating rate debt (see Note 12), the Group had the following interest rate hedges as per 31 December 2002:

	2002		
	Interest rate in %	Contract volume net of repayments	Estimated fair value
			MCHF
Interest rate cap	4.00	MCHF 100.0	(1.2)
Interest rate floor	3.25	MCHF 100.0	
Interest rate cap	5.25	MEUR 115.0	(0.9)
Interest rate floor	3.15	MEUR 115.0	

Interest expenses under these agreements were recorded at the net effective interest rate of the hedged transactions in financial income and expenses.

### 14. Retirement benefit plans

The Group sponsors defined benefit and defined contribution plans for its employees in certain countries. The most significant plans are in Switzerland, Germany, Austria and USA. These plans are accounted for according to the IFRS 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 2003 and 2002 included the following components:

	2003	2002
	MCHF	MCHF
Service cost	12.7	12.1
Interest on projected benefit obligation	13.7	13.1
Expected return on plan assets	(12.0)	(12.9)
Net amortisation and deferrals	3.7	2.9
Contributions of plan participants	(4.7)	(5.1)
<b>Net periodic pension cost</b>	<b>13.4</b>	<b>10.1</b>



The following table sets forth the status of the most significant defined benefit pension plans and the amounts recognised in the Group's consolidated balance sheets at 31 December 2003 and 2002:

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
<b>Benefit obligation</b>		
At beginning of year	302.4	290.1
Acquisitions (see Note 2)		4.4
Current service cost	12.7	12.1
Interest cost on projected benefit obligation	13.7	13.1
Actuarial (gains)/losses	(4.0)	(3.8)
Foreign currency translation	5.9	(1.9)
Benefits paid	(11.9)	(11.6)
Benefit obligation at end of year	318.8	302.4
<b>Plan assets at fair value</b>		
At beginning of year	240.4	258.6
Expected return on plan assets	12.0	12.9
Contributions of plan participants	4.7	5.1
Benefits paid	(5.9)	(5.7)
Actuarial gains/(losses)	3.7	(30.5)
Plan assets at fair value at end of year	254.9	240.4
<b>Funded status at end of year</b>		
	<b>(63.9)</b>	<b>(62.0)</b>
Unrecognised transition obligation		1.3
Unrecognised net (gains)/losses	47.2	57.4
<b>Liability in the balance sheet, net</b>	<b>(16.7)</b>	<b>(3.3)</b>
<b>The liability in the balance sheet, net, is comprised of</b>		
Prepaid pension asset	82.4	85.9
Accrued pension obligation	99.1	89.2
<b>Liability in the balance sheet, net</b>	<b>(16.7)</b>	<b>(3.3)</b>

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 3.1 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 95.8 at 31 December 2003 (2002: MCHF 87.6) 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 %:

	2003	2002
	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	2.0–5.0
Expected rate of future increases in pension benefits	0.0–5.0	0.0–2.5
Expected long-term rate of return on plan assets	5.0	5.0

The consolidated income statements also include expenses for defined contribution plans of MCHF 2.6 in 2003 and MCHF 2.9 in 2002, 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 2003, the employees could purchase a limited number of shares at a discount of 30% to the market price ("Employee stock ownership plan 2003"). The plan for the management ("Management stock ownership plan 2003") 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 2003 are summarised below:

	End blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee stock ownership plan 2003	2005	412	3287	275.45
Management stock ownership plan 2003	2006	42	7221	393.50

The 10508 shares required for these plans were held by the Group as treasury shares.

As of 31 December 2003, active managers and employees together owned 285 313 (2002: 340 948) registered shares, i.e. 6.9% (2002: 8.2%) of the share capital of Geberit AG. 1.0% 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 2003 provided the participants with one option to purchase an additional share in the ratio 1:1. 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 2003"), 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 following is a summary of the options allocated in 2003:

	End of blocking period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management stock ownership plan 2003	2005	2008	42	7 221	393.50
Option plan 2003 type A	2005	2008	51	10 459	429.50
Option plan 2003 type B	2007	2008	51	10 459	450.00
<b>Total</b>				<b>28 139</b>	

The following table summarises all option plans in place as of 31 December 2003:

	End blocking period	Maturity	Number of options outstanding	Average exercise price CHF	Number of options in the money <sup>■</sup>	Average exercise price CHF
	lapsed	2004–2006	18 443	399.81	18 443	399.81
	2004	2005–2007	16 049	456.01	10 920	390.73
	2005	2006–2008	26 090	436.56	26 090	436.56
	2006	2007	9 773	405.00	9 773	405.00
	2007	2008	10 167	450.00	10 167	450.00
	<b>Total</b>		<b>80 522</b>	<b>429.89</b>	<b>75 393</b>	<b>418.65</b>

■ As per 31 December 2003 and considering knock-in clauses

In 2003, 56 149 options were exercised at an average price of CHF 348.57. 3 131 options lapsed as managers left the Group and 9 392 options became worthless. The 80 522 options outstanding represent 1.9% of the share capital of Geberit AG.

**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:

	<b>2003</b>	<b>Movements in 2003</b>			<b>2002</b>	<b>Movements in 2002</b>			<b>2001</b>
	<b>Total</b>	(Charged)/ credited to income	Trans- lation differences	Other	<b>Total</b>	(Charged)/ credited to income	Trans- lation- differences	Other (Note 2)	<b>Total</b>
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Deferred tax assets</b>									
Loss carry-forwards	3.8	0.3			3.5	0.6	(0.5)	0.8	2.6
Accrued pension obligation	4.3	0.8	0.1		3.4	0.8	(0.1)		2.7
Property, plant and equipment	4.3	1.3			3.0	(0.4)		2.6	0.8
Other	12.2	(0.4)	0.1	0.7	11.8	(2.5)		8.1	6.2
<b>Total deferred tax assets</b>	<b>24.6</b>	<b>2.0</b>	<b>0.2</b>	<b>0.7</b>	<b>21.7</b>	<b>(1.5)</b>	<b>(0.6)</b>	<b>11.5</b>	<b>12.3</b>
<b>Deferred tax liabilities</b>									
Inventories	(4.8)	0.5	0.3		(5.6)	1.1		(3.5)	(3.2)
Property, plant and equipment	(63.2)	4.4	(1.2)		(66.4)	(0.1)	0.7	(2.5)	(64.5)
Prepaid pension asset	(20.6)	0.9			(21.5)	0.1			(21.6)
Intangible assets	(9.0)	1.8	0.1		(10.9)	1.3	0.1	(2.6)	(9.7)
Provisions, reserves and other	(5.1)	9.8	(0.2)	1.1	(15.8)	(3.8)	0.4	1.0	(13.4)
<b>Total deferred tax liabilities</b>	<b>(102.7)</b>	<b>17.4</b>	<b>(1.0)</b>	<b>1.1</b>	<b>(120.2)</b>	<b>(1.4)</b>	<b>1.2</b>	<b>(7.6)</b>	<b>(112.4)</b>

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 6.6 at 31 December 2003 (2002: MCHF 5.5).

Loss carry-forwards for which no deferred tax assets were recognised amounted to MCHF 12.6 (2002: MCHF 19.5).

**17. Other non-current provisions and liabilities**

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Provisions for operating risks	12.6	10.0
Accrued grant payments	0.9	1.0
Derivatives	22.5	7.9
Other non-current liabilities	0.4	0.5
<b>Total other non-current provisions and liabilities</b>	<b>36.4</b>	<b>19.4</b>

In 2003, MCHF 4.8 were added to Provisions for operating risks and MCHF 2.0 were used, MCHF 0.4 were credited to net income and MCHF 0.2 relate to positive currency translation effects. Provisions for operating risks mainly include provisions for warranties. For details to derivatives see Note 13.

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**18. Commitments and contingencies**

On 11 December 2003 the Group entered into a contract to purchase all shares in Mapress Holding GmbH, Langenfeld (Germany). The purchase price amounts to MEUR 372.5 less net debt. The purchase was concluded in January 2004.

In addition, the Group has entered into firm commitments for capital expenditures of MCHF 4.2 at 31 December 2003 (2002: MCHF 5.4).

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 are likely to have a material adverse effect on the Group's financial position or results of operations.

**19. Shareholders' equity**

As per 31 December 2003 the Group held a total of 65 544 (2002: 107 417) treasury shares with a carrying value of MCHF 29.2 (2002: MCHF 47.3). In 2003 the Group sold a net total of 41 873 treasury shares. Treasury shares are deducted at cost from shareholders' equity.

In March 2003 the Group issued call options for 25 000 shares which were exercised in December 2003. The proceeds of MCHF 0.3 were recorded in equity, net of tax. The put options written in October 2002 lapsed in December 2003.

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.

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.

	<b>2003</b>	<b>2002</b>
Net income according to income statement (MCHF)	147.0	118.1
Net income attributable to shareholders (MCHF)	147.0	118.1
Weighted average number of ordinary shares in issue (thousands)	4 049	4 042
<b>Earnings per share (CHF)</b>	<b>36.31</b>	<b>29.22</b>

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 granted to employees share options which qualify as potentially dilutive ordinary shares.

	<b>2003</b>	<b>2002</b>
Net income attributable to shareholders used to determine diluted earnings per share (MCHF)	147.0	118.1
Weighted average number of ordinary shares in issue (thousands)	4 049	4 042
Adjustments for share options (thousands)	5	9
Weighted average number of ordinary shares for diluted earnings per share (thousands)	4 054	4 051
<b>Diluted earnings per share (CHF)</b>	<b>36.26</b>	<b>29.15</b>

For the calculation of adjusted earnings per share the amortisation of goodwill is added back to net income. Prior year figures have been adjusted for comparative purposes.

	<b>2003</b>	<b>2002</b>
Net income according to income statement (MCHF)	147.0	118.1
Total goodwill amortisation (MCHF)	30.1	29.1
Net income attributable to shareholders (MCHF)	177.1	147.2
Weighted average number of ordinary shares in issue (thousands)	4 049	4 042
<b>Adjusted earnings per share (CHF)</b>	<b>43.74</b>	<b>36.42</b>

## 21. Sales deductions

	2003	2002
	MCHF	MCHF
Early payment discounts	41.3	37.5
Outbound freight costs	44.0	40.9
Customer volume discounts	89.2	75.2
Other	19.8	13.7
<b>Total sales deductions</b>	<b>194.3</b>	<b>167.3</b>

## 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:

	2003	2002
	MCHF	MCHF
Energy and maintenance expenses	48.3	43.0
Marketing expenses	36.2	33.4
Administration expenses	35.5	34.4
Other operating expenses	30.1	26.5
Other operating income	(13.2)	(16.1)
<b>Total other operating expenses, net</b>	<b>136.9</b>	<b>121.2</b>

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

In 2003 costs of MCHF 14.4 (2002: MCHF 10.0) 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

	2003	2002
	MCHF	MCHF
Interest income	2.2	3.0
Interest expenses	(18.7)	(20.7)
Amortisation of deferred financing fees	(2.3)	(1.8)
Foreign exchange result, net	(3.5)	(3.2)
Other financial income	0.1	0.5
Other financial expenses	(1.2)	(0.8)
<b>Total financial income and (expenses), net</b>	<b>(23.4)</b>	<b>(23.0)</b>

**24. Income tax expenses**

The components of income tax expenses were as follows:

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Current taxes	53.5	40.8
Deferred taxes	(19.4)	2.9
<b>Total income tax expenses</b>	<b>34.1</b>	<b>43.7</b>

The differences between income tax expenses computed at the weighted average applicable rate of the Group of 25.7% (2002: 26.6%) and income tax expenses provided on earnings were as follows:

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Income tax expenses, at applicable rate	47.1	43.5
Utilisation of loss carry-forwards	(0.2)	(1.1)
Operating losses with no current tax benefit	0.1	0.9
Changes in tax rates	(1.3)	(0.6)
Non-deductible expenses including goodwill amortisation	2.5	2.2
Other	(14.1)	(1.2)
<b>Total income tax expenses</b>	<b>34.1</b>	<b>43.7</b>

The position "Other" includes the reversal of tax provisions of MCHF 11.3 after the closing of pending tax audits.

The Group has loss carry-forwards available for future tax periods. Loss carry-forwards amounted to MCHF 21.7 at 31 December 2003 (2002: MCHF 35.8). Of this amount, MCHF 14.0 (2002: MCHF 22.1) will expire over the next six years.



## 25. Cashflow figures

Net cashflow is calculated as follows:

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Net income	147.0	118.1
Depreciation expense	83.8	73.2
Amortisation of goodwill and other intangible assets	39.6	36.2
Changes in long-term provisions	(5.8)	13.9
Changes in other long-term assets and liabilities	6.7	5.7
<b>Net cashflow</b>	<b>271.3</b>	<b>247.1</b>

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 changes in fair value of the derivatives.

Free cashflow is calculated as follows:

	<b>2003</b>	<b>2002</b>
	MCHF	MCHF
Net cashflow	271.3	247.1
Purchase of property, plant & equipment and intangible assets, net	(68.1)	(56.2)
Changes in net working capital	9.2	15.4
Payments charged to long-term provisions	(6.4)	(6.2)
<b>Free cashflow</b>	<b>206.0</b>	<b>200.1</b>

As per Group definition, the term "Free cashflow" does not include disinvestments or acquisitions of subsidiaries nor the purchase or sale of treasury shares and dividend payments.

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

Payments charged to 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 "Other European markets". The segment "Other markets" includes principally North America and the Far East. The segment "Corporate Functions" consists in particular of Geberit AG, Geberit Holding AG and Geberit International AG as the central holding and management companies, and the research and development company Geberit Technik AG.

Balance sheet and 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 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 includes 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. Intercompany 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
<b>2003</b>	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Segment assets	298.3	260.0	89.2	187.9	53.6	78.9	1152.2	(612.3)	1507.8
Segment liabilities	48.3	168.3	35.3	88.5	21.3	18.4	989.6	(612.3)	757.4
<b>2002</b>									
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

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
<b>2003</b>								
Intersegment sales	197.2	276.5	13.5	65.1	3.1	0.2		
External sales	161.0	431.9	207.8	325.0	128.4	149.8		1403.9
Operating profit (EBIT)*	76.5	95.4	16.0	30.4	1.1	1.6	(14.5)	206.5
Financial income and (expenses), net								(23.4)
Non-operating income and (expenses), net								(0.1)
Income tax expenses								34.1
Minority interest, net of tax								1.9
Net income								147.0
Capital expenditure	19.3	22.1	4.5	4.5	9.9	6.7	2.8	69.8
Depreciation expense	24.4	32.1	3.4	15.5	2.5	4.2	1.7	83.8
<b>2002</b>								
Intersegment sales	173.6	234.8	11.9	62.5	2.0	0.2	5.2	
External sales	150.9	412.9	194.6	300.5	107.1	107.0		1273.0
Operating profit (EBIT)*	64.3	94.7	16.9	27.2	1.9	(2.9)	(15.8)	186.3
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

\* Corporate functions include MCHF 37.6 (2002: MCHF 36.2) of amortisation of goodwill, patents and trademarks.

## 27. Related party transactions

In 2003 and 2002 there were no material related party transactions.

**28. Foreign exchange rates**

The following exchange rates were used for the consolidated financial statements for the years 2003 and 2002:

	Currency		2003		2002	
			Balance sheet	Income statement	Balance sheet	Income statement
European						
Currency union	EUR	1	1.5606	1.5202	1.4539	1.4676
United Kingdom	GBP	1	2.2161	2.1978	2.2243	2.3352
USA	USD	1	1.2486	1.3469	1.3870	1.5574
Poland	PLN	100	33.2870	34.6060	36.1010	38.1560
Slovenia	SIT	100	0.6510	0.6470	0.6290	0.6490
China	CNY	100	15.0850	16.2730	16.7570	18.8540
Denmark	DKK	100	20.9650	20.4570	19.5740	19.7510

In 2002, 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.

**29. Consolidated income statements in Euro (unaudited)**

The consolidated income statements for the years 2003 and 2002 in Euro were as follows:

	2003 MEUR	2002 MEUR	Variance in %
<b>Sales</b>	<b>923.5</b>	<b>867.4</b>	<b>+6.5</b>
Sales deductions	127.8	114.0	
Net sales	795.7	753.4	
Cost of materials	261.0	247.3	
Personnel expenses	227.7	222.1	
Depreciation expense	55.1	49.9	
Amortisation of goodwill and intangibles	26.0	24.7	
Other operating expenses, net	90.0	82.9	
Total operating expenses, net	659.8	626.9	
<b>Operating profit (EBIT)</b>	<b>135.9</b>	<b>126.5</b>	<b>+7.4</b>
Financial income and (expenses), net	(15.4)	(15.7)	
Non-operating income, net			
Profit before income tax expenses and minority interest	120.5	110.8	
Income tax expenses	22.4	29.8	
Net income before minority interest	98.1	81.0	
Minority interest, net of tax	1.3	1.1	
<b>Net income</b>	<b>96.8</b>	<b>79.9</b>	<b>+21.2</b>
<b>Operating cashflow (EBITDA)</b>	<b>217.0</b>	<b>201.1</b>	<b>+7.9</b>

**30. Subsequent events**

The acquisition of the Mapress Group was concluded in January with economic effect as per 1 January 2004.

**31. Group companies as of  
31 December 2003**

	Currency	Share capital in thousand	Ownership in %	Activity
<b>Switzerland</b>				
Geberit AG, Jona	CHF	4 160		○
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	80	□
<b>Austria</b>				
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	△
<b>Belgium</b>				
Geberit N.V., Machelen	EUR	62	100	△
<b>Channel Islands</b>				
Geberit Finance Ltd., Jersey	EUR	323	100	○
Geberit Reinsurance Ltd., Guernsey	EUR	2	100	○
<b>China</b>				
Geberit Flushing Technology Co. Ltd., Daishan	CNY	63 869	100	□/△
Geberit Plumbing Technology Co. Ltd., Shanghai	CNY	64 188	100	□/△
<b>Czech Republic</b>				
Geberit spol.s.r.o., Brno	CZK	6 000	100	△
<b>Denmark</b>				
Geberit A/S, Lystrup	DKK	6 500	100	△
<b>France</b>				
Geberit S.à.r.l., Antony	EUR	936	100	△
Hansgrohe Geberit S.A.S., Antony	EUR	300	50	△
<b>Germany</b>				
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
<b>Hungary</b>				
Geberit Kft, Budapest	HUF	55 350	100	△
<b>Italy</b>				
Deriplast S.p.a., Villadose	EUR	4 200	100	□/△
Plastek S.r.l., Villadose	EUR	50	70	□
<b>Netherlands</b>				
Geberit Holding B.V., Nieuwegein	EUR	136	100	○
Geberit B.V., Nieuwegein	EUR	18	100	△
<b>Poland</b>				
Geberit Sp.z.o.o., Warsaw	PLN	5 000	100	△
<b>Portugal</b>				
Geberit Tecnologia Sanitária S.A., Lisbon	EUR	275	100	△
<b>Singapore</b>				
Geberit South East Asia Pte. Ltd., Singapore	SGD	100	100	△
<b>Slovakia</b>				
Geberit s.r.o., Bratislava	SKK	5 000	100	△
<b>Slovenia</b>				
Geberit Sanitarna tehnika d.o.o., Rusé	SIT	25 000	100	□/△
<b>Spain</b>				
Geberit S.A., Barcelona	EUR	159	100	△
<b>Turkey</b>				
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	EUR	100	100	△
<b>United Kingdom</b>				
Geberit Ltd., Aylesford	GBP	346	100	□/△
Geberit uk Ltd., Aylesford	GBP	16 000	100	○
<b>USA</b>				
Duffin Manufacturing Co., Elyria	USD	69	100	□/△
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 cash flows and notes, pages 46 to 76) of the Geberit Group for the year ended 31 December 2003.

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 cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers AG

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

Daniel Ketterer

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

Gilles Thiéry

Zurich, Switzerland, 8 March 2004





# Financial Statements

## Geberit AG

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## Financial Statements

31.12.2003 31.12.2002  
MCHF MCHF

### Balance Sheets

Current assets		
Cash and cash equivalents	1.7	1.3
Accounts receivable		
– Third parties	1.9	2.1
– Group companies	1.5	5.4
<b>Total current assets</b>	<b>5.1</b>	<b>8.8</b>
Non-current assets		
Investments	696.6	667.3
Intangible assets: incorporation, capital increase and organisation costs	1.5	5.1
<b>Total non-current assets</b>	<b>698.1</b>	<b>672.4</b>
<b>Total assets</b>	<b>703.2</b>	<b>681.2</b>
Current liabilities		
– Bank	1.2	
– Third parties	0.8	0.4
– Group companies	3.9	22.2
<b>Total current liabilities</b>	<b>5.9</b>	<b>22.6</b>
Shareholders' equity		
Capital stock	4.2	41.6
Legal reserves:		
– General reserve	8.3	16.6
– Reserve for treasury shares	29.2	47.3
Free reserves	545.2	428.8
Retained earnings	110.4	124.3
<b>Total shareholders' equity</b>	<b>697.3</b>	<b>658.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>703.2</b>	<b>681.2</b>

### Income Statements

	2003 MCHF	2002 MCHF
<b>Income</b>		
Dividends from subsidiaries	100.0	108.5
Financial income	2.5	6.7
Other operating income	0.3	0.3
<b>Total income</b>	<b>102.8</b>	<b>115.5</b>
<b>Expenses</b>		
Administrative expenses	5.7	5.1
Financial expenses	0.2	1.0
Taxes		0.1
<b>Total expenses</b>	<b>5.9</b>	<b>6.2</b>
<b>Net income</b>	<b>96.9</b>	<b>109.3</b>

# 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 favour of third parties

	31.12.2003	31.12.2002
	MCHF	MCHF
<b>Guarantee CS Term Loan Facility (MEUR 200)</b>	<b>312.1</b>	
<b>Guarantee UBS Revolving Facility</b>	<b>400.0</b>	
<b>Guarantee private placement (MUSD 100)</b>	<b>124.9</b>	<b>138.7</b>
<b>Guarantee Deutsche Bank Term A-, B- and C loans</b>		<b>278.6</b>

The guarantees for the CS and the UBS facilities are limited by contract to the distributable reserves of the company.

### 1.2 Significant investments

See Note 31, Geberit Group.

### 1.3 Share capital

The share capital of Geberit AG consists of 4 160 000 shares with a par value of CHF 1 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 2002	107 417		439.90	
Purchases	102 989	624.80	429.85	359.80
Sales	144 862	623.00	441.90	393.50
<b>Balance at 31 December 2003</b>	<b>65 544</b>			
Number of treasury shares held by Geberit AG	0			

The legal reserves for treasury shares were recorded at cost.

### 1.5 Capital increases

	31.12.2003	31.12.2002
	MCHF	MCHF
<b>Conditional capital</b>	<b>0.2</b>	<b>1.7</b>

The fourth ordinary general meeting, held on 30 April 2003, decided to reduce the conditional capital by CHF 1 497 600 from CHF 1 664 000 to CHF 166 400 according to the reduction of the par value per share by CHF 9. As per 31 December 2003, no shares have been issued in connection with this conditional capital increase. The use of the conditional capital is not restricted by any time limits.

## 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. 2003	31.12. 2002
Klaus Gebert Heirs	6.76%	6.76%
The Capital Group, Los Angeles	>5%	>5%
Merrill Lynch & Co., New York	–	>5%

## Proposal for the appropriation of available earnings

Proposal by the board of directors to the general meeting

	2003	2002
	CHF	CHF
Available earnings		
Net income	96 887 985	109 269 483
Balance brought forward	13 514 275	15 044 792
<b>Total available earnings</b>	<b>110 402 260</b>	<b>124 314 275</b>
Transfer to free reserves	30 000 000	90 000 000
Proposed dividend	70 720 000	20 800 000
Balance to be carried forward	9 682 260	13 514 275
<b>Total appropriation of available earnings</b>	<b>110 402 260</b>	<b>124 314 275</b>
Transfer of no longer used legal reserves to free reserves (according to the reduction of the nominal value per share)	7 488 000	8 320 000

### Dividend payments

The board of Directors proposes a dividend payment of CHF 17 per share (prior year: CHF 5 per share).

### Reduction of the nominal value per share

In 2003, there was a repayment of par value of CHF 9 per registered share. This repayment reduced the par value per share from CHF 10 to CHF 1.

# 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, pages 80 to 82) of Geberit AG for the year ended 31 December 2003.

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 'Gilles Thiéry'.

Gilles Thiéry

Zurich, Switzerland, 8 March 2004

# Geberit Key Figures

## Sales

Change on previous year

## Operating profit (EBIT)

Margin

## Net income

Margin

## Operating cashflow (EBITDA)

Margin

## Net cashflow

Margin

## Financial income (expenses), net

## Research and development expenses

In % of sales

## Earnings per share

Earnings per share – adjusted<sup>■</sup>

## Capital expenditure

## Number of employees

Annual average

## Sales per capita

## Total assets

### Cash and cash equivalents

### Net working capital

### Property, plant and equipment

### Goodwill and intangible assets

### Corporate debt

### Shareholders' equity

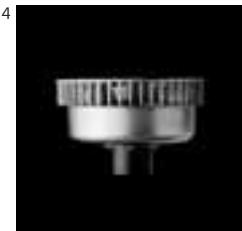
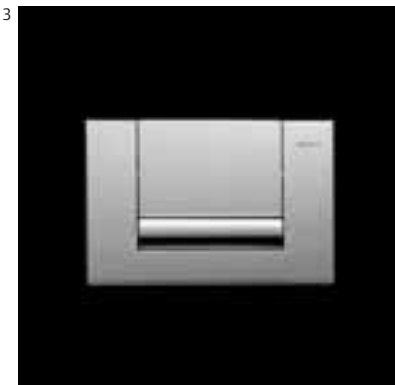
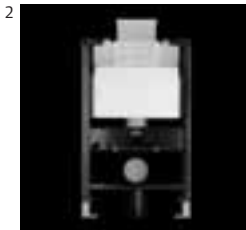
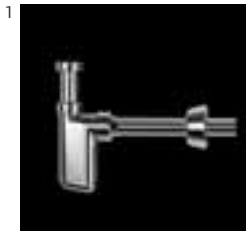
Equity ratio

Gearing

■ Adjusted for amortization of goodwill

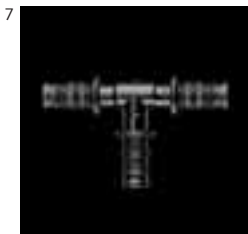
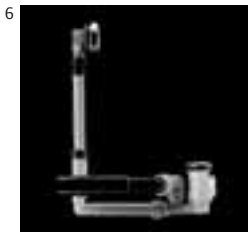
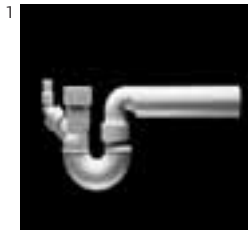
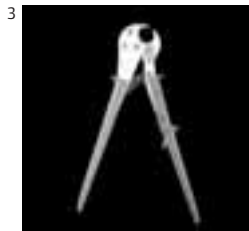
	2003	2002	2001	2000	1999	1998
MCHF	1403.9	1273.0	1165.1	1208.5	1190.7	1032.2
%	+10.3	+9.3	-3.6	+1.5	+15.4	+7.9
MCHF	206.5	186.3	157.1	189.7	176.4	140.4
%	14.7	14.6	13.5	15.7	14.8	13.6
MCHF	147.0	118.1	92.1	104.4	54.3	37.4
%	10.5	9.3	7.9	8.6	4.6	3.6
MCHF	329.9	295.7	261.7	297.5	303.5	255.7
%	23.5	23.2	22.5	24.6	25.5	24.8
MCHF	271.3	247.1	206.8	207.5	186.4	152.1
%	19.3	19.4	17.7	17.2	15.7	14.7
MCHF	(23.4)	(23.0)	(29.1)	(37.4)	(37.9)	(59.4)
MCHF	35.7	30.1	34.1	30.5	29.1	28.0
%	2.5	2.4	2.9	2.5	2.4	2.7
CHF	36.31	29.22	23.00	25.72	13.29	8.06
CHF	43.74	36.42	31.64	35.16	32.84	33.70
MCHF	69.8	59.6	76.6	66.9	78.1	67.5
31.12.	4412	4436	4144	4240	4309	3788
	4419	4307	4189	4267	4258	3822
TCHF	317.7	295.6	278.1	283.2	279.6	270.1
	<b>31.12.2003</b>	<b>31.12.2002</b>	<b>31.12.2001</b>	<b>31.12.2000</b>	<b>31.12.1999</b>	<b>31.12.1998</b>
MCHF	1507.8	1500.2	1445.1	1444.7	1546.2	1468.6
MCHF	181.3	137.5	101.5	64.4	126.3	99.0
MCHF	77.6	85.0	86.4	96.4	72.1	59.8
MCHF	490.9	492.0	492.3	490.7	516.9	456.2
MCHF	469.7	510.3	512.0	546.3	581.0	618.6
MCHF	297.2	432.0	505.3	560.1	642.8	801.7
MCHF	739.0	630.2	546.8	492.5	492.2	274.3
%	49.0	42.0	37.8	34.1	31.8	18.7
%	15.7	46.7	73.8	100.6	104.9	256.2

# Geberit Products



- 1 Lavatory trap
- 2 Pre-wall WC installation element
- 3 Flush actuator
- 4 Siphonic rainwater roof outlet
- 5 Faucet connection elbow
- 6 Electroweld sleeve coupling
- 7 Ball fitting





- 1 Sink trap
- 2 Urinal trap
- 3 Hand-operated compression tool
- 4 Electronic faucet
- 5 Electronic urinal control (Europe)
- 6 Bath tub trap
- 7 Water supply fitting

Text: Geberit International AG, Jona

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