Highlights business year 2011

A cistern for Down Under
In many regions of Australia, joists and girders with a depth of 3 inches are used in residential construction. In order for water-saving flushing technology to be applied to walls with this internal dimension, the narrowest Geberit cistern up to now had to be slimmed down by another couple of millimeters.

Fresh air, always
Nobody likes bad odors in the WC area. Geberit DuoFresh goes straight to the source of the problem: The air in the WC ceramic appliance is directly suctioned out through the flush water inlet, purified through active carbon and released back into the room. This is up to 20 times more energy-efficient than opening a window.

Flat and even
With the paradigm shift from simple bathrooms to stylish wellness areas, the actuator plate for the toilet flush has also become a design object. This is why the German industrial designer Christoph Behling was brought in to work on the surface-even Geberit Sigma60, which is well conceived down to the smallest detail.

13,500 customer contacts
Plumbers favor products that they are familiar with. This makes it difficult for innovations to become accepted. Unless they are introduced to the specialists personally. “Geberit on tour” was on the road in 8 countries, set up its exhibition stand 450 times and thereby made the personal acquaintance of 13,500 plumbers.

Winners sought and found
“Geberit Challenge” looked for the best plumbers in nine countries. Around 800 candidates accepted the challenge. The winners were found after a series of skills competitions in front of a large audience. The experts reacted enthusiastically: The sanitary sector had never before experienced such a spectacle!
Highlights business year 2011

Award-winning
At record speed, Geberit transformed its logistics from a mere appendage of the production plants to a core competence in its own right. The results speak for themselves: Higher product availability, shorter processing times, reduced logistics costs year-for-year and being awarded the German Logistics Prize 2011.

An opera house on the Pearl River
The building shell of the new opera house in the southern Chinese city of Guangzhou resembles two enormous river pebbles. The world-renowned architect Zaha Hadid designed the buildings on the banks of the Pearl River. She opted for Geberit Pluvia to ensure safe drainage of the 20,000 m² roof area.

HafenCity on the Elbe River
In the old harbor district of Hamburg, a new neighborhood is being built. The Übersee quarter is nearly complete, with living and working space for thousands of people. In order to be safe from storm floods, the quarter stands on a man-made base and the discharge pipes from Geberit are equipped with flood valves.
Editorial

2011 was a year full of challenges and a global economic situation that confronted us with great uncertainties. This situation was compounded by various factors, such as raw material prices marked by high volatility and the slowly developing building sector in many markets. Finally, as a Swiss company, we also suffered from the strong Swiss Franc. Nevertheless, Geberit was very successful in maintaining its position in 2011 as well.

Geberit Group sales for 2011 as a whole amounted to CHF 2,122.6 million. In Swiss Francs, this resulted in a minus of 1.1% in comparison with prior year figures. When calculated in local currencies, however, on a long-term basis an above-average increase in sales of 9.5% was achieved. Operating profit (EBIT) dropped by 7.6% to CHF 449.2 million. This decline was mainly due to the strong Swiss Franc. Calculated with prior year’s exchange rates an increase in operating profit would have been posted. An EBIT margin of 21.2% was reached (prior year 22.6%). Net income decreased in comparison to the operating results slightly disproportionately by 5.6%, to CHF 384.0 million, with a return on sales of 18.1% (prior year 18.9%). Earnings per share dropped by 4.8% to CHF 9.82. While free cashflow did not reach the record figure of the prior year, it still remained at a high level of CHF 386.0 million.

In addition to the successful business development, 2011 was also characterized by exceptional activities, for example the introduction of new products such as Geberit DuoFresh, a concealed cistern with integrated odor extraction, an actuator plate that can be installed surface-even in the wall and an extra-thin concealed cistern for the specific requirements of the Australian market, where the walls of the houses are thin. Furthermore, we have used a new branding to make our appeal to architects and end users more emotional and more professional. The focus of Geberit market activities is concentrating increasingly on these customer groups. Our most important customer, however, is and remains the plumber himself. Two initiatives were launched for this target group in the year under review which contribute to a stronger emotional bond. “Geberit on tour” is a mobile exhibition that made it possible for plumbers to experience more closely and more directly the advantages of Geberit products at more than 450 events in eight countries. The “Geberit Challenge” was carried out in nine countries in 2011. To the accompaniment of great media attention, the best teams of plumbers in each country were selected at professional competitions involving theoretical and practical tasks. In November 2011, Geberit was awarded the German Logistics Prize in Berlin. With this renowned prize, which is considered one of the most important awards in the world in its sector, we were honored for the successful, radical restructuring of our logistics in Europe.

The Board of Directors intends to maintain an attractive distribution policy. For this reason the Board decided to propose a distribution of CHF 6.30 to the General Meeting, an increase of 5.0% over the prior year. The payout ratio of 63.7% would thus lie in the upper range of the increased payout corridor of 50 to 70% of net income that had been newly defined in the prior year. The distribution will once again, as in the prior year, take place in the form of a tax-exempt payment to shareholders taken from reserves from capital contribution. Also continuing is the share buyback program begun in January 2011, by means of which additional liquid funds are flowing back to the shareholders.

The generational change in the Board of Directors started last year will be concluded at the General Meeting of 2012. As replacements for Randolf Hanslin and Robert Heberlein, both Members of long standing who have reached retirement age, Jeff Song and Jørgen Tang-Jensen will each be proposed for a three-year term of
The Board of Directors is convinced that the two nominees will enhance the international orientation of the body, in order that Geberit may establish itself even better in Asia as an important market of the future. In addition, well-founded know-how, in both the B2B and the B2C business, and particularly in the construction industry, will be brought into the Board of Directors. The current Member of the Board of Directors, Susanne Ruoff, is a candidate for re-election for another three years.

We credit the gratifying results in 2011 to the outstanding commitment, the high motivation and the skills of our employees in 41 countries. At this point, we wish to express our thanks and appreciation for their exemplary performance. We would again like to devote special thanks to our customers in the commercial and trade sectors for their solidarity and the constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

It is our intention to continue the determined pursuit of our successful path in the new year and to continue to provide good results. In doing so, we continue to anticipate exacerbated economic and political conditions. It is our objective, not only in the construction markets that are still healthy, but also in those that are shrinking, to provide convincing market performances and to continue to gain market shares. The focus in this connection will be on the concerted marketing of the products newly introduced in recent years, on various organic growth initiatives and on the very promising shower toilet business. The Geberit Group is well equipped to achieve the ambitious goals that have been set. With the performance capability of our competent and motivated managers and employees, our effective, efficient and market-oriented organization and the continued faithful cooperation we have with our market partners, we look to the future with confidence.

Albert M. Baehny
Chairman and CEO

Robert F. Spoerry
Lead Director and
Vice Chairman
Geberit share information

Share price performance in the year under review

The challenging market environment impacted the price of the Geberit share throughout the trading year. Beginning the year at CHF 216.20 the share price hovered around the level of CHF 200 for the first half of the year. Mainly external factors, such as concerns over the European debt crisis and associated turbulence on the currency front, were responsible for the price correcting considerably downwards in the third quarter. A mild recovery followed, however, so that the Geberit share ended the year at CHF 181.00. Despite convincing performance in operating business activities, this corresponds to a disproportionate decline of 16.3% in comparison to the relevant indices. The Swiss Performance Index (SPI) fell by 7.7% over the same period. Viewed over the past five years, the Geberit share suffered an annual average loss in value of 0.7% (SPI: -5.1%). The Geberit Group’s market capitalization reached CHF 7,212 million at the end of 2011.

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

At the end of 2011, the free float as defined by SIX was 100%.

Distribution

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

Over the last five years, more than CHF 1.5 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of Geberit shares has fallen slightly from CHF 187.80 at the end of 2006 to CHF 181.00 at the end of 2011.

The Board of Directors will propose a distribution of CHF 6.30 to the General Meeting of Geberit AG on April 4, 2012, an increase of 5.0% over that of 2010. As such, the shareholder-friendly distribution policy will be continued. As in the prior year, the payout ratio of 63.7% of net income is in the upper range of the 50% to 70% corridor, which was increased by the Board of Directors as a result of the reassessment of the use of liquid funds at the beginning of 2011.

Subject to the shareholders’ approval, the distribution will be paid on April 13, 2012.

The Board of Directors of Geberit AG has decided to initiate a share buyback program in 2011 and 2012. Shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register are being repurchased via a separate trading line, less withholding tax, and cancelled by means of a capital reduction. As of December 31, 2011, a total of 1,026,000 shares, corresponding to 50.0% of the entire program, had been bought back for the sum of CHF 192.5 million. The expected buyback volume is around CHF 380 million.

The General Meeting of April 19, 2011, approved a capital reduction in the amount of the shares repurchased as part of the 2006 share buyback program. The

Geberit Annual Report 2011
1,391,000 shares repurchased in that program, corresponding to 3.4% of the share capital, were cancelled as of July 6, 2011.

Communication

Geberit simultaneously publishes current and comprehensive information for all market participants and interested parties on the Internet (www.geberit.com), including ad-hoc announcements. Among other things, the current version of the investor presentation is available on the Internet at any time. In addition, interested parties may add their names to a mailing list (www.geberit.com/mailinglist) in order to receive the most recent information relating to the company.

CEO Albert M. Baehny, CFO Roland Iff and Head Corporate Communications Roman Sidler are in charge of the ongoing communication with shareholders, the capital market and the general public. Contact details may also be found on the Internet in the relevant sections. Information relating to Geberit is provided in the form of regular media information, media and analysts’ conferences as well as financial presentations.

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

Extensive share information can be found under www.geberit.com > investors > share information.

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<thead>
<tr>
<th>Major data relating to the Geberit share (as of December 31, 2011)</th>
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<tr>
<td>Registered shareholders</td>
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<tr>
<td>Capital stock (CHF)</td>
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<tr>
<td>Number of registered shares of CHF 0.10 each</td>
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<tr>
<td>Registered shares</td>
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<td>Treasury stock:</td>
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<tr>
<td>- Treasury shares</td>
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<tr>
<td>- Share buyback program</td>
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<tr>
<td>Total treasury stock</td>
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<td>Stock exchange</td>
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<td>Swiss securities Identification number</td>
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<td>ISIN code</td>
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<td>Telekurs</td>
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<td>Reuters</td>
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<th>Key figures (CHF per share)</th>
<th>2011</th>
<th>2010</th>
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<td>Net income</td>
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<td>Net cashflow</td>
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<td>Equity</td>
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1 Subject to approval of the General Meeting 2012

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<thead>
<tr>
<th>Time schedule</th>
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<td>General Meeting</td>
<td>April 04</td>
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<tr>
<td>Dividend payment</td>
<td>April 13</td>
</tr>
<tr>
<td>Interim report first quarter</td>
<td>April 26</td>
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<tr>
<td>Half-year results</td>
<td>August 14</td>
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<tr>
<td>Interim report third quarter</td>
<td>October 30</td>
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<th>Time schedule</th>
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<td>First Information 2012</td>
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<td>Results full year 2012</td>
<td>March 12</td>
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<tr>
<td>General Meeting</td>
<td>April 04</td>
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<tr>
<td>Dividend payment</td>
<td>April 11</td>
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<tr>
<td>Interim report first quarter</td>
<td>April 30</td>
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</tbody>
</table>

(Subject to minor changes)
## Management structure

**as of December 31, 2011**

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Vice Chairman and Lead Director</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chairman</strong></td>
<td>Albert M. Baehny</td>
</tr>
<tr>
<td><strong>Vice Chairman and Lead Director</strong></td>
<td>Robert F. Spoerry</td>
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</table>

<table>
<thead>
<tr>
<th>CEO Division</th>
<th>Sales Europe</th>
<th>Sales International</th>
<th>Products</th>
<th>Finance</th>
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</thead>
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<tr>
<td><strong>Chief Executive Officer</strong></td>
<td>Member Executive Board Sales Europe</td>
<td>Member Executive Board Sales International</td>
<td>Member Executive Board Sales Products</td>
<td>Member Executive Board Sales Finance</td>
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<tr>
<td>Albert M. Baehny</td>
<td>Karl Spachmann</td>
<td>William J. Christensen</td>
<td>Michael Reinhard</td>
<td>Roland Iff</td>
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<td><strong>Human Resources</strong></td>
<td>Germany</td>
<td>North America</td>
<td>Accredited Test Laboratory</td>
<td>Controlling</td>
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<td>Roland Held</td>
<td>Christian Buhl</td>
<td>Andreas Nowak</td>
<td>Markus Tanner</td>
<td>Beat Gresser</td>
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<td><strong>Communications</strong></td>
<td>Italy</td>
<td>Far East / Pacific</td>
<td>Quality</td>
<td>Treasury</td>
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<td>Roman Sidler</td>
<td>Giorgio Castiglioni</td>
<td>Ron Kwan</td>
<td>Siegfried Stehlin a.i.</td>
<td>Thomas Wengen</td>
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<td>Switzerland</td>
<td>China</td>
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<td>Philip Bucher</td>
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<td>Edward Qiao</td>
<td>Adriaan ‘t Gilde</td>
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<td>Singapore</td>
<td>Logistics</td>
<td>Information Technology</td>
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<td>Albert M. Baehny</td>
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<td>Eugene Foo</td>
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<td><strong>Environment / Sustainability</strong></td>
<td>Netherlands</td>
<td>Australia</td>
<td>Technology / Innovation</td>
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<td>Roland Högger</td>
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<td>Christian Staubler</td>
<td>Felix Klaiber</td>
<td>Albrecht Riebel</td>
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<td><strong>Shower toilet</strong></td>
<td>Belgium</td>
<td>Middle East / Africa</td>
<td>Products Sanitary Systems</td>
<td>Service, Finance and Holding Companies</td>
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<tr>
<td>Martin Baumüller</td>
<td>Paul Forier</td>
<td>Christian Steinberg</td>
<td>Egon Renfordt-Sasse</td>
<td>Werner Frei / Jürgen Haas</td>
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<td></td>
<td>Tobias Beck</td>
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## Management structure

**as of December 31, 2011**

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<tr>
<th>CEO Division</th>
<th>Sales Europe</th>
<th>Sales International</th>
<th>Products</th>
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<td>Matjaz Lesjak</td>
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<td>Martin Ziegler</td>
<td>Sandro à Porta</td>
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**CEO Division**
- Georg Schnepper

**Sales Europe**
- Katharina Schüpbach

**Sales International**
- Robert Lernbecher

**Products**
- Martin Ziegler
- Sandro à Porta
- Michael Schüpbach
- Remy Stoll
- Michael Reinhard
- Bruno Bünzli
- Helmut Schwarzl
- Michel Pittet
- Rainer Prügl
- Ulrich Wagner
- Christian Steiger
- Andreas Nowak
Business and financial review

The Geberit Group successfully closed out a challenging year by significantly outperforming portions of the relevant market environment. In local currencies, sales growth was considerably above medium-term goals. This gratifying development was, however, diminished in Swiss Francs as a result of negative currency effects. As announced, earnings did not equal those of the previous year but operating margins did continue to exceed the medium-term target range. Raw material prices – which increased primarily during the first half of the year –, organic growth initiatives, stepped-up marketing activities and the strong Swiss Franc were among the causes of the slightly diminished results. At the same time, however, the Company’s position as the leading provider of sanitary technology was solidified and additional market share was attained.
Market environment

Positive development in the construction sector in many markets and regions

Despite difficult economic and political conditions, the construction sector proved to be quite robust in markets relevant to Geberit during the year under review.

Euroconstruct estimates in November 2011 show that the development of construction volumes in Europe was flat for 2011 as a whole. Renovation business, from which Geberit earns approximately two-thirds of its sales, recovered over the previous year; new construction, on the other hand, was again down slightly. New construction volume is today about 25% below the record levels achieved prior to the crisis, while the considerably more crisis-resistant renovation segment again reached the same level as in 2007. The development of European construction markets varied greatly, with noticeable dips in the United Kingdom/Ireland, Italy and the Iberian Peninsula as well as respectable growth rates in the Nordic and Benelux Countries, Switzerland, Austria and France. Building construction in Germany, Geberit’s largest market, increased by 3.6%. Of the total 2011 European construction volume of EUR 1,303 billion, 77% was in building construction, which is Geberit’s target market. Of this figure, residential construction made up 45% and non-residential construction accounted for 32%. Against the background of these industry figures, Geberit expects to have again significantly outperformed some of the competition in the year under review.

The gross domestic product (GDP) in the US increased by 1.7%, reflecting slower economic growth than in 2010 (+3.0%). Investments in building construction declined by 3.3% compared to the previous year; no significant recovery – and therefore no return to the long-term average – took place. The number of permits for new, private dwellings increased by only 1.2% in the year under review, while permits for single-family houses dropped off by 7.5%. The number of private dwellings completed was 10.7% lower than in the prior year. In non-residential construction, it was primarily the office, hotel, school/university, production building and public safety areas that declined in relation to the prior year, whereas commercial construction (businesses/restaurants/warehouses) increased. The volume of investment in the area of health care/hospitals remained nearly unchanged.

The Far East/Pacific region was again the growth engine of the global economy in 2011. The gross domestic product in Asia (including India) grew by approximately 7%. Nevertheless, preliminary signs of a slow-down were noticeable toward the end of 2011. Growth in the construction industry continued at a strong pace (approx. +6%); China and India again posted the highest growth. In China, state economic-stimulus packages continued to spur construction activity, particularly in the areas of infrastructure and commercial building, but residential construction also benefited from government investments in communal buildings. The rapid increase in prices – mainly in the upscale housing market – could, however, indicate a potential risk of overheating, which has thus far been held off only in part by countermeasures introduced by the government (restrictions on foreign investors, capital guidelines for the purchase of second homes).
Sales

Above-average sales growth in local currencies

The Geberit Group’s cumulative sales were CHF 2,122.6 million for 2011 as a whole (prior year CHF 2,146.9 million). As a result of negative developments in exchange rates, this resulted in a 1.1% decline in Swiss Francs compared to the prior year. Calculated in local currencies, however, the sales growth was 9.5%, an above-average increase in comparison to the long-term sales development.

The decline in sales in Swiss Francs included a negative foreign-currency effect of 10.6%, which was only partly balanced out by a positive price effect of 1.8% and a positive volume effect of 7.7%.

Despite a slow down in sales growth since 2008, the sales trend remains positive in the medium term. Average growth has been 6.2% annually over the past ten years.

Generally positive performance in the markets and regions

The following sales by markets and regions relate to changes in local currency.

European sales increased by 9.5%. The upturn, which had already started in the previous year, continued in most European markets. Double-digit growth was posted in the United Kingdom/Ireland (+26.2%), Austria (+15.3%), France (+12.6%), Germany (+12.3%), the Nordic Countries (+11.6%), Central/Eastern Europe (+10.3%) and the Benelux Countries (+10.2%). Also showing increases were Italy (+2.9%) and Switzerland (+1.4%). The only European market that continued to register a drop in sales was the Iberian Peninsula (-9.5%). America (+10.2%), Far East/Pacific (+10.0%) and Middle East/Africa (+7.5%) also grew in 2011, under sometimes extremely challenging conditions.
Stronger growth in Piping Systems

In Swiss Francs the Sanitary Systems product area fell by 3.7% to CHF 1,209.0 million. In local currencies, on the other hand, growth reached 7.0%.

Sales from the most important product line, Installation Systems, which accounted for a 36.2% share of Group sales, increased by 6.9% in local currencies. As in prior years, drywall elements and the attractive, designer actuator plates were primarily responsible for this growth. Sales in the Cisterns and Mechanisms product line increased by 7.3%, thus accounting for 10.7% of total sales. Strong growth in sales of the AquaClean shower toilet and newly introduced Monolith toilet modules boosted overall sales. By contrast, and primarily due to weak OEM business in the Far East/Pacific region, filling and flush valves as well as business in traditional exposed cisterns stagnated (as a consequence of the conversion to concealed solutions Geberit has been pushing for years). The Faucets and Flushing Systems product line increased by 7.2%, resulting in a 5.7% share of total sales. This product range benefited from the gratifying development of business in the US subsidiary Chicago Faucets, which increased despite the challenging market environment. Also positive in this area was the sales development in urinal flush controls. The Waste Fittings & Traps product line held its own in the framework of the development of the entire product area. Shower drains posted high, double-digit growth, to which the recently launched wall drain for floor-even showers contributed significantly. Sales in this product line increased by 6.4% and the share of Group sales was 4.4%.

Sales in the Piping Systems product area increased by 2.5% to CHF 913.6 million; the increase was as much as 13.1% in local currencies. The trend of increased growth in the Piping Systems product area thus held through the whole year. Product sales in this area benefited from business in new construction, which increased in many major markets compared to previous years.

After currency adjustments the Building Drainage Systems product line grew by 12.6%. The contribution to total sales was 14.5%. In this product line, the Pluvia roof drainage system and Silent-PP line were especially notable among the overall gratifying results with high double-digit growth rates. Sales in the Supply Systems product line were equally successful, posting growth of 13.4%. In this area the Mapress product range in stainless steel, carbon steel and copper delivered impressive growth rates. The contribution of this product line, which is the second largest measured by Group sales, climbed to 28.5%.
Results

Substantial negative foreign currency effects in the income statement

The strong Swiss Franc continued to exert its influence in 2011 compared to all major currencies of the Group. On the whole, currency fluctuations precipitated a sales loss of approximately CHF 230 million. By far the greatest effect was felt in conversions from Euros. In 2011, Geberit generated 69% of its sales in the Eurozone. 5% of all sales were invoiced in US Dollars and 3% in British Pounds. The cumulative currency effects narrowed sales development by 10.6%. Operating profit (EBIT) was reduced by about CHF 55 million as a result of the strong Swiss Franc.

Further negative effects on consolidated results were prevented with an efficient, natural hedging strategy, according to which costs were accrued at the same ratio in the currencies in which sales were earned. This strategy was very nearly perfect, especially in Euros and US Dollars. However, the disproportionately high – in comparison to sales – costs in Swiss Francs yielded smaller deviations. Consequently, currency losses resulted primarily from conversion effects (currency translation effects) and only to a small degree from transaction effects.

In terms of a sensitivity analysis, the following adaptations can be assumed if the Swiss Franc is 10% stronger:
- Sales: -7% bis -9%
- EBIT: -9% bis -11%
- EBIT margin: approx. -0.5 percentage points


Operating profitability maintained at a high level

The Geberit Group again closed out 2011 with operating results at a high level despite slightly declining sales and considerably negative foreign-currency effects and effects from raw-material prices. Consistent cost management and further optimized processes helped to keep operating costs in check.

Operating cashflow (EBITDA) decreased by 7.3% compared to the prior year, to CHF 532.0 million. Despite a challenging environment, the EBITDA margin reached 25.1% (prior year 26.7%), exceeding the target range for the medium term. The average EBITDA growth of 7.4% has markedly exceeded the corresponding rise in sales (6.2%) over the last decade. The operating profit (EBIT) dropped by 7.6% to CHF 449.2 million. The EBIT margin reached 21.2% (prior year 22.6%). Compared to the operating results, net income fell by a marginal 5.6% to CHF 384.0 million with a return on sales of 18.1% (prior year 18.9%). Earnings per share declined by 4.8% to CHF 9.82.
Higher materials prices negatively impact operating expenses

Customer bonuses and cash discounts increased by 3.3% to CHF 255.0 million; viewed as a percentage of sales, they increased from 11.5% to 12.0%. This increase can be attributed to strong sales development in local currency.

Total operating expenses in 2011 rose by 0.3% to CHF 1,418.4 million, or from 65.9% to 66.8% as a percentage of sales. As in previous years, all expense items benefited from positive foreign currency effects and thus offset a portion of the drop in sales caused by the negative currency development. Strict cost management and continued process optimization also had a reductive effect. After a significant increase in the first half of the year, the situation on the raw-materials markets eased slightly in the second half of the year – but remained on a high level. Accordingly, the cost of materials for the entire year increased by 2.6% to CHF 587.9 million; at a 27.7% proportion of sales, this was exactly one percentage point over the value for the prior year. In comparing the cost of materials to sales, substantial sales price reductions in the Swiss market as a reaction to the strong Swiss Franc had a negative effect. Personnel expenses decreased by 2.6% to CHF 435.6 million, corresponding to 20.5% of sales compared to 20.8% in the prior year. After currency adjustments, however, these expenses showed an increase despite optimized processes in production and logistics, which is a consequence of capacity adjustments in the plants to accommodate the sales growth, growth initiatives in various markets and collectively agreed salary adjustments. Depreciation lessened by 6.0% to CHF 76.9 million. This decline, however, can be attributed exclusively to the extraordinary currency situation. On the other hand, the consistently high investment volume of the previous years and extraordinary effects had an augmenting effect. The amortization of intangible assets rose from CHF 5.7 million to CHF 5.9 million. Other operating expenses increased by 1.9% to CHF 312.1 million. The major causes of this increase were newly intensified marketing activities, the effects of the organic growth initiatives, as well as surging costs for energy and indirect materials resulting from the volume growth.

The financial result was negative as in the prior year; the amount, however, shrank considerably as a result of lower currency losses and reduced interest expenses. Tax expenses declined by CHF 7.2 million to CHF 57.9 million, resulting in a tax rate of 13.1% (prior year 13.8%).

Free cashflow did not reach record value of prior year

Lower operating cashflow (EBITDA) led to a drop of 7.3% in net cashflow to CHF 494.7 million. Based on this figure, free cashflow also fell by 21.8% to CHF 386.0 million, as a consequence of increased investments in property, plant and equipment, but primarily because of negative effects from the change in net working capital (positive one-time effects in the prior year). Nevertheless, this is still the third-highest free cashflow ever achieved in the history of Geberit. The free cashflow was largely used to pay distributions of CHF 236.0 million to shareholders and to repurchase shares totaling CHF 192.5 million in the scope of the ongoing share buyback program.
Financial structure

Strong financial base

Free cashflow during the year under review was again substantial and continued to bolster the Geberit Group's very healthy financial foundation.

Total assets fell slightly from CHF 2,171.2 million to CHF 2,122.7 million. The strong Swiss Franc had a damping effect on most balance sheet items.

Cash reserves decreased, which can be attributed in part to the fact that bonds were acquired in considerable volume as liquidity reserves in 2011. Furthermore, own shares were repurchased. In addition to liquid funds and marketable securities of CHF 542.0 million (prior year CHF 586.6 million), the Group had access to undrawn operating credit facilities of CHF 195.7 million. Debt remained practically unchanged at CHF 75.6 million (prior year CHF 73.4 million). At the end of 2011, this resulted in a positive net cash level in terms of net debt of CHF -466.4 million (prior year CHF -513.2 million).

Net working capital grew by CHF 5.6 million to CHF 114.1 million. Property, plant and equipment increased slightly from CHF 514.3 million to CHF 516.2 million; goodwill and intangible assets decreased from CHF 658.8 million to CHF 645.2 million.

As a result of the net cash level cited above, gearing (net debt/equity) was essentially unchanged at -32.9% (prior year -33.7%). The equity ratio fell slightly but still reached a very solid 66.9% (prior year 70.0%). In terms of average equity, the return on equity (ROE) for the year under review was 26.0% (prior year 27.0%). Average invested operating capital, comprising net working capital, property, plant and equipment as well as goodwill and intangible assets, amounted to CHF 1,327.6 million at the end of 2011 (prior year CHF 1,450.5 million). The return on invested operating capital (ROIC) amounted to 28.8% (prior year 28.7%). For details on the calculation of gearing, ROE and ROIC, see Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Capital Management.

Debt (in CHF million)

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<td>Long-term debt</td>
<td>10.8</td>
<td>70.1</td>
<td>82.0</td>
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<tr>
<td>Total debt</td>
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<td>110.9</td>
</tr>
<tr>
<td>Liquid funds and marketable securities</td>
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<td>586.6</td>
<td>406.5</td>
</tr>
<tr>
<td>Net debt</td>
<td>-466.4</td>
<td>-513.2</td>
<td>-295.6</td>
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As of December 31, 2011, the Geberit Group held 1,300,551 own shares in treasury, which corresponded to 3.3% of the shares entered in the Commercial Register. Of these, 1,026,000 shares (2.6% of the shares entered in the Commercial Register) were obtained from the share buyback program started at the beginning of 2011. On July 6, 2011, as a result of a resolution of the General Meeting of April 19, 2011, capital in the amount of 1,391,000 shares (3.4% of the shares entered in the Commercial Register) from the 2006 share buyback program was retired. The remaining treasury shares numbering approximately 275,000 are mainly earmarked for share participation plans.
Investments

Increased investment volume

In 2011, investments in property, plant and equipment and intangible assets amounted to CHF 92.6 million, which is CHF 12.1 million or 15.0% above the level of the prior year. As a percentage of sales, the investment ratio in the year under review was 4.4% (prior year 3.7%). The strong Swiss Franc had a diminishing effect on the total investment volume when converting investment amounts from the Eurozone. As in the prior year, all planned, larger investment projects were carried out despite uncertain prospects.

In 2011, 50% of all investments, or CHF 45.8 million, was required for expanding the infrastructure. The Geberit Group used some CHF 10 million of that total for the procurement of tools and equipment for newly developed products. 30%, or CHF 28.1 million, was invested in the ongoing renewal of property, plant and equipment, while 20%, or CHF 18.7 million, was used for rationalization investments regarding property, plant and equipment.

The bulk of investments went toward the procurement of tools and molds for new products and toward machinery. Sizable investments were also made in the conversion and expansion as well as the new construction of buildings. Among other things, parts of the headquarters in Rapperswil-Jona were modernized (including the Geberit Aquaclean production insourcing project), the project for the new construction of a production plant in India was begun, and the plant in Maitrei, Austria was expanded with a production hall.

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<td>(in CHF million)</td>
<td>92.6</td>
<td>80.5</td>
<td>106.4</td>
<td>152.5</td>
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<td>In % of sales</td>
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<td>3.7</td>
<td>4.9</td>
<td>6.2</td>
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Sustainability

Sustainability in practice – Group-wide

As the European market leader in the sanitary industry, Geberit stands for conserving water, the efficient use of resources and green building. The Group has been proving for decades that long-term business success is compatible with environmentally friendly and socially responsible action. Sustainable business management helps cut costs and minimize risks at the same time. Geberit aims to be a role model and set standards for customers, suppliers and other partners. This includes water-saving, sustainable products; safe, environmentally friendly and resource-efficient production; procurement and logistics with high environmental and ethical standards as well as good working conditions for the more than 6,000 committed, competent employees worldwide. Geberit’s corporate responsibility is realized in the scope of global social-aid projects relating to its core competency of water and is intensified through a long-term partnership with the Swiss development organization Helvetas.

With its Millennium Development Goals of 2000, the United Nations intend by 2015 to halve the number of people who do not have access to clean drinking water and sanitary installations. This demonstrates the great importance of the topic of water to world health, world nutrition and peacekeeping. Increasing world population, migration, urbanization, climate change and natural catastrophes can lead to regions that are currently well supplied with water becoming problem regions in the future. These global trends will have a significant impact on the sanitary technology of the future: Water-saving, resource-efficient products are becoming increasingly important. With the successful launch in 2011 of the product-classification system WELL (Water Efficiency Label), the European sanitary industry determined that improved information for consumers is important to achieving broad acceptance. WELL is an information and orientation aid for conscious purchasing decisions with respect to the responsible handling of water. Six Geberit products have already been classified in the highest efficiency categories.

Green building has long been more than just a trend. It is a global development in which Geberit is placing its faith with appropriate products. The Company is already supplying water-saving and energy-saving, low-noise and durable products that meet sustainable construction standards. In this way, Geberit is positioning itself as the leading system provider of sanitary solutions in green building. This is plain to see in numerous reference buildings in which Geberit products are installed: Le Monolith in Lyon (FR) is part of one of the most impressive urban-development projects in Europe. 80% of the energy consumed in the building comes from renewable energy sources. Geberit Mapress Carbon Steel pipes were used for the connections between the solar collectors and the water heating system. They guarantee long-term resistance to corrosion, can be quickly and safely connected to each other and are exceptionally well suited for closed hot-water circuits. The 126-meter-tall Prime Tower recently built in Zurich (CH) required special installations, especially considering the strict requirements with respect to waste water, acoustic insulation and the hydraulics in the roof drainage system. Various Geberit products contributed to convincingly meeting these challenges: the Pluvia roof drainage system and the GIS installation system, the electronic urinal flush controls and washbasin taps, as well as the PE- and Silent-db20 piping systems.

Geberit’s positioning as a sustainable company is playing an ever more important role in various stakeholders’ expectations, as demonstrated by a series of awards. The consistent implementation of the sustainability strategy is an essential guideline for the development of all internal organizational units. The strategy focuses on individual sustainability modules. Among these are green procurement, green logistics and environmental management in production, occupational safety and eco-design in product development as well as social-aid projects. Each module contains a clear objective, derived measures and quantified key figures for effective monitoring. Overall, objectives were achieved to a great extent in 2011. For more information, see the sustainability strategy.
Geberit is committed to internationally recognized principles of sustainability and since 2008 has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalization more socially and environmentally friendly. Communication on progress regarding measures in the areas of human rights, labor practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local Swiss network of the UN Global Compact. The formal anchoring of the subject of sustainability is reinforced by the Code of Conduct for Employees, the Code of Conduct for Suppliers and a Code of Conduct for transport service providers. Compliance with the directives is ensured by continuously improved compliance processes. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group (refer to Corporate Governance, 3. Board of directors, article “Information and control instruments vis-à-vis the Group Executive Board”).

A performance review of sustainability is published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). All aspects of the directives can be found in the Sustainability Performance Report. The information disclosed in the scope of the report fulfills the maximum transparency grade A set out in the GRI directives, which has been verified and confirmed by GRI (refer to the GRI-Statement). Based on this transparent approach, for instance, in the year under review, Geberit won the highest rating in the Swiss Annual Report Ranking of the University of Applied Sciences Northwestern Switzerland, which has a strong focus on sustainability reporting.

Geberit’s performance was honored with numerous awards in 2011, among them the Marketing Prize of the Swiss Marketing Association (GIM) and the German Logistics Prize for its radical restructuring of logistics and the development of logistics to a core competency. In addition, the Company was awarded the highest honor, Most Innovative Brand Award at the Plus X Awards, a German prize for innovation of products in the areas of technology, sports and lifestyle, as well as various awards for individual products in the Sanitary product group.

The efforts in terms of sustainable corporate management are also being rewarded on the capital market. At the end of 2011, more than 10% of Geberit stock was held by sustainability-conscious investors. Geberit is well represented in the continuously growing sector of sustainability stock indices and sustainability funds. Thus Geberit shares are listed in the STOXX Europe Sustainability Index as well as the FTSE4Good Index (Europe/Global). In addition, renowned sustainability funds hold Geberit shares in their portfolios. Geberit’s objective is to continue to play a significant role in the constantly growing investment segments Sustainability and Water.
Customers

Focus on customer orientation

Geberit desires to generate primarily organic sales growth in order to ensure the Group's long-term success. A prerequisite for this is to increase market penetration in the existing markets and to develop new markets in a targeted manner. Against this background, great importance is attached to the optimization of market cultivation. Customer orientation is therefore the focus of the Company's integrated, sustainable corporate philosophy.

Around 500 technical advisors working in the field are in contact on a daily basis with plumbers, planners and architects, in particular. During the year under review, around 30,000 customers were provided with education and further training in Geberit systems and software tools in the 25 information centers in Europe and overseas. Additionally, external training sessions held by local sales companies in cooperation with partners in a variety of settings offered a special opportunity for educational measures. As a result of these measures, a further approximately 70,000 customers came into contact with Geberit know-how and products during the past year.

Geberit’s most important target group is and remains plumbers. The existing, proven market-cultivation activities such as customer visits, training, making technical documentation available etc., were successfully continued. In addition, investments were made during the year under review in forming a stronger emotional bond to plumbers. To this end, two new series of events were carried out: “Geberit on tour” and the “Geberit Challenge” plumbers’ contest.

“Geberit on tour” is a mobile exhibition that made it possible in 2011 for plumbers to experience the advantages of Geberit products even more up close and personal at more than 450 events in eight countries. After its sweeping success in the Netherlands in 2010, the “Geberit Challenge” traveled to eight additional countries in the year under review: Germany, Austria, Switzerland, France, Sweden, Norway, Finland and the United Kingdom. Garnering much media attention, the best team of plumbers in each of these countries was named based on professional competitions made up of theoretical and practical challenges. The grand prize was an exclusive trip to Dubai.

Thanks to the extensive campaigns of recent years, the Geberit brand is also becoming ever more recognized among end users. The target groups of these end user-oriented marketing activities are above all people interested in the topics of better living and interior design, as well as architects and interior designers. In the year under review, print and online campaigns reached over 40 million end users.

Trade fairs again served as good platforms for maintaining customer contacts and communicating Geberit’s innovative strength in 2011. The most important were the biennial ISH in Frankfurt (DE) (Europe's largest sector trade fair), Batibouw in Brussels (BE), Mosbuild in Moscow (RU), Wonen&Interieur in Vienna (AT), Fiera Termodraulica in Padova (IT), Kitchen & Bath China in Shanghai (CN), and the Kitchen & Bath Industry Show in Las Vegas (US).

Facts and emotions in communications with customers

It is less the technical facts than the emotional aspects that count in communications with end users and architects, as opposed to information addressed to plumbers and planners. A branding project with the goal of evolving the Geberit brand was therefore
initiated at the beginning of 2010. The new brand image integrates two different worlds: a more emotional one for the target group of architects and end users, and a more technically oriented one for that of plumbers and planners. Both worlds are based on the five central Geberit values – know-how, innovation, partnership, reliability and quality of life – as well as the same design principles. Communications are to be more self-aware, as befits a market leader, in the future. The implementation of the visual aspect of the branding project was undertaken in the second half of 2010; its global launch in Geberit markets and companies took place during the course of 2011.

As a result of the sustainable overall concept and decisive action on the market over the past years, Geberit was awarded the Swiss Marketing Prize by the Swiss Marketing Association (GfM). Also acknowledged was the fact that the Company is an industry leader in the area of sustainability and consistently unites long-term economical growth with environmentally friendly and socially responsible action.

A high degree of customer satisfaction in the individual regional markets is central to Geberit’s success. For instance, a survey of a total of 700 plumbers, planners and wholesalers on this topic was carried out in Germany in the year under review. Compared with the competition, it was determined that Geberit is the industry benchmark in all aspects – and above all in the important areas of corporate image and customer service – and exhibits many outstanding strengths in the area of familiarity to end customers. More than 80% of the customers and partners surveyed indicated very high satisfaction overall. Moreover, Geberit has an extremely loyal clientele: More than 90% of the plumbers and planners would recommend Geberit with no hesitation. According to another survey on the Geberit AquaClean shower toilet carried out in Switzerland, 83% of customers would purchase an AquaClean again, and more than 95% would recommend it to others.
Innovation

Commitment to innovation

For Geberit, a clear commitment to innovation is indispensable. To that end, the Company again invested significant resources in new and advanced development of products and technologies in 2011. In addition to high quality, longevity and easy installation, new products also feature the economical use of water and energy in combination with the highest level of hygiene and optimized acoustic characteristics.

The innovation strength, which is above-average when compared to the industry sector, helps to ensure the Group’s long-term success. Successful research and development (R&D) activities are the prerequisite for this. In the year under review, Geberit invested CHF 48.4 million (prior year CHF 44.2 million) or 2.3% of its sales in the future of its products. Expenses increased by 9.5% compared to the prior year. Additionally, in the scope of investments in property, plant and equipment and intangible assets, considerable sums were invested in tools and equipment for newly developed products. The Company applied for 22 patents in the past year, bringing the total for the last five years to 95.

All new product developments at Geberit undergo a structured innovation and development process. This process ensures that the creative potential of the Group is used to the optimum and that the development activities focus on the needs of the market. In order to support its internationalization efforts, the Company maintains development competence centers of its own in China and the US. To this end, Geberit China has had the latest infrastructure facilities since the new headquarters were opened in Shanghai (CN) in 2010. The focus of all new product developments is on the customer benefit and the system approach.

Products with strong environmental performance

With industry-leading research and development, Geberit has for decades concentrated on environmentally friendly products and meeting the needs of the worldwide growth market for green building. Geberit products are also impressive because of their high recyclability and environmental compatibility. The Company’s greatest environmental performance, however, is a result of the contribution to the ever more important worldwide topic of water conservation. According to one model calculation, the entire dual-flush and flush-stop “fleet of cisterns” produced since 1998 has saved about 12,000 million cubic meters of water in comparison with traditional flushing systems. In 2011 alone, the water saved amounted to 1,700 million cubic meters. This is more than half of the annual consumption of all German households.

The basis for sustainable products is a systematic innovation process, in which the environmentally friendliest materials and functional principles possible are chosen, risks are minimized and a high level of resource efficiency is targeted both for the production process and the product itself. Eco-Design workshops, in which different disciplines cooperate and ensure that every new product exceeds its predecessor in environmental aspects, are an integral part of the early development phase. Specially created product life cycle assessments are important decision-making aids and provide arguments for the use of products that conserve resources in construction projects. Detailed life cycle assessments have already been prepared for the following products: drainage pipes, AquaClean 8000plus, concealed cistern, urinal flush controls and supply pipes. A new life cycle assessment has also been prepared for the 185/186 electronic lavatory taps.

Six Geberit products already classified with WELL

The WELL label (Water Efficiency Label) of the European umbrella organization for faucet manufacturers EUnited that was introduced at ISH 2011, the world’s largest sanitary trade fair, in Frankfurt (DE), is intended to address the growing environmental awareness of consumers. WELL takes its direction from the well-

R & D expenditures (in CHF’million)

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<td>Value</td>
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<td>44.2</td>
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<tr>
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<td>2.1</td>
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Water-saving through Geberit products 2007–2011

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<th>Year</th>
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<td>Value</td>
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Annual savings from Geberit’s worldwide “fleet of cisterns” using dual-flush and flush-stop technology, compared with traditional 5-liter flushing systems.
known and well-established efficiency labels for electric household appliances and fulfils a similar function. WELL provides consumers with information about the product's water efficiency at a glance. The new classification system will also encourage responsible use of the resource of water. WELL uses a scale of A to D for products for home use and A to F for products for use in public areas. The WELL label was granted to six Geberit products in 2011:

WELL home:
A: - Sigma concealed cistern (UP320)
   - Monolith sanitary module
B: - Pneumatic urinal flush control

WELL public:
A: - Sigma concealed cistern (UP320) with touchless dual flush
   - electronic urinal flush control
   - touchless lavatory taps 185/186

New products prove their mettle

Diverse product launches marked 2011:

- One particular innovation is the Geberit DuoFresh as a concealed cistern with integrated odor extraction. The new solution ensures that odors are directly suctioned out of the toilet bowl through the flush water inlet, purified with active carbon and then released back into the room. The user enjoys greater convenience and avoids additional ventilation of the bathroom with its associated heat loss. The Geberit DuoFresh was awarded the design prizes "Design Plus" and "Plus X Award" as the best product of the year for 2011 on the criteria of quality, functionality, ergonomics and design. Annual operation of the concealed odor extraction unit for a family of four consumes less than 5% of the energy that would be lost by cracking the window for ten minutes after each use in the winter. In the case of longer ventilation times, the proportion drops accordingly.

- With a new, surface-even actuator plate that can be built into the wall Geberit fulfills the most stringent requirements of architects, for whom the design of aesthetically superior bathrooms is becoming ever more important.

- After being redesigned as a comprehensive system in 2010, the Pluvia roof drainage system was further optimized and tailored to diverse needs.

- Building walls in Australia are often only 7.6 centimeters thick, but standard concealed cisterns measure 12 centimeters. The technology for the Australian market was adapted accordingly so that an extra-thin concealed cistern that can easily be installed in Australian building walls is now available. Use of this water-saving cistern holds great potential in a country often confronted with water shortages.

- The wishes of plumbers have been accommodated in the further development of the new pressing tools for the Mapress and Mepla piping systems: The tools in the Serie 202 line are lighter, faster, smaller and easier to handle. Thanks to their new lithium-ion batteries, the ACO 202 model must be recharged less frequently, which means fewer interruptions in the work.

Various new product introductions are again slated for 2012:

- After the extremely successful launch of the Monolith toilet module two years ago, the success story will now be continued with the introduction of modules for washbasins and bidets. In the process, the various usable spaces in a bathroom will be bundled together. Using the sanitary module for washbasins as an example, this means that functions such as countertops, storage space and towel rails as well as all the technology for fastening, water connections and trap form a unit that can be equipped with numerous commercially available taps and washbasins. The same philosophy is behind the modules for WCs or bidets.
In 2012 a WC sanitary module for the Chinese market tailored to local needs and unique in its segment will be ready for market launch.

Environmentally friendly products for public areas that reduce water consumption have been available for several years in the Type 185 and 186 electronic lavatory taps. These taps bearing the water-efficiency WELL label ensure economical consumption by means of control electronics. Available in spring 2012, a new generator unit uses the energy of the flowing tap water to generate the necessary electricity, making electronic taps independent of mains current and batteries. The new generator is based on intelligent energy management that expediently unites use, ecology and practical installation in one device. High-performance batteries with a service life of at least ten years eliminate the need to change batteries regularly, reduce maintenance costs and save service calls. All parts can be separated and recycled, and the generator entails less hazardous waste than batteries. Electrical wires and power outlets are not needed, which makes planning and installation considerably easier.

Operation of the new Sigma80 actuator plate is touchless and therefore meets the most stringent requirements for design, hygiene and convenience. Placing a hand in front of the light field (available in five different colors) suffices to actuate the dual-flush mechanism. Everything else is done by the servo technology integrated in the cistern.

A concealed cistern developed specifically to meet the needs and installation practices of the Indian market will be launched in the beginning of 2012. For the first time, beginning at the end of 2012, Geberit will be able to manufacture this product with proven Geberit quality directly in India at a plant currently under construction. Customers in the Indian market will benefit from short transport distances.

Please refer to the 2012 new products brochure for further information on new products.
Production

Production designed for resource efficiency

All production sites are subject to a systematic, Group-wide environmental management, which holds a combined Group Quality and Environment certificate in accordance with ISO 9001 and ISO 14001. All sites are recertified periodically. A comprehensive corporate eco-balance, which serves as the basis for targeted measures to improve environmental performance, is prepared each year.

Group-wide, the absolute environmental impact increased slightly in 2011 by 0.4% (prior year increase: 3.3%). This increase is put into perspective by the fact that Group sales after currency adjustments for the same period increased significantly more – by 9.5% – in comparison. The consumption of energy in the form of electricity, combustibles and fuels represents Geberit’s greatest environmental impact. Energy consumption in the year under review increased as a result of considerably greater production volumes in Villadose (IT) and Langenfeld (DE) (114.2 GWh compared to 108.8 GWh the prior year). The Company consumed lower volumes of combustibles (43.4 GWh compared to 48.9 GWh the prior year) and fuels (17.3 GWh compared to 17.4 GWh the prior year). The fact that more green electricity was purchased than in the prior year had a positive effect on the absolute environmental impact, as did numerous technical measures: equipping injection molding machines with energy-saving drives and eliminating standby operation, for instance, which can reduce energy consumption by up to 50%. Or a new cooling system in Pottenbrunn (AT) which makes direct use of waste heat to reduce energy consumption by as much as 900 MWh annually – comparable to the electricity consumption of 200 households.

CO₂ emissions in 2011 amounted to 76,903 metric tons (prior year 77,486 metric tons). Under the CO₂ strategy, relative CO₂ emissions (ratio of CO₂ emissions to sales after currency adjustments) are to be reduced on average by 5% each year between 2006 and 2012. As of the end of 2011, Geberit is on target to meet this requirement. The amount of certified green electricity drawn from the Palù (CH) hydroelectric power station by Geberit’s largest production site in Pfullendorf (DE) was increased from 6 GWh annually to 10 GWh annually in 2011. A further increase to 12 GWh is planned for 2012. In 2011, the Daishan site in China also drew about 3 GWh of wind power, which corresponds to approximately 60% of the plant’s energy consumption. These measures as well as ongoing effective initiatives such as the binding requirements for energy-efficient, low-emission new vehicles and the associated lowering of CO₂ emissions from the vehicle fleet by 10% every three years also contributed to the improved CO₂ balance. All of the corresponding targets and measures are detailed in the scope of the Company’s participation in the Carbon Disclosure Project (CDP).
Successes were also achieved with respect to other environmental factors. In internal water consumption, Geberit has been acting as a role model year after year. After years of considerably reduced consumption compared to each respective prior year, water consumption leveled off at a low level in 2011. During the year under review, total consumption of 130,037 cubic meters of water was slightly more than that of the prior year (125,592 cubic meters). Taken as a ratio to sales after currency adjustments, however, this still represents a slight decrease. Targeted improvements, such as reusing water in laboratories and the optimization of fresh-water test runs in development, contribute to the diligent handling of water resources. The total amount of waste disposed of increased to 11,516 metric tons (prior year 10,863 metric tons), while 84% was sent to external recycling processes as in the prior year.

Geberit is investing in the energy-efficient infrastructure of tomorrow with appropriate planning in its new buildings. The new shower toilet production plant in Rapperswil-Jona (CH), which meets Minergie standards, and the new building currently under construction in India, which integrates the use of rainwater, a shading concept and optimized ventilation and cooling, are projects for which investments have been made in forward-thinking technologies.
Logistics and procurement

Logistics expanded to core competency

Geberit was awarded the German Logistics Prize for 2011 from the German Federal Logistics Association in October 2011. The project recognized by the award was “Radical restructuring of corporate logistics services”, which drastically reduced costs and at the same time significantly improved processing time and delivery service. The centerpiece of the restructuring, which was initiated in 2005, was a new process model for supply chain management (SCM). The main projects in the 10-point master plan were the centralization of distribution; the new logistics center in Pfullendorf (DE), which went into operation in 2010, and Group-wide logistics controlling. In view of both Geberit’s European customers and the production sites of Geberit in Europe, Pfullendorf’s central geographical location is ideal for facilitating the efficient handling of both logistics and distribution processes.

The founding of Geberit Logistik GmbH in 2011 was the final stage on the path to Group logistics as an independent corporate function. Logistics now plays an essential and clearly defined role in every area of the Company’s entire value-added chain, which begins in the product-development process and includes purchasing, production, distribution logistics and transport management, through to the customer. Thanks to this integrated solution, logistics costs have been cut by 15% and the average processing time for a customer order in Europe has been reduced by 26%.

The new SCM process model 2011 – Integrated Group logistics

Ensuring “green logistics” was likewise an important part of the 10-point master plan. Environmentally friendly transport services rank with factors such as profitability and punctuality in their primary importance. Geberit does not maintain its own fleet of vehicles. Because external logistics contributes over 30% of the Geberit Group’s environmental impact, collaboration with the transport service providers that work with Geberit is central. Partners agree to actively support Geberit in its efforts to use energy and packaging material efficiently and to reduce emissions by signing the Code of Conduct for transport service providers introduced in 2010. The companies are obligated to provide relevant data for Geberit’s environmental reports.
The logistics calculator developed in 2010 facilitates the recording of data on vehicle fleet composition, transportation performance and fuel consumption of all transport service providers as well as the preparation of the annual eco-balance. Compared to the last reporting season, not only transports through the logistics center in Pfullendorf but now also all transports through Langenfeld (DE) as well as all air and sea transports have been mapped (which has necessitated the restatement of the relevant figures presented last year). The 12 largest transport service providers handled 168 million metric ton-kilometers (prior year 149 million metric ton-kilometers), resulting in CO₂ emissions of 25,500 metric tons (prior year 22,900 metric tons) with a fleet consisting of 85% Euro5 vehicles (prior year 70%), thereby exceeding the target value of two-thirds. Another important step in reducing the environmental impact is switching from roads to rails. For instance, 92% of the goods transported to and from Italy were moved by train (prior year 95%). The use of mega-trailers, which can carry an approximately 15% greater load volume, also increases energy efficiency: In 2011 about 1,200 such transport runs (prior year 1,050) between Rapperswil-Jona (CH) and Pfullendorf (DE) and around 750 transport runs (prior year 300) between Pottenbrunn (AT) and Pfullendorf were completed in this way.

Forward-looking procurement policy

Geberit’s business partners and suppliers are obligated to maintain comprehensive standards. First and foremost, this applies to rigorous environmental protection, socially responsible working conditions and fair business practices. The Code of Conduct for Suppliers was adopted at the end of 2007 and is aligned with the principles of the United Nations Global Compact, among others. As of the end of 2011, 603 suppliers had signed the Code of Conduct (prior year 563 suppliers). This equates to 93% of the total procurement value (prior year 90%), only slightly below the 2011 target of 95%. Among the top 200 suppliers, the proportion of companies that have signed is 99% (prior year 98%). The Code of Conduct is binding for each new supplier.

Risk management in Procurement has been continuously expanded in recent years. The Purchasing Excellence PUREX project begun in 2009 is targeted at the continuous restructuring and optimization of procurement throughout the Geberit Group. All employees in the Purchasing and Quality areas at all sites around the world (excl. USA) have been trained in the new Geberit supplier management process. The selection of new suppliers is required to include a quality audit covering some criteria on EHS (environment, health, safety) topics. All suppliers are evaluated using structured, comparative criteria based on five categories: company and finances, quality and EHS, price and costs, procurement chain and delivery, and production and technology. The planning system for performing systematic audits was further developed during the year under review. Existing suppliers are assigned to a sustainability risk category depending on production country and type of production process. This is the basis for the annual audit planning. The audit not only verifies compliance with directives, but also evaluates the future collaboration and exchange of expertise with suppliers. In addition to the quality audits covering a broad range of criteria, specific EHS audits are performed, in particular in the highest risk categories. When a purchaser from Geberit next visits a supplier, he checks to ensure that measures defined in the audit have been implemented. Audit results have a decisive impact on the future relationship with the respective supplier: possible actions range from increasing the delivery volume to continuing the collaboration in the previous scope to terminating the business relationship.
Employees

Growth in the number of employees

The number of employees rose once again in the year under review. As of the end of 2011, the Geberit Group had a total of 6,004 employees worldwide. This represents an increase of 184 individuals, or 3.2% in comparison to the prior year. This increase is mainly due to the adjustment of capacity in the production plants to meet the growth in volume, focused growth initiatives in individual markets and setting up own production facilities for the AquaClean shower toilet, which was previously manufactured by a subcontractor.

Based on the average number of 5,992 employees, sales per employee amounted to TCHF 354.2, or 4.4% less than in the prior year. After currency adjustments, however, this corresponds to an increase of 5.9%.

In terms of structure according to business processes, the share of employees in Marketing and Sales rose from 27.9% to 28.8%, due to the increased activities in the markets. As a result of the disproportionate share in the increase of the number of employees, the share of employees in production decreased in turn from 55.0% to 54.4%. There were no significant changes in terms of percentage distribution for the remaining employee categories. At the end of the year under review, 3.5% of the workforce was employed in research and development, 3.9% as apprentices and 9.4% in administration.

Dialog with the employees of today and tomorrow

First-class employees worldwide are the most important potential for the success of a sustainably successful company. Geberit would like to obtain and keep not only the best but also the right employees for the Company. Employer branding as a component part of the higher-level corporate branding makes it possible to create an unmistakable employer identity. In order to achieve this purpose, the Company wishes to become better known as an employer and to draw potential candidates to the Geberit career pages on the Internet. This will be helped by the fact that the Group website was completely redesigned in terms of both content and layout and went online at the beginning of August 2011. The redesign of the local country sites will take place over the course of 2012. In addition, posters, brochures, trade fair modules and job advertisements are currently being revised in accordance with target group and medium.

For internal communications with employees, the priority here is interactive, real-time communication accessible to all. The Intranet that was newly introduced in 2009 is of central importance to these objectives. For production employees, special solutions are being developed with newsletters and/or large screens for group use. CEO Albert M. Baehny assesses the current state of the Company, the economic framework conditions and the outlooks for the future on a regular basis in a video that is available on the Intranet to all employees worldwide.

In the summer of 2011, the first global employee survey since 2004 was carried out. The very high response rate of 87% shows how strongly the employees are interested in such survey topics as organization, structures and processes, corporate culture, leadership, objectives and performance incentives, knowledge transfer and in general in the opportunity for expressing their opinions. Two aspects were illuminated in particular during the evaluation: the identification with Geberit as a company and the satisfaction of the employees. The results were gratifying: Those surveyed are proud to work for Geberit, have a strong commitment and enjoy their work. The identification value with the Company is at 78%, which is considerably higher than the external benchmark of 68%. External comparison of the results also revealed above-average values with respect to employee satisfaction. For 82%, Geberit is a reliable employer, 79% appreciate the careful handling of environmental resources, and 82% regard Geberit as innovative. 79% feel that they receive excellent support from the Company for the achievement of their personal goals as a
contribution to the success of the Company as a whole. Potential for improvement was seen, for example, in connection with the promotion of professional development: 64% feel themselves to be actively encouraged, which is still higher than the benchmark figure of 63%. As a reaction to the employee survey, concrete measures are currently being formulated on the basis of benchmark studies and analyses in the individual local sales companies. An initiative has already been triggered by the Group Executive Board for the purpose of establishing the philosophy of continuous improvement processes not only in the production companies – which received good marks from their employees in this area – but also to anchor it in the administration and sales units, where the evaluations were more restrained.

Focus on advancement

Geberit offers its employees attractive terms and conditions of employment. Salaries and social benefits amounted to a total of CHF 435.6 million in 2011 (prior year CHF 447.1 million), see also the explanations for the income statement. The work force can also participate in share participation plans at attractive conditions, see: Financial Statements of the Geberit Group, 18. Participation plans and Corporate Governance, 5. Compensations, shareholdings and loans.

Equality of opportunity and equal pay for women and men are a matter of course. The proportion of female employees as of the end of 2011 was 29% (prior year 28%); in upper management this figure was 5% (prior year 5%). The six-member Board of Directors consists of one woman and five men.

Investment in employees also remains a central topic for the Company, also with respect to education and further training. In the year under review, employees attended internal and external education and further training events for around 15 hours on average (prior year 18 hours). In 2011, 232 apprentices were employed (prior year 226). Project management competencies are learned in an atmosphere of play at the apprentice camp at the headquarters in Rapperswil-Jona (CH) with participants from all education areas. Furthermore, a new project is being developed to promote mobility: During or subsequent to their education, apprentices should have the opportunity, on a voluntary basis, of gaining work experience abroad. Short assignments are planned that last from a few weeks up to half a year.

In the case of the management team, Geberit relies on continuity and sustained advancement of its own employees. The “Potential Management” process supports the selected internal candidates on their way into middle or upper management or to initial supervisory, project manager or specialist functions and comprises both individual development measures and collective modules. The collective activities might include, for instance, measures from the areas of communication and conflict management or in the form of networking opportunities and company tours through to fireside chats with the Group Executive Board. This is intended to ensure that at least half of the open management positions can be filled with internal candidates. Currently, as many as 70% of all positions in Group management can be filled internally.

Active promotion of health and low absenteeism

Following the participation of 54% of all employees in Switzerland in a health survey by a specialist external company at the end of 2010, preliminary measures were initiated as a result in the year under review. The employees were first provided with a direct personal feedback regarding the state of their health and possible risks. The anonymous results of the survey were presented at the beginning of 2011 to the Health Team, the Corporate Human Resources Department and afterwards to the Management Board in Switzerland. During the survey, good health was attested in general for the employees, with the main areas of impact being back problems and psychosocial factors (such as exposure to stress and noise). A package of measures was assembled on the basis of the findings. It was decided that, for the year under review, emphasis would be placed first of all on the topic of back health. Specialist talks and the possibility of in-house physical therapy sessions and fitness club discounts were offered. In addition to these, measures for the reduction
of noise in production, improvements in ergonomic workplace design and a further training measure for 22 employees from the 3-shift operation in production on the subject of shift work and sleep were also instituted.

In Austria – and in a very similar way in Germany as well – the Vital program includes, among other things, support for memberships in fitness centers, healthy nutrition in the employee restaurant, the providing of water and fruit, as well as inoculation campaigns and health examinations. This standard program is supplemented by annual focus campaigns such as non-smoking, eye examinations or computer glasses.

The Group-wide absenteeism rate for the year under review was 3.2% (prior year 3.2%); illness-related absences accounted for 3.0% (prior year 3.1%). 0.2% (prior year 0.1%) was due to occupational accidents. The fact that, as before, these values are all at a low level is the result of permanent efforts on the part of all production plants for safe working conditions and of various health care projects. In addition, the two Chinese production plants have been certified in accordance with OHSAS 18001 since 2009, the sales company in the UK since 2010 and the production company in Givisiez (CH) since 2011.

Clear behavior standards for employees worldwide

Geberit aims to be a model of ethically unimpeachable, environmentally friendly and socially responsible operations. The Code of Conduct for the employees and the Geberit Compass serve as definitive orientation aids in this regard.

The → Code of Conduct for Employees summarizes the basic principles to which the behavior of the employees at all levels is to be oriented. It is valid worldwide and is available on the Intranet in 14 languages. In the year of introduction, already more than 98% of the employees have been informed of and trained in the Code of Conduct. With the aid of short films (“Animatics”), the training focuses on gray areas in four significant topics: bribery, sexual harassment, workplace bullying and IT misuse. As was previously the case, new employees were also sensitized accordingly in 2011 under the auspices of welcome events. Additional communication measures for training with respect to the Code of Conduct are in preparation and will be started at the beginning of 2012. The Code of Conduct was also addressed in the employee survey of 2011.
Compliance

High standards for compliance

Various departments are working together on the continuous optimization of existing processes regarding compliance topics. The five topic areas “compliance with anti-trust legislation”, “prevention of corruption”, “employee rights”, “product liability” and “environmental protection” are at the forefront of this effort. Price-fixing, cartels and other competition-distorting activities are categorically rejected. During the year under review, around 700 employees (managing directors, employees in the sales companies at the management level and field service employees) in Europe received training on the subject of anti-trust legislation by means of a comprehensive e-learning program. The program is to be repeated every two years. In addition, new employees from the relevant business sectors are trained in anti-trust legislation by means of this e-learning program. In addition, as an active member of the international organization Transparency, Geberit orients itself to high standards in combating corruption and implements them accordingly. In 2009, all managing directors in all countries were questioned in detail about the financial contributions they make. Instructions at the Group and at the local level afterwards emphasized legally permissible behavior. This survey will be repeated in 2012.

Compliance with the directives in all organizational units is bindingly monitored on the occasion of the annual report on the employee Code of Conduct. This Code of Conduct reporting includes a total of around 50 questions on the five topics areas mentioned above. The survey has been carried out annually since 2009. The annual Compliance Report is compiled for the attention of the Group Executive Board on this basis. In addition, onsite audits are carried out and corrective measures are taken in the event of misconduct. Results are presented in the Sustainability Performance Report. No violations of the Code of Conduct were discovered in 2011.
Social engagement

Social projects with focus on water

As defined in the Vision, Geberit wants to make a sustainable contribution to improving the quality of life for people. Various social-aid projects in developing regions are supported with products, expertise and financial contributions for this purpose. Care is taken to ensure that the topic of water plays a central role and that the projects exhibit a substantial relationship to Geberit’s core competencies and corporate culture. Geberit apprentices from a range of professional areas and various countries are recruited to share in the work of the social-aid projects. At the same time, a contribution is made by means of these projects to the implementation of the millennium goal of the United Nations for global access to clean drinking water and basic sanitation.

Concrete commitment around the world

During the year under review, the focus was on a project in the Serbian city of Kraljevo. On the night of November 3, 2010, a severe earthquake damaged large sections of the city. Available space and the infrastructure of the two schools in Kraljevo were, however, already critical even before the earthquake. The toilet facilities at the two elementary schools, “School IV kraljevački bataljon” and “Svetozar Marković”, with a combined student body of 2,000 and 120 teachers, were in a very bad condition. There was therefore an urgent need to act. Under the auspices of the renovation project, the seven sanitary rooms in the schools were completely renovated and a total of 20 toilets, 11 urinals and 18 washbasins were newly installed. At the end of June, a Geberit team with eleven individuals (nine apprentices from Germany and Austria, one supervisor and one technical advisor) actively supported the work for two weeks.

The partnership launched in 2008 with the renowned adventurer Mike Horn was continued. Mike Horn is on a four-year expedition around the world known as “Pangaea” with the goal of raising awareness of environmental concerns worldwide. With his Young Explorers Project, he regularly enables young people from all continents to accompany him for part of his journey. Thus, for example, several Young Explorers also spent three weeks with the Geberit aid project in Kraljevo in Serbia in 2011 and carried out several workshops with schoolchildren on environmental topics.

A campaign sponsored by the Swiss development organization Helvetas and supported by Geberit that was launched in March 2010 aims to facilitate access to clean drinking water and basic sanitation for one million people in the world’s poorest regions by 2013. The Company’s social commitment is deepened as a result of the long-term partnership. Helvetas was able to raise around CHF 22 million in donations in the context of this campaign during the year under review, which represents an increase of 16%. Helvetas provided a total of around 370,000 people with access to clean drinking water and basic sanitary facilities in 2011.

In addition, Geberit also recognizes its responsibilities at its respective sites. For example, the commitment to the local ice hockey club Rapperswil-Jona is to be mentioned in this connection, with its first team playing in the top ice hockey league in Switzerland. In addition to its many years of sponsoring the first team, Geberit has also been showing its commitment to youth work with a significant monetary contribution since 2011. This enables a valuable amount to be given to the expansion of the regional ice hockey school, in which around 400 young athletes are currently active in 13 junior teams.
Donations and financial contributions, including product donations totaling CHF 2.7 million (prior year CHF 2.9 million), were made during the year under review. In addition, Geberit employees contributed approximately 2,390 hours of charitable work as part of social projects (prior year 2,200 hours). All donations and related commitments are neutral from a political party point of view. Geberit also supports facilities for handicapped persons and long-term unemployed, where simple installation and packaging work in the amount of around CHF 3.5 million was carried out in 2011 (prior year CHF 4.0 million). No donations are made to parties or politicians, no political statements are made as a rule, and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.
Changes in group structure

No significant changes in the Group structure took place during the year under review. For details, see the Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group Organization.
Targets and strategy

Value-oriented management

Aspects of the value orientation are applied in many areas of the Company.

The remuneration model for Group management as a whole involves a remuneration portion dependent on Company success that is calculated based on four equally weighted Company figures – included among them the return on operating assets. Details in this connection can be found in the Corporate Governance section.

Investments in property, plant and equipment above a certain investment amount are subject to strict standards, without which no approval is given. For example, it is mandatory that an investment return be achieved which is greater than the costs of capital plus a premium.

It is also in the sense of a value-oriented management that Group-relevant projects are tracked over the long term after the project has been completed, and the achievement of objectives is evaluated. A corresponding Controlling is presented twice annually to the Group Executive Board and discussed in this council.

Strategic success factors

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

- a clear, long-term strategy,

- significant sustainable drivers of growth, so that - with the current innovative product range, with the AquaClean product range and with the various organic growth initiatives (OGIs) - many already existing but under-penetrated Geberit markets can be developed,

- high market entry barriers, which are substantiated by the strong brand, the comprehensive know-how in the sanitary market, the relationships with the decision-makers built up over years by the sales team and by the numerically important field service team,

- an innovative and comprehensive product range developed in accordance with the needs of the customers,

- a proven push-and-pull business model, and

- a lean, high-performance organization with optimized processes.

Ambitious medium-term goals

Geberit has set itself the target of establishing the standards in sanitary technology worldwide and supporting them in the long term through sustainable actions. This management approach is to be reflected among other things in sales growth above the industry average. Basically, Geberit is aiming at achieving its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. Additional growth through acquisitions is not precluded. However, any potential acquisition will have to satisfy strict strategic and financial requirements. From a medium-term point of view, an average growth in sales after currency adjustments of four to six percent and an operative cashflow margin between 23 and 25 percent should be achieved annually.
Source of growth contribution

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<th>Business franchise</th>
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The medium-term growth contributions come from standard business activities, organic growth initiatives (OGI’s), new product launches and from the Geberit AquaClean business. For this, around one third of the growth should result from new products and from the Geberit AquaClean business.

OGI’s are organic growth initiatives in marketing and sales that are based on the existing product portfolio – although selectively adapted to local requirements. Additional financial and personnel resources are provided for these initiatives in order to achieve defined financial targets by means of an implementation plan. Value is placed on a clear measurability of intermediate and final objectives. At present, a total of nine OGI’s are underway: four in the European Sales Area (Nordic Countries, United Kingdom, France and Spain) and five in the International Sales Area (Russia, India, China, Australia and North America). The initiatives were on track at the end of the year under review. In addition, at the beginning of 2009, a concerted internationalization strategy for the Geberit AquaClean business was started with the objective of establishing the shower toilet product category in Europe and to position Geberit as the market leader in this category. The objectives set in the context of the AquaClean internationalization strategy have to date been exceeded.

The entirety of these measures (OGI’s and AquaClean) will have a negative effect on the operating margins. In the medium term, however, substantial growth contributions should result from these activities.

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

Strategy

The Geberit vision is to achieve a sustained improvement in the quality of people’s lives with innovative solutions in sanitary technology. The proven and focused strategy for this is based on the four strategic pillars “Focus on sanitary technology”, “Commitment to innovation”, “Selective geographic expansion” and “Continuous business process optimization”. This is practiced daily by the highly motivated and qualified employees.

The Company will continue to concentrate on sanitary technology. At the same time, the focus is on those business areas in the sanitary industry for which in-depth know-how and core competencies are available in the Company. Essentially, these are sanitary systems and technologies – including piping systems – for water transport in buildings. Here, superior-quality, integrated, water-saving sanitary technology is offered.

For Geberit, continuously optimizing and extending its product range is crucial for future success. Innovation strength is founded on basic research in areas such as hydraulics, statics, fire protection, hygiene and acoustics. The insights gained are systematically implemented in the development of products and systems for the benefit of customers.
Management report
Business and financial review

The accelerated penetration of markets such as France, the United Kingdom, the Nordic Countries, Eastern Europe and the Iberian Peninsula is an important factor for long-term success. Outside Europe, Geberit concentrates on approaching the most promising markets, which are the following: North America, China, Southeast Asia, Australia, the Gulf region and India. In these regions, the Company mainly operates in project business, except for North America and Australia. In this respect, the Company always adheres strictly to the existing high standards in terms of quality and profitability.

Another strategic focus relates to business processes. Through continuous process optimization, Geberit intends to ensure a leading, competitive cost structure in the long term. This is achieved, on the one hand, via Group-wide projects; on the other hand, employees are identifying potential improvements in their day-to-day work and are thus able to make a major contribution towards positive development.
Outlook

Construction industry

The year 2012 in the construction industry will continue to be marked by political and macro-economic uncertainties. The development in the individual regions/markets and construction sectors will, however, strongly diverge. Generally speaking, it is very difficult, in view of the great uncertainties, to make a reliable prediction about perspectives in the construction sector.

In Europe, a slide into an – at least mild – recession is probable. A drop is expected in state-financed projects, and consumer spending and consumer mood will not improve significantly. In the construction sector, prognoses indicate a coming positive trend in residential construction to at least partially compensate for the weak non-residential construction sector. In Germany, Austria, Switzerland, Norway and Russia, a continued positive development in residential construction is predicted. A stagnation in this area is anticipated in Belgium, France, Great Britain, Sweden and Denmark. Declines are to be reckoned with in the Netherlands, Ireland, Portugal, Spain, Italy, Poland and Finland.

In North America, the construction sector continues to be in a crisis. Residential construction will, however, - even if only very slowly - recover in the coming year. The latest trends in several relevant indicators are suggestive of this recovery. As before, however, applications for new mortgage credits are at a 15-year low, despite a record-low interest level. Public outlays for construction projects will continue to decrease. In view of the fact that the commercial construction sector follows the development in the private sector, although not until after a certain amount of time has passed, growth can also be anticipated again in this sector in the medium term.

In China, the effects of the government measures to prevent an overheating in the real estate market have been felt since the fourth quarter of 2011. It is, however, to be assumed that the Chinese government has an interest in a soft landing in residential construction. In contrast to this, the situation in Chinese non-residential construction continues to be robust. Double-digit growth figures are anticipated for the entire construction sector in India. The situation in Southeast Asia requires a differentiated assessment. In Singapore, the results of government initiatives with the objective of slowing growth are uncertain. By contrast, growth is predicted in Thailand, Vietnam and Indonesia. Quite a varied picture is also to be seen in the Middle East/Africa region: stagnation in the United Arab Emirates, a continued positive development in construction activities in Saudi Arabia and Qatar and another difficult year in South Africa.

Raw materials

Raw materials prices have undergone very volatile development in recent years. In 2011, despite another increase in prices in the first six months, the situation in the raw materials markets has stabilized. Predictions about the development for 2012 as a whole are difficult. At least for the first two quarters, stagnating prices at a high level are expected for the industrial metals and plastics relevant to Geberit.

Geberit

Great challenges for the Geberit Group, can be expected in 2012 due to exacerbated economic and political conditions. The objective, not only in the construction markets that are still healthy, but also in those that are shrinking, is to provide convincing market performances and to continue to gain market shares. The focus in this
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connection will be on the concerted marketing of the products newly introduced in recent years, on various organic growth initiatives and on the very promising shower toilet business. Parallel to this, in accordance with the Company culture prevailing at Geberit, the optimization of the business processes should be pushed forward. Management is convinced that it is very well equipped for the coming tasks. With experienced and highly motivated employees, a series of promising products that have been launched in recent years and other product ideas for the more distant future, a lean and market-oriented organization, an established and faithful cooperation with the market partners in both commerce and trade and – as a result of the industry leadership in terms of financial results in recent years – an extremely sound financial base, Geberit looks to the future with confidence.
1. Group structure and shareholders

Group structure
Operational Group structure is shown in the diagram “Management Structure”.

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalization, Swiss securities identification number and ISIN code please refer to “Geberit share information”.

The Group’s consolidated subsidiaries are listed in Note 34, “Group companies as of December 31, 2011” to the Consolidated Financial Statements. The scope of consolidation does not include any listed companies.

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

The significant shareholders within the meaning of Art. 683c of the Swiss Law of Obligations (Schweizer Obligationenrecht) listed at right were entered in the share register on December 31, 2011, as holding more than 3% of share capital.

Notifications reported to Geberit and the Disclosure Office of the SIX Swiss Exchange AG during 2011 and published via electronic publishing platform of SIX can be viewed at: six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

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

Capital

Ordinary capital: MCHF 4.0
Conditional capital: –
Authorized capital: –

For more details, please refer to the following subchapters.

Conditional and authorized capital details

For conditional capital details, please refer to the Financial Statements of Geberit AG, 1.7, as well as to the articles of incorporation Art. 3a. The General Meeting on April 22, 2004, approved the creation of a conditional capital amount of up to a maximum of CHF 200,000 regarding the exercise and/or conversion of option rights issued in connection with convertible bonds or other financial market instruments. Shareholder stock subscription rights relating to conditional capital as well as, subject to certain conditions, bonds or other financial market instruments with conversion and/or option rights can be excluded. On the occasion of their May 5, 2004, issue of convertible bonds, the Board of Directors agreed to exclude the shareholders’ pre-emptive conversion right in accordance with the regulations in the articles of incorporation.

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

As of December 31, 2011, the Geberit Group had no authorized capital.

Changes in capital

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

For further details on changes in capital, reference is made to the Geberit Group’s Consolidated Financial Statements in this Annual Report 2011 (consolidated statements of changes in equity and consolidated statements of comprehensive income) and Note 22, “capital stock and treasury shares”), to the information in the Financial Statements of Geberit AG as well as to the 2009 figures in the 2010 Annual Report (Geberit Group’s Consolidated Financial Statements: consolidated statements of changes in equity and statements of comprehensive income, Note 22, “capital stock and treasury shares”; Financial Statements of Geberit AG).

Shares, participation and profit-sharing certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 3,984,701. It is divided into 39,847,005 registered shares with a par value of CHF 0.10 each. Each share carries one vote at the General Meeting.

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

Limitations on transferability and nominee registrations

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

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

**Convertible bonds and warrants/options**

On June 14, 2004, Geberit AG issued convertible bonds in the amount of CHF 170 million with a 6-year maturity and a 1% interest rate. The bond was converted in its entirety to Geberit AG registered shares up to the end of the bond term on June 14, 2010. A total of 1,718,095 new shares were issued between June 2004 and June 2010. This corresponds to 4.13% of the original share capital. Further information is set forth in the Notes to the Consolidated Financial Statements of the Geberit Group (Note 15, "long-term debt") and in the Notes to the Financial Statements of Geberit AG.

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

Members of the Board of Directors

On December 31, 2011, the Board of Directors was composed of six members.

Albert M. Baehny (1952)

Executive Chairman of the Board of Directors since 2011, elected until 2014
Swiss citizen
Resident in Arlesheim (CH)

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

Robert F. Spoerry (1955)

Vice Chairman and Lead Director of the Board of Directors since 2011, non-executive, independent member of the Board of Directors since 2009, elected until 2013
Swiss citizen
Resident in Herrliberg (CH)
Chairman of the Board of Directors Mettler-Toledo International Inc., Greifensee (CH); President of the Board of Directors Sonova Holding AG, Stafa (CH) since March 2011; member the Board of Directors Conzzeta AG, Zurich (CH)

Robert F. Spoerry holds a degree in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich and an MBA diploma of the University of Chicago. He has been with Mettler-Toledo since 1983 and was its CEO from 1993 to 2007. He oversaw the separation from Ciba-Geigy in the year 1996 and the initial public offering of Mettler-Toledo on the New York Stock Exchange (NYSE) in 1997. In 1998, he became Chairman of the Board of Directors. Robert F. Spoerry has had no significant business relations with the Geberit Group in the past five years.
Randolf Hanslin (1942)

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

Randolf Hanslin graduated with a degree in mechanical engineering from the Swiss Federal Institute of Technology (ETH) Zurich. He started his career in 1968 as an internationally active consulting engineer with Dr OHC Messner. In 1977, he joined the former Geberit AG as Head of Product Research and Development. Shortly afterwards he was appointed as a member of the Management Board of Geberit AG as well as of the Group. In addition, in 1988/89, he was Head of the Group Division Marketing and Sales. From 1991 to 1994, Randolf Hanslin was Chief Executive of Geberit AG. From 1995 to 2004, he was Head of a Group Division being responsible for sales and production companies in various countries as well as for the quality and environmental operations of the Group. Lastly, he was Head of the Group Division Products with global responsibility for research and development, purchasing, production and logistics. Randolf Hanslin retired in April 2006 from his operational activities within the Group Executive Board.

Robert Heberlein (1941)

Non-executive, independent member of the Board of Directors since 2003, elected until 2012
Swiss citizen
Resident in Zumikon (CH)
Counsel in the law firm Lenz & Staehelin, Zurich (CH); member of the Board of Directors, Gurit Holding AG, Wattwil (CH); member of the Board of Directors, Coliêne Holding AG, Alttstätten (CH)

Robert Heberlein studied law at the University of Zurich and received his doctorate in law in 1969. He graduated from the University of Michigan, Ann Arbor, with a Master of Comparative Law (MCL) in 1970. After working in various law firms including in New York and Paris, he joined Staehelin & Giezendanner, now Lenz & Staehelin, in 1972. He was a partner of this office from 1977 to 2008; today he is Counsel there. He is principally involved in corporate law, tax law and succession planning. The law office of Lenz & Staehelin has advised Geberit in some legal matters, although Robert Heberlein was not involved in this capacity.

Hartmut Reuter (1957)

Non-executive, independent member of the Board of Directors since 2008, elected until 2014
German citizen
Resident in Nürensdorf (CH)
Member of the Shareholders Committee and Supervisory Board of Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board of GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors of Elmove AG, Zurich (CH)

After graduating in industrial engineering from Darmstadt (DE) University of Technology, Hartmut Reuter joined the Bosch Group in Stuttgart in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units, at last he was Director in the division planning and controlling at the Bosch headquarters. From 1997 to 2009, Hartmut Reuter was member of the Group Executive Board of the Rieter Group in Winterthur; for the last seven of those years he was CEO of the company. He has had no significant business relations with the Geberit Group in the past five years.
Susanne Ruoff (1958)

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

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

Elections and terms of office

The term of office for a member of the Board of Directors is maximum three years and the statutory retirement age limit has been established at 70 years. Members of the Board of Directors are re-elected on a staggered and individual basis.

The terms of office of Randolf Hanslin, Robert Heberlein and Susanne Ruoff are set to expire at the General Meeting on April 4, 2012. Having reached the age limit specified in the articles of incorporation, Randolf Hanslin and Robert Heberlein are retiring from the Board of Directors. Susanne Ruoff is standing for reelection to another three year term.

A proposal will be submitted to the General Meeting to elect Jørgen Tang-Jensen and Jeff Song to the Board of Directors, each for a term of office of three years.

Internal organizational structure

The organization of the Board of Directors is based on the → "Organization Regulations of the Board of Directors of Geberit AG" (see also → "Definition of areas of responsibilities").

The Board of Directors is self-constituting. After the ordinary General Meeting in which new/re-elections are held, the Board of Directors elects the Chairman and the Vice Chairman from among its members.

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

The Board of Directors meets whenever business so requires, usually six times
every year for one day each (2011: seven meetings). Meetings shall be chaired by
the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of
Directors shall appoint a Secretary, who need not be a member of the Board of
Directors. The Chairman of the Board of Directors may invite members of the Group
Executive Board to attend meetings of the Board of Directors.

The Board of Directors shall be quorate if a majority of its members are present.
Attendance can also be effected via telephone or electronic media.

The regular meetings of the Board of Directors and committees are scheduled early,
so that as a rule all members participate in person. Participation rate in 2011 was
100%.

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

– Personnel Committee
  The members of the Personnel Committee are Robert F. Spoerry (Chairman),
  Robert Heberlein and Susanne Ruoff. The committee meets at least twice every
  year for a half day each (2011: two meetings, participation rate 100%). It
develops proposals to be submitted to the entire Board of Directors, including,
in particular, personnel decisions and the determination of compensation
regulations and models (salaries, variable compensations, share and option
plans) for the entire Group management, as well as the annual determination of
the compensation for the Board of Directors and Group Executive Board.
Therefore, the tasks and responsibilities of a compensation and a nomination
committee are combined in this committee. Detailed responsibilities are
stipulated in the → organization regulations of the Personnel Committee.

– Audit Committee
  The Audit Committee is composed of Harriut Reuter (Chairman), Randolph
Hanslin and Robert F. Spoerry. It meets at least twice every year for a half day
each (2011: two meetings, participation rate 100%). It develops proposals to
be submitted to the entire Board of Directors. The committee's responsibilities
include, in particular, the supervision of the internal and external audit as well
as the control of the financial reporting. It determines the scope and planning of
the internal audit and coordinates them with those of the external audit. For
every meeting, the internal and external auditors provide an all-inclusive report
about all audits carried out and the measures to be implemented. The Audit
Committee monitors the implementation of the conclusions of the audit. The
committee also assesses the functionality of the internal control system,
including risk management (refer to → “Information and control
instruments vis-à-vis the Group Executive Board”), CEO and CFO
as well as the internal and external auditors attend the meetings if necessary.
Furthermore, the committee is entitled to hold meetings exclusively with
representatives of the external as well as the internal auditors. Both, the
external and internal auditors, have access to the minutes of the meetings of
the Board of Directors and Group Executive Board. The detailed
responsibilities are stipulated in the → organization regulations of the
Audit Committee.
Definition of areas of responsibility

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

- supervision of the company and giving the instructions required
- determination of the organization
- design of the accounting, financial control as well as financial planning to the extent required for managing the Group
- appointment and dismissal of the persons responsible for management and representation; supervision of the persons responsible for management, in particular with respect to compliance with the laws, articles of incorporation, regulations and instructions
- establishment of the annual report and preparation of the General Meeting and the implementation of its resolutions
- notification of the judge in case of a debt overload

The Board of Directors determines the strategic objectives and the general funds for achieving these, and decides on major business transactions. To the extent legally permissible and in accordance with the Organization Regulations, the Board of Directors has assigned the operational management to the Chief Executive Officer.

The Group Executive Board is composed of the Chief Executive Officer and four other members. The members of the Group Executive Board are appointed by the Board of Directors based upon the proposal of the Personnel Committee. The Board of Directors of Geberit AG has appointed Karl Spachmann as Head of the Group Division Sales Europe, effective April 1, 2011.

The Organization Regulations of the Board of Directors regulate the duties and powers of the Board of Directors as a governing body, of the Chairmen, the Vice Chairman and Lead Directors and the committees. Thus it also defines the rights and duties of the Group Executive Board that are set forth in more detail in the Internal Regulations for the Group Executive Board. The Organization Regulations of the Group of Directors, the Personnel Committee and the Audit Committee can be viewed at www.geberit.com/infocenter.

Information and control instruments vis-à-vis the Group Executive Board

At every meeting, the members of the Group Executive Board inform the Board of Directors of current business developments and major business transactions of the Group or Group companies, as the case may be. Between meetings, the Board of Directors is extensively informed in writing about current business developments and the company’s financial situation on a monthly basis. Essentially, this report contains key statements on the Group and on the market development, information and key figures on the Group sales and profit development, (in January, April, July and October, it contains only statements on sales development and not on profit development), statements about the course of business in the individual product lines and countries as well as an analysis on the share price development. The more extensive quarterly report additionally contains the expectations of the operational management on the development of results until the end of the financial year, information on the development of the workforce and on the investments made, an updated company valuation, the composition of the shareholders as well as market expectations in regard to the business development. In the past year, the Board of Directors held seven ordinary meetings. In addition, decisions were made using conference calls.

Furthermore, the Vice Chairman and Lead Director of the Board of Directors and the Chief Executive Officer were in contact at regular intervals with respect to all major issues of corporate policy. Each member of the Board of Directors may individually demand information with respect to all matters of the Group or Group companies, as the case may be.
Based on the Organization Regulations of the Board of Directors, the Audit Committee has implemented an extensive system for monitoring and controlling the risks linked to the business activities. This process includes the risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for the controlling of the risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for the risk management and monitor their implementation. Every other year, the Internal Corporate Audit Department issues a risk report to the attention of the Audit Committee on the management of financial risks. See Notes to the Consolidated Financial Statements, 4. Risk assessment and management. In addition, the internal Audit Department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimization proposals of previous audits.
4. Group executive board

Albert M. Baehny (1952)

Chief Executive Officer (CEO) since 2005
Member of the Group Executive Board since 2003,
with Geberit since 2003
Executive Chairman of the Board of Directors since 2011
Swiss citizen
Resident in Arlesheim (CH)

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

Roland Iff (1961)

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

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic. oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich and at the company’s headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels before he was appointed Chief Financial Officer of Mead’s Italian subsidiary in Milan in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. Beginning in October 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Division Finance (CFO) of the Geberit Group since 2005, refer also to → Management Structure.
William J. Christensen (1973)
Member of the Group Executive Board since 2009, with Geberit since 2004
Head of Group Division Sales International
Swiss citizen
Resident in Wilen, Wollerau (CH)


Michael Reinhard (1956)
Member of the Group Executive Board since 2005, with Geberit since 2004
Head of Group Division Products
German citizen
Resident in Uerikon (CH)
Member of the Board of Directors Reichele & De-Massari AG, Wetzikon (CH)

Michael Reinhard studied mechanical engineering at the Technical University Darmstadt (DE) and was awarded a PhD in materials science from the Deutsche Kunststoffinstitut. He started his professional career in 1987 as a project manager with Automatik GmbH, Gross-Ostheim (DE). In 1990, he joined McKinsey & Company and was soon promoted to senior associate. In 1992, Michael Reinhard joined Schott, Mainz (DE), where he was entrusted with various functions of increasing responsibility within international sales and marketing. In 1995, he became Vice President of Schott’s Pharmaceutical Packaging Division and in 1998 Senior Vice President of the Tubing Division comprising 2,400 employees. At Geberit, Michael Reinhard became Head of Group Division Sales 2005. He has been Head of the Group Division Products since 2006, refer also to \(\Rightarrow\) Management Structure.

Karl Spachmann (1958)
Member of the Group Executive Board since 2011, with Geberit since 1997
Head of Group Division Sales Europe
German citizen
Resident in Wollerau (CH)

Karl Spachmann graduated in business and organizational studies at the University of the German Armed Forces in Munich. He began his career with the German Armed Forces in 1983 where he served as radar commanding officer, platoon leader and press officer until 1990. In early 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. The Board of Directors of Geberit AG has appointed Karl Spachmann Head of Group Division Sales Europe, effective April 1, 2011, refer also to \(\Rightarrow\) Management Structure.
Management contracts

The Group has not entered into any management contracts with third parties.
5. Compensations, shareholdings and loans

Contents and method of determining compensation and participation plans

Upon recommendation of the Personnel Committee, the Board of Directors annually determines the remuneration of each member of the Board of Directors and of the individual members of the Group Executive Board. The proposal for Group Executive salaries (excluding the CEO) is drawn up by the CEO and submitted to the Personnel Committee in advance.

In establishing compensation for the Board of Directors, the Board looked to the member industrial companies of SMIM as a reference (SMIM includes the 30 largest mid-cap stocks on the Swiss stock market that are not already listed in the SMI blue chip index). The compensation of the non-executive Board of Directors is paid in the form of shares. The shares are subject to a blocking period of two years. The Board member is granted a discount on the share price. Such discount depends on the results of the Group and corresponds to the discount (between 10% and 50%) granted to employees under the employee participation plans (see Consolidated Financial Statements of the Geberit Group, Note 18, “participation plans”).

The compensation of the Group Executive Board is paid on the basis of a regulation adopted by the Board of Directors applicable also to the entire Group management of the Geberit Group (approx. 150 persons). The target salary (100%) is composed of a fixed salary (70%), a results-related salary (25%) as well as an individual performance component (5%). The results-related salary is calculated based on four company figures (sales and margin development, return on operating assets, earnings per share) and can exceed the percentage included in the target salary. It reaches a maximum of 60%. The individual performance component is based on the achievement of pre-defined objectives and can be 10% at maximum. The target salaries for the Group Executive Board are regularly benchmarked with those of the boards of comparable Swiss industrial companies in collaboration with an international salary benchmarking service.

The results-related salary and the individual performance component may be received, in whole or in part, in cash and/or in shares (without discount). In case of payment in shares, an additional incentive is granted in the form of one option per share. The shares and options are subject to a blocking period of three years and two years (with a total term of five years), respectively. The exercise price of the option corresponds to the share market price at the time of allotment. Each option entitles to subscribe for one share.

In addition to the salary, there is an annual option plan for the Group Executive Board and other management members (approx. 70 executives). The Board of Directors annually determines the scope of the options granted to management members. In the year under review, the market value of options granted as of the granting date corresponded to 10% of target salary. Half of these options with a total term of five years are subject to a blocking period of two years; the other half are subject to a blocking term of four years. The exercise price of the option is 5% and 10%, respectively in excess of the share market price at the time of allotment. Each option entitles to subscribe for one share.

There are special pension fund regulations for the Group Executive Board and other management members. The company pays for the entire contribution in regard to the part of the salary that exceeds TCHF 146. In addition, each member of the Group
Executive Board as well as other management members have company cars at their disposal. Additionally, no other significant payments of any similar kind are made. Details regarding compensation as well as share and option allotments and ownership can be found under Financial Statements of Geberit AG.

1.8 Remuneration, loans and shareholdings of members of the Board of Directors and of the Group Executive Board.
6. Participatory rights of the shareholders

Voting rights and representation restrictions

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

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

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

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

Quorums required by the articles of incorporation

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

Convocation of the General Meeting of shareholders/agenda

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

Inscriptions into the share register

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

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

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

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

Auditing fees

In 2011, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,056 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

Additional fees

For additional services PricewaterhouseCoopers invoiced TCHF 429 relating to tax consultancy and support as well as TCHF 138 for other services.

Supervisory and control instruments pertaining to the auditors

Prior to every meeting, the external auditor informs the Audit Committee in writing about relevant auditing activities and other important facts and figures related to the company. Representatives of the external and internal auditors attend the meeting of the Audit Committee for specific agenda items, and to comment on their activities and answer questions.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, remuneration and independence of the auditors and submits a proposal to the General Meeting for the appointment of the Group auditors. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses audit results with the external and internal auditors. For more details on the Audit Committee, see Item 3, “Group Executive Board, Audit Committee”.
9. Information policy

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

Printed summary annual reports as well as half-year reports are sent to shareholders. A comprehensive online version of the annual report, including an integrated sustainability report, is available on the Internet at [www.geberit.com](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 at [corporate.communications@geberit.com](mailto:corporate.communications@geberit.com). Contact addresses for investors, media representatives and the interested public can be found on the Internet at [www.geberit.com/contact](http://www.geberit.com/contact) under the appropriate chapters.

Interested parties may add their names to a mailing list available at [www.geberit.com/mailinglist](http://www.geberit.com/mailinglist), for example in order to receive ad hoc announcements or further information relating to the company. All published media releases of the Geberit Group from recent years can be downloaded at [www.geberit.com/media](http://www.geberit.com/media).

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