Finan-
cial
Report

Geberit Group 2011

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Highlights financial year 2011

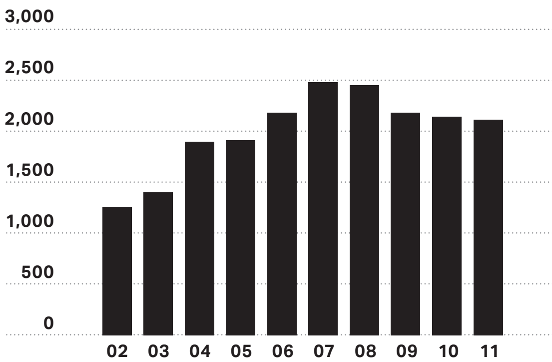
Sales

+9.5%

Currency adjusted sales growth in 2011

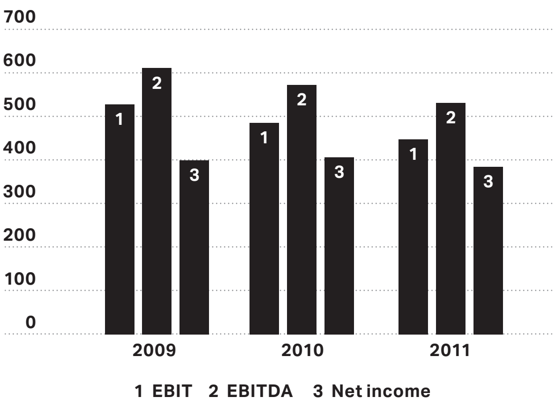
Sales development 2002 – 2011

(in CHF million)



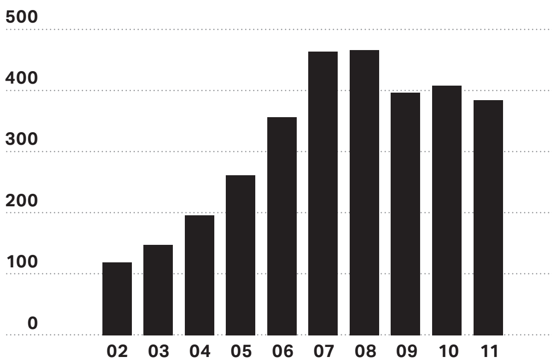
EBIT, EBITDA, Net income 2009 – 2011

(in CHF million)



Net income development 2002 – 2011

(in CHF million)



Operating cashflow margin (EBITDA margin)

25.1%

Above mid-term target corridor of 23 to 25%

Free cashflow

(in CHF)

386.0 mio.

22% below prior year's record level

Highlights financial year 2011

Earnings per share
(in CHF)

9.82

-4.8% versus prior year

Payout ratio

63.7%

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

Expenditures for property, plant and equipment
(in CHF)

92.6 mio.

+15% versus prior year

R&D expenditures
(in CHF)

48.4 mio.

+4.2 million versus prior year

Sales
(in CHF)

≈ 230 mio.

negative currency effects

Operating profit (EBIT)
(in CHF)

≈ 55 mio.

negative currency effects

Geberit key figures

2007 – 2011

		2011	2010	2009	2008	2007
Sales	MCHF	2,122.6	2,146.9	2,181.2	2,455.1	2,486.8
Change on previous year	%	-1.1	-1.6	-11.2	-1.3	+13.9
Operating profit (EBIT)	MCHF	449.2	486.2	526.7	563.4	553.8
Margin	%	21.2	22.6	24.1	22.9	22.3
Net income	MCHF	384.0	406.8	397.5	466.3	463.3
Margin	%	18.1	18.9	18.2	19.0	18.6
Operating cashflow (EBITDA)	MCHF	532.0	573.7	611.0	649.1	637.9
Margin	%	25.1	26.7	28.0	26.4	25.7
Free cashflow	MCHF	386.0	493.8	349.7	407.9	362.7
Margin	%	18.2	23.0	16.0	16.6	14.6
Financial result, net	MCHF	-7.3	-14.3	-13.5	5.4	-11.4
Capital expenditures	MCHF	92.6	80.5	106.4	152.5	103.5
Research and development expenses	MCHF	48.4	44.2	45.6	46.0	48.1
In % of sales	%	2.3	2.1	2.1	1.9	1.9
Earnings per share[1]	CHF	9.82	10.32	10.18	11.90	11.67
Earnings per share, adjusted[2]	CHF	9.82	10.32	10.18	11.90	11.67
Number of employees	31.12.	6,004	5,820	5,608	5,697	5,344
Annual average		5,992	5,793	5,634	5,684	5,360
Sales per employee	TCHF	354.2	370.6	387.1	431.9	464.0

		31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Total assets	MCHF	2,122.7	2,171.2	2,212.2	2,054.1	2,298.3
Liquid funds and marketable securities	MCHF	542.0	586.6	406.5	302.6	450.1
Net working capital	MCHF	114.1	108.5	180.9	156.5	168.7
Property, plant and equipment	MCHF	516.2	514.3	576.2	555.5	529.3
Goodwill and intangible assets	MCHF	645.2	658.8	753.1	756.2	828.8
Total debt	MCHF	75.6	73.4	110.9	152.3	273.9
Equity	MCHF	1,419.5	1,520.9	1,509.2	1,311.9	1,404.4
Equity ratio	%	66.9	70.0	68.2	63.9	61.1
Gearing	%	-32.9	-33.7	-19.6	-11.5	-12.5

[1] Based on the 1:10 stock split implemented on May 8, 2007.
[2] Adjusted for amortization of goodwill.

Geberit key figures

2002 – 2006

		2006	2005	2004	2003	2002
Sales	MCHF	2,183.5	1,922.9	1,906.8	1,403.9	1,273.0
Change on previous year	%	+13.6	+0.8	+35.8	+10.3	+9.3
Operating profit (EBIT)	MCHF	482.2	366.9	305.5	206.4	186.3
Margin	%	22.1	19.1	16.0	14.7	14.6
Net income	MCHF	355.0	262.5	194.4	147.0	118.1
Margin	%	16.3	13.7	10.2	10.5	9.3
Operating cashflow (EBITDA)	MCHF	569.1	455.9	453.4	329.8	295.7
Margin	%	26.1	23.7	23.8	23.5	23.2
Free cashflow	MCHF	355.5	290.2	273.4	206.0	200.1
Margin	%	16.3	15.1	14.3	14.7	15.7
Financial result, net	MCHF	-16.3	-17.2	-30.0	-23.4	-23.0
Capital expenditures	MCHF	81.3	79.5	87.8	69.8	59.6
Research and development expenses	MCHF	44.3	43.5	43.4	35.7	30.1
In % of sales	%	2.0	2.3	2.3	2.5	2.4
Earnings per share [1]	CHF	8.86	6.41	4.73	3.63	2.92
Earnings per share, adjusted [2]	CHF	8.86	6.47	6.04	4.37	3.64
Number of employees	31.12.	5,269	5,162	5,516	4,412	4,436
Annual average		5,199	5,237	5,469	4,419	4,307
Sales per employee	TCHF	420.0	367.2	348.7	317.7	295.6

		31.12.2006	31.12.2005	31.12.2004	31.12.2003	31.12.2002
Total assets	MCHF	2,010.7	1,946.6	1,937.1	1,507.8	1,500.2
Liquid funds and marketable securities	MCHF	182.4	180.0	81.6	181.3	137.5
Net working capital	MCHF	131.9	120.8	130.9	77.6	85.0
Property, plant and equipment	MCHF	533.9	528.3	538.8	490.9	492.0
Goodwill and intangible assets	MCHF	825.1	812.4	878.8	469.7	510.3
Total debt	MCHF	323.1	393.4	535.3	297.2	432.0
Equity	MCHF	1,065.9	958.0	816.8	739.0	630.2
Equity ratio	%	53.0	49.2	42.2	49.0	42.0
Gearing	%	13.2	22.3	55.5	15.7	46.7

[1] Based on the 1:10 stock split implemented on May 8, 2007.
[2] Adjusted for amortization of goodwill.

Geberit Group

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Consolidated Balance Sheets

	Note	31.12.2011 MCHF	31.12.2010 MCHF
Assets			
Current assets			
Cash and cash equivalents		455.0	586.6
Marketable securities	6	87.0	0.0
Trade accounts receivable	7	112.9	109.3
Other current assets and current financial assets	8	43.8	59.7
Inventories	9	162.2	148.8
Total current assets		**860.9**	**904.4**
Non-current assets			
Property, plant and equipment	10	516.2	514.3
Deferred tax assets	19	79.0	78.5
Other non-current assets and non-current financial assets	11	21.4	15.2
Goodwill and intangible assets	12	645.2	658.8
Total non-current assets		**1,261.8**	**1,266.8**
Total assets		**2,122.7**	**2,171.2**

	Note	31.12.2011 MCHF	31.12.2010 MCHF
Liabilities and equity			
Current liabilities			
Short-term debt	13/15	64.8	3.3
Trade accounts payable		60.2	66.7
Tax liabilities and tax provisions		62.3	56.5
Other current provisions and liabilities	14	161.0	139.7
Total current liabilities		**348.3**	**266.2**
Non-current liabilities			
Long-term debt	15	10.8	70.1
Accrued pension obligation	17	257.3	202.8
Deferred tax liabilities	19	49.8	52.2
Other non-current provisions and liabilities	20	37.0	59.0
Total non-current liabilities		**354.9**	**384.1**
Shareholders' equity			
Capital stock	22	4.0	4.1
Reserves		1,644.4	1,728.9
Cumulative translation adjustments		-228.9	-212.1
Total equity		**1,419.5**	**1,520.9**
Total liabilities and equity		**2,122.7**	**2,171.2**

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

Consolidated Income Statements

	Note	2011 MCHF	2010 MCHF
Sales		2,122.6	2,146.9
Cash discounts and customer bonuses	24	255.0	246.9
Revenue from sales		**1,867.6**	**1,900.0**
Cost of materials		587.9	572.8
Personnel expenses		435.6	447.1
Depreciation expense	10	76.9	81.8
Amortization of intangibles	12	5.9	5.7
Other operating expenses, net	25	312.1	306.4
Total operating expenses, net		1,418.4	1,413.8
Operating profit (EBIT)		**449.2**	**486.2**
Financial expenses	26	-8.4	-10.9
Financial income	26	3.6	3.9
Foreign exchange loss(-)/gain	26	-2.5	-7.3
Financial result, net		-7.3	-14.3
Profit before income tax expenses		**441.9**	**471.9**
Income tax expenses	27	57.9	65.1
Net income		**384.0**	**406.8**
- Attributable to shareholders of Geberit AG		384.0	406.8
EPS (CHF)	23	9.82	10.32
EPS diluted (CHF)	23	9.82	10.30

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

Statements of Comprehensive Income

	2011 MCHF	2010 MCHF
Net income according to the income statement	**384.0**	**406.8**
a) Cumulative translation adjustments	-16.8	-162.7
Reclassification to the income statement	0.0	0.0
Total cumulative translation adjustments	**-16.8**	**-162.7**
b) Cashflow hedge accounting	0.7	1.9
Reclassification to the income statement	0.0	0.0
Taxes	-0.2	-0.5
Total cashflow hedge accounting, net of tax	**0.5**	**1.4**
c) Actuarial adjustments of pension plans	-50.4	-35.9
Taxes	9.0	7.2
Total actuarial adjustments of pension plans, net of tax	**-41.4**	**-28.7**
Other comprehensive income	**-57.7**	**-190.0**
Total comprehensive income	**326.3**	**216.8**
- Attributable to shareholders of Geberit AG	326.3	216.8

Consolidated Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						
	Ordinary shares	Reserves [1]	Treasury shares	Pension plans	Hedge accounting	Cum. translation adjustments	Total equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2009	**4.1**	**1,905.2**	**-227.7**	**-120.1**	**-2.9**	**-49.4**	**1,509.2**
Total comprehensive income		406.8		-28.7	1.4	-162.7	216.8
Dividends		-252.6					-252.6
Purchase (-)/Sale of treasury shares		10.2	14.7				24.9
Convertible Bond [2]		25.8					25.8
Management option plans		-3.2					-3.2
Balance at 31.12.2010	**4.1**	**2,092.2**	**-213.0**	**-148.8**	**-1.5**	**-212.1**	**1,520.9**
Total comprehensive income		384.0		-41.4	0.5	-16.8	326.3
Distribution		-236.0					-236.0
Purchase (-)/Sale of treasury shares		9.8	-195.4				-185.6
Management option plans		-6.1					-6.1
Capital reduction	-0.1	-178.9	179.0				0.0
Balance at 31.12.2011	**4.0**	**2,065.0**	**-229.4**	**-190.2**	**-1.0**	**-228.9**	**1,419.5**

[1] In connection with the amendment to the law concerning the distribution of capital contribution, and with the corresponding General Meeting resolution to distribute capital contributions and the aim to show a clear presentation in the consolidated statements of changes in equity, the equity categories “Share premium” and “Retained earnings” are shown as “Reserves”. The changed disclosure of the consolidated statements of changes in equity does not have an impact on the disclosure of the equity in the consolidated balance sheets.

[2] All fractions of the Convertible Bond were entirely converted into shares by the maturity date of June 14, 2010.

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

Consolidated Statements of Cashflows

	Note	2011 MCHF	2010 MCHF
Cash provided by operating activities			
Net income		384.0	406.8
Depreciation and amortization	10/12	82.8	87.5
Financial result, net	26	7.3	14.3
Income tax expenses	27	57.9	65.1
Other (incl. gain on disposals of PP&E)		16.7	26.3
Operating cashflow before changes in net working capital and taxes		**548.7**	**600.0**
Income taxes paid		-48.0	-81.7
Changes in trade accounts receivable		1.8	11.8
Changes in inventories		-15.5	17.1
Changes in trade accounts payable		-5.7	4.6
Changes in other positions of net working capital		11.8	18.3
Net cash provided by operating activities		**493.1**	**570.1**
Cash from/used (-) in investing activities			
Acquisitions of subsidiaries	2	0.0	-1.0
Purchase of property, plant & equipment and intangible assets	10/12	-92.6	-80.5
Proceeds from sale of property, plant & equipment and intangible assets		3.8	2.1
Marketable securities, net		-88.3	98.7
Interest received		1.5	6.0
Other, net		-3.5	-9.6
Net cash from/used (-) in investing activities		**-179.1**	**15.7**
Cash from/used (-) in financing activities			
Proceeds from borrowings		0.0	0.2
Repayments of borrowings		-3.8	-8.1
Interest paid		-5.1	-6.0
Distribution		-236.0	-252.6
Purchase/Sale of treasury shares		-195.9	10.2
Other, net		-2.1	-1.9
Net cash from/used (-) in financing activities		**-442.9**	**-258.2**
Effects of exchange rates on cash		-2.7	-41.6
Net increase/decrease (-) in cash		**-131.6**	**286.0**
Cash and cash equivalents at beginning of year		586.6	300.6
Cash and cash equivalents at end of year		**455.0**	**586.6**

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

Notes to the Consolidated Financial Statements

1. Basis of preparation

The Geberit Group is a leading supplier of sanitary plumbing systems for the residential and commercial new construction and renovation markets. The product range of the Group consists of the product area "sanitary systems" with the product lines installation systems, cisterns & mechanisms, faucets & flushing systems and waste fittings and traps on the one hand and the product area "piping systems" with the product lines building drainage systems and supply systems on the other hand. Worldwide, all products are sold through the wholesale channel. Geberit sells its products in more than 100 countries. The Group is present in 41 countries with its own sales employees.

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

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

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

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

2. Changes in Group organization

2011:
In the course of an internal reorganization and consolidation, the following companies were merged to one company:

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

The residual company was renamed Geberit Verwaltungs GmbH, Pfullendorf.

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

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

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

In addition, the following companies were founded in 2010 and started their activities in 2011:

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

3. Summary of significant accounting policies

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

Standard/Interpretation	Enactment	Relevance for Geberit	Intro-duction
IFRS 1 - First-time Adoption	1.7.2011	Amendments regarding hyperinflation and functional currency. This amendment has no impact on the consolidated financial statements.	1.1.2012
IFRS 7 - Financial Instruments: Disclosures	1.7.2011	Improvement of the disclosure requirements in relation to transferred financial assets. This amendment has no impact on the consolidated financial statements.	1.1.2012
IAS 12 - Income Taxes	1.7.2011	Amendment of deferred tax in relation with investment property at fair value. This amendment has no impact on the consolidated financial statements.	1.1.2012
IAS 24 – Related Party Disclosures	1.1.2011	Simplification of the disclosure of government-related entities. This amendment has no impact on the consolidated financial statements of the Geberit Group.	1.1.2011
IAS 32 – Classification of Right Issues	1.2.2010	Right issues in all currencies have to be classified as equity. This amendment has no impact on the consolidated financial statements of the Geberit Group.	1.1.2011
Annual improvements of IFRS and interpretations (IFRIC)	1.1.2011	The ordinary yearly clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements.	1.1.2011

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

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 9 - Financial Instruments: Phase 1, Classification and Measurement	1.1.2013	IFRS 9 treats the classification and measurement of financial assets and financial liabilities. These new rules result from the first phase of the project to replace IAS 39. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 10 - Consolidated Financial Statements	1.1.2013	This standard replaces the guidance on control and consolidation in IAS 27 and SIC-12. A consistent definition of control is introduced. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 11 - Joint Arrangements	1.1.2013	Replaces IAS 31 Joint Ventures and SIC 13. The proportionate consolidation has been eliminated. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 12 - Disclosure of Interests in Other Entities	1.1.2013	Enhancement of required disclosures for subsidiaries, joint arrangements and unconsolidated entities. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 13 - Fair Value Measurement	1.1.2013	Overall standard to measure and disclose assets and liabilities at fair value. This standard does not include rules in which cases the fair value has to be used. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This value is disclosed accordingly (Level 1 – 3). This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 1 - Presentation of Financial Statements	1.7.2012	This amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 19 - Employee Benefits	1.1.2013	Elimination of corridor approach and additional impact on the profit in case of plan assets. The annual cost will comprise the net interest cost, measured on the funded status applying the same discount rate for plan assets and defined benefit obligation. Definition of principal based disclosure requirements to enable a wide evaluation of the risk management of the pension plans. The pension plans of Geberit contain plan assets and therefore the difference of the interest rate will lead to an increased expense in the consolidated financial statements.	1.1.2013
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary yearly clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements.	various

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

Foreign currency translation

The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates the actual rate at the date of the transaction. At the end of the accounting period, receivables and liabilities in foreign currency are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to income. Exchange rate differences related to loans which are part of the net investment in foreign entities are recorded in → **"other comprehensive income"** and disclosed as cumulative translation adjustments. For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates (weighted sales) for the period. Translation gains or losses are accumulated in → **"other comprehensive income"** and disclosed as cumulative translation adjustments.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term, highly liquid financial investments with maturities of three months or less as at their acquisition date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The carrying amount of cash and cash equivalents approximates to their fair value due to the short-term maturities of these instruments.

Marketable securities

Marketable securities are principally traded in liquid markets. Marketable securities with a remaining time to maturity of 4-12 months or which are purchased with the intention of selling them in the near future have to be measured at their fair value through the income statement.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Both the purchase cost and the cost of production are determined using the weighted-average method. Net realizable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling costs. An allowance is made for obsolete and slow-moving inventories.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Betterment that increases the useful lives of the assets, improves the quality of the output, or enables a substantial reduction in operating costs is capitalized and depreciated over the remaining useful lives. Depreciation of property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (15–50 years), production machinery and assembly lines (8–15 years), molds (4–6 years), equipment (4–20 years) and vehicles (5–10 years). Properties are not regularly depreciated. Repairs and maintenance related to investments in property, plant and equipment are charged to income as incurred.

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

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

Non-current assets held for sale

Non-current assets held for sale and disposal groups are measured at the lower of carrying amount or fair value less costs to sell if the requirements of IFRS 5 are met.

Intangible assets and goodwill

The Group records goodwill as the difference between the enterprise value and the net assets of the company acquired, both measured at fair value. If the value of net assets is higher than the enterprise value, this gain is credited immediately to the income statement.

Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill and intangible assets with an indefinite useful life are not regularly amortized but tested for impairment on an annual basis. Since the Geberit trademark is a major element of the business model of the Geberit Group, it has been assigned an indefinite useful life. Impairments are expensed in the consolidated income statements when they occur, and in the case of goodwill, not reversed in subsequent periods. The amortization of intangible assets with a definite useful life is calculated using the straight-line method based upon the following useful lives: patents and technology (10 years), trademarks (5 years) and software (4–6 years).

Valuation of intangible assets and goodwill

Intangible assets with an indefinite useful life and goodwill are tested for impairment at each reporting date. In this process, the actual carrying amount of the asset is compared with the recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced correspondingly. The Group records the difference between recoverable amount and carrying amount as expense. The valuation is based on single assets or, if such valuation is not possible, on the level of the group of assets for which separately identifiable cashflows exist. The Geberit trademark is valued on the Group level.

For the impairment tests of intangible assets with an indefinite useful life and goodwill, the Group applies the most recent business plans (period 4 years) and the assumptions therein concerning development of prices, markets and Group's market shares. To discount future cashflows, the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in → **Note 12**.

Associated companies, joint ventures and other investments

The Group's share of profits and losses of associated companies (voting rights between 20% and 50%) and joint ventures is included in the consolidated financial statements in accordance with the equity method of accounting. All other non-consolidated investments are stated at fair value. If the fair value cannot be determined, such investments are stated at cost, with adequate provision for permanent diminution in value. Investments in fully consolidated subsidiaries are measured at fair value through the income statement at the date when control is lost. A change in the parent's ownership interest without loss of control is dealt as equity transaction between shareholders.

Provisions

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

Revenue from sales

Revenue from sales is recognized when risks and rewards are transferred to the customer. This normally corresponds with the shipment of the goods. Revenue from sales includes the invoiced net amounts after deduction of rebates shown on the invoice. Subsequently granted customer bonuses and cash discounts are deducted accordingly.

Marketing expenses

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

Taxes

The consolidated financial statements include direct taxes that are based on the results of the Group companies and are calculated according to local tax rules. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated either using the current tax rate or the tax rate expected to be applicable in the period in which these differences will reverse. If the realization of future tax savings related to tax loss carryforwards and other deferred tax assets is no longer probable, valuation allowances are recorded accordingly.

A liability for deferred taxes is recognized for non-refundable taxes at source and other earning distribution-related taxes on only those available earnings of foreign subsidiaries that are intended to be remitted.

Research and development expenditures

The development expenditures are not capitalized because the conditions for capitalization are not met. The amount in 2011 was MCHF 48.4 (PY: MCHF 44.2). The costs are included in personnel expenses, depreciation expense and other operating expenses, net.

Retirement benefit plans

The Group companies have various defined benefit and defined contribution pension schemes which comply with applicable laws and customs in the respective countries in which the Group operates. For defined benefit plans, the defined benefit obligations are calculated annually by independent actuarial experts using the projected unit credit method based on the service life, projected development of salary and pension benefit and expected return on pension fund investments. Experience adjustments and the effects of changes in actuarial assumptions are recognized in → **"other comprehensive income"**. The Group recognizes the funded status of independently funded defined benefit plans in its consolidated balance sheets. In the case of a positive funded status, the surplus is determined and recognized according to IAS 19.58 and IFRIC 14.

Annual net pension costs in connection with defined benefit plans are charged to income in the period incurred. The corresponding costs for defined contribution plans are based on fixed percentages of participant salaries as defined in the respective plan documents and are also charged to income as incurred.

Participation plans

Rebates granted to employees and members of the Board of Directors when buying Geberit shares under share participation programs are charged to the income statement in the year the programs are offered.

The fair value of the options provided in share participation and option plans is determined at the grant date and recorded as personnel expenses over the vesting period. The values are determined using the binomial model, adjusted by the expected employee departure rate.

Earnings per share

The number of ordinary shares used for calculating earnings per share is determined on the basis of the weighted average of issued and outstanding ordinary shares. For the calculation of diluted earnings per share, potentially dilutive shares from option programs are added to ordinary shares. The dilution from option programs is determined on the basis of the number of ordinary shares which could have been bought for the amount of the accumulated difference between market price and exercise price of the options. The relevant market price used is the average annual Geberit share price.

Diluted earnings per share is the ratio of net income and the adjusted number of ordinary shares.

Financial instruments

Trade accounts receivable and other current assets are carried at amortized cost less allowances for credit losses. Trade and other payables are carried at amortized cost. The carrying amount of such items basically corresponds to its fair value.

The recognition and measurement of marketable securities is described in the section ➔ **“Marketable securities”**.

Debt is initially recorded at fair value, net of transaction costs, and measured at amortized cost according to the effective interest rate method. The Group classifies debt as non-current when at the balance sheet date, it has the unconditional right to defer settlement for at least 12 months after the balance sheet date.

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

Hedge Accounting

Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded together with the change in fair value of the underlying item on a net basis. The effective portion of instruments designated as cashflow hedges and instruments designated as hedges of net investments in foreign operations is recognized in ➔ **“other comprehensive income”**. The ineffective portion of such instruments is recorded in financial result, net.

4. Risk assessment and management

General

The Geberit Group runs a risk-management system that has been approved by the Board of Directors.

The policy defines a structured process according to which the business risks are systematically managed. In this process, risks are identified, analyzed concerning the likelihood of occurrence and magnitude, evaluated, and risk-control measurements are determined. Each member of the management is responsible for the implementation of the risk-management measures in his area of responsibility. The Audit Committee and the Board of Directors are periodically informed about the major changes in the risk assessment and about risk-management actions taken. The permanent observation and control of the risks is a management objective. For risks concerning accounting and financial reporting, a specific risk assessment is performed. The Geberit-internal control system for the financial reporting defines control measures, which reduce the related risks.

The financial risks are observed under the control of the chief financial officer by the central treasury department of the Geberit Group, which acts in line with the directives of the treasury policy issued by the Group. Risk management focuses on recognizing, analyzing and hedging foreign exchange rate, interest rate, liquidity and counterparty risks, with the aim of limiting their effect on cashflow and net income. The Group measures its risks with the value-at-risk method for foreign exchange rate risks and the cashflow-at-risk method for interest rate risks.

Management of counterparty risks from treasury activities

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

Investments of cash generally mature within three months and the Group has not incurred any related losses. To avoid a risk concentration, deposits with one financial institution are limited to the amount of MCHF 70 in total. In addition, investments with the same financial institution may not exceed half of the Group's total deposits.

Management of foreign exchange rate risk

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

Any remaining currency risk is measured with the value-at-risk (VaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the fair value of foreign currency positions and therefore on the financial result of the Group is evaluated. The risk is controlled with the key figure (VaR +/- unrealized gains/losses from foreign exchange positions)/equity. Based on internal limits, it is decided whether any hedging measures have to be taken. Normally, forward exchange contracts are used as hedging instruments. The key figure's limit is determined annually and amounts to 0.5% (PY: 0.5%) of equity for the reporting period.

The following parameters have been used for the calculation of the value-at-risk (VaR):

Model	Method	Confidence level	Holding period
J. P. Morgan	Variance-covariance approach	95%	30 days

Foreign exchange rate risk as of December, 31:

	2011 MCHF	2010 MCHF
Value-at-risk +/- unrealized gains/losses	5.5	10.2
Equity	1,419.5	1,520.9
(Value-at-risk +/- unrealized gains/losses)/equity	**0.4%**	**0.7%**

The increase in VaR and the related exceeding of the limit in 2010 was the result of the temporary rising volatilities at the FX markets.

Management of interest rate risk

Basically, there are two types of interest rate risks:
a) the fair market value risk for financial positions bearing fixed interest rates
b) the interest rate risk for financial positions bearing variable interest rates

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

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

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

Interest rate risk as of December, 31:

	2011 MCHF	2010 MCHF
EBITDA	532.0	573.7
Financial result, net + CfaR	5.7	5.8
EBITDA/(Financial result, net + CfaR)	**93x**	**99x**

Combined foreign exchange rate and interest rate risk

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

	2011 MCHF	2010 MCHF
Combined foreign exchange rate and interest rate risk	11.4	18.7

Management of liquidity risk

Liquid funds (including the committed unused credit lines) must be available in order to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortization payments as well as capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 515.7 (PY: MCHF 658.3).

Management of credit risk

The Group sells a broad range of products throughout the world, but primarily within continental Europe. Major credit risks mainly result from such selling transactions (debtor risk). Ongoing evaluations of customers' financial situation are performed and, generally, no further collateral is required. Concentrations of debtors' risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses. Such losses, in aggregate, have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of receivables at year-end is not representative because of the low sales volume in December. In 2011, the average balance of receivables is about 150% of the amount at year-end.

Management of commodity price risk

The Group is exposed to commodity price risks especially in connection with products whose manufacturing requires raw materials like plastics, nickel, copper, aluminium and steel. In order to reduce the volatility of the Group's net income, prices are generally fixed directly in the supplier's contracts for one quarter. If such a fixation is not possible, and in individual cases only, the Group uses financial hedging instruments (i.e. forward contracts, swaps, options) in order to limit the purchasing price risk on commodities. The accounting treatment of these financial instruments is explained in ➔ **Note 3 "Summary of significant accounting policies"**.

As of December 31, 2011 and 2010, there were no open positions of financial instruments for hedging commodity price risks (see ➔ **Note 16d**).

Summary

The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed in order to make sure that they meet the requirements of financial markets, changes in the Group organization and regulatory obligations. Regarding the compliance with the defined limits, management is informed on a regular basis with key figures and reports. At the balance sheet date, the relevant risks, controlled with statistical and other methods, and the corresponding key figures are as follows:

Type of risk	Key figure	2011	2010
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/equity	0.4%	0.7%
Interest rate risk	EBITDA/(financial result, net + CfaR)	93x	99x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 515.7	MCHF 658.3

5. Management of capital

The objectives of the Group with regard to the management of the capital structure are the following:

- ensure sufficient liquidity to cover all liabilities
- guarantee an attractive return on equity (ROE) and return on invested capital (ROIC)
- ensure a sufficient debt capacity and credit rating
- ensure an attractive distribution policy

In order to maintain or change the capital structure, the following measures can be taken:

- adjustment of the distribution policy
- share buyback programs
- capital increases
- incur or repay debt

Further measures to guarantee an efficient usage of the invested capital and therefore also to achieve attractive returns are:

- active management of net working capital
- demanding objectives regarding the profitability of investments
- clearly structured innovation process

The invested capital is composed of net working capital, property, plant and equipment, goodwill, and intangible assets.

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

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

	2011 MCHF	2010 MCHF
Gearing		
Debt	75.6	73.4
Liquid funds and marketable securities	542.0	586.6
Net debt	-466.4	-513.2
Equity	1,419.5	1,520.9
Net debt/equity	**-32.9%**	**-33.7%**
Return on equity (ROE)		
Equity (rolling)	1,475.2	1,509.3
Net income	384.0	406.8
ROE	**26.0%**	**27.0%**
Return on invested capital (ROIC)		
Invested capital (rolling)	1,327.6	1,450.5
Net operating profit after taxes (NOPAT)	382.3	416.5
ROIC	**28.8%**	**28.7%**

6. Marketable securities

In 2011, the Group invested MEUR 71.9 in government bonds (mainly German federal bonds). As of December 31, the carrying amount of these bonds was MCHF 87.0. The federal government bonds bought in 2009 were fully repayed in 2010.

7. Trade accounts receivable

	2011 MCHF	2010 MCHF
Trade accounts receivable	120.9	116.6
Allowance	-8.0	-7.3
Total trade accounts receivable	**112.9**	**109.3**

Of trade accounts receivable, MCHF 4.2 was denominated in CHF (PY: MCHF 4.4), MCHF 64.0 in EUR (PY: MCHF 62.4), MCHF 12.2 in USD (PY: MCHF 11.0), and MCHF 6.2 in GBP (PY: MCHF 6.1).

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

	2011 MCHF	2010 MCHF
Allowances for trade accounts receivable		
January 1	**7.3**	**7.3**
Additions	1.9	1.7
Used	-0.4	-0.3
Reversed	-0.6	-0.5
Translation differences	-0.2	-0.9
December 31	**8.0**	**7.3**

	2011 MCHF	2010 [1] MCHF
Maturity analysis of trade accounts receivable		
Not due	91.0	87.3
Past due < 30 days	18.4	18.0
Past due < 60 days	3.7	5.2
Past due < 90 days	1.9	0.7
Past due < 120 days	1.3	0.6
Past due > 120 days	4.6	4.8
Allowance	-8.0	-7.3
Total trade accounts receivable	**112.9**	**109.3**

[1] Certain prior-year figures were adjusted to the new presentation structure due to comparison reasons.

8. Other current assets and current financial assets

	2011 MCHF	2010 MCHF
Income tax refunds receivable	2.4	6.2
Value-added tax receivables	24.6	40.6
Short-term derivative financial instruments (see **Note 33**)[1]	0.0	2.9
Prepaid expenses and other current assets	16.8	10.0
Total other current assets and current financial assets	**43.8**	**59.7**

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

9. Inventories

	2011 MCHF	2010 MCHF
Raw materials, supplies and other inventories	56.4	46.8
Work in progress	28.3	26.6
Finished goods	67.8	65.1
Merchandise	9.4	9.4
Prepayments to suppliers	0.3	0.9
Total inventories	**162.2**	**148.8**

As of December 31, 2011, inventories included allowances for slow-moving and obsolete items of MCHF 16.5 (PY: MCHF 20.1).

10. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./ advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2011					
Cost at beginning of year	910.2	287.5	556.1	34.7	31.9
Additions	87.6	10.1	31.3	5.1	41.1
Disposals	-26.8	-1.2	-20.2	-5.4	
Transfers	0.0	4.1	24.0	1.6	-29.7
Translation differences	-15.8	-3.6	-10.8	-0.9	-0.5
Cost at end of year	**955.2**	**296.9**	**580.4**	**35.1**	**42.8**
Accumulated depreciation at beginning of year	395.9	74.4	304.0	17.5	0.0
Depreciation expense	76.9	10.0	59.7	7.2	
Disposals	-24.8	-0.8	-18.8	-5.2	
Transfers	0.0				
Translation differences	-9.0	-1.3	-7.1	-0.6	
Accumulated depreciation at end of year	**439.0**	**82.3**	**337.8**	**18.9**	**0.0**
Net carrying amounts at end of year	**516.2**	**214.6**	**242.6**	**16.2**	**42.8**
2010					
Cost at beginning of year	990.9	296.7	611.8	37.3	45.1
Changes in Group organization (see **Note 2**)	0.1			0.1	
Additions	78.6	5.8	33.6	7.4	31.8
Disposals	-37.6	-0.8	-31.0	-5.8	
Transfers	0.0	18.4	21.6	1.9	-41.9
Translation differences	-121.8	-32.6	-79.9	-6.2	-3.1
Cost at end of year	**910.2**	**287.5**	**556.1**	**34.7**	**31.9**
Accumulated depreciation at beginning of year	414.7	73.2	321.4	20.1	0.0
Depreciation expense	81.8	11.5	63.2	7.1	
Disposals	-36.5	-0.7	-30.3	-5.5	
Transfers	0.0		-0.2	0.2	
Translation differences	-64.1	-9.6	-50.1	-4.4	
Accumulated depreciation at end of year	**395.9**	**74.4**	**304.0**	**17.5**	**0.0**
Net carrying amounts at end of year	**514.3**	**213.1**	**252.1**	**17.2**	**31.9**

As of December 31, 2011, buildings were insured at MCHF 427.5 (PY: MCHF 432.2) and equipment at MCHF 887.6 (PY: MCHF 862.8) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,315.1 (PY: MCHF 1,295.0).

As of December 31, 2011, the Group had entered into firm commitments for capital expenditures of MCHF 12.1 (PY: MCHF 8.3).

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

	2011 MCHF	2010 MCHF
Reinsurance policies for pension obligations (see **Note 17**)	10.1	8.7
Reinsurance policies for other long-term employee obligations	2.0	0.0
Long-term derivative financial instruments (see **Note 33**)	2.7	0.0
Other	6.6	6.5
Total other non-current assets and non-current financial assets	**21.4**	**15.2**

12. Goodwill and intangible assets

	Total MCHF	Goodwill MCHF	Patents and technology MCHF	Trademarks and other intangible assets MCHF
2011				
Cost at beginning of year	1,028.0	733.5	127.3	167.2
Additions	5.0			5.0
Disposals	-1.3			-1.3
Translation differences	-18.7	-17.9		-0.8
Cost at end of year	**1,013.0**	**715.6**	**127.3**	**170.1**
Accumulated amortization at beginning of year	369.2	174.8	118.0	76.4
Amortization expense	5.9		3.2	2.7
Disposals	-1.3			-1.3
Translation differences	-6.0	-5.4		-0.6
Accumulated amortization at end of year	**367.8**	**169.4**	**121.2**	**77.2**
Net carrying amounts at end of year	**645.2**	**546.2**	**6.1**	**92.9**
2010				
Cost at beginning of year	1,162.6	862.8	127.3	172.5
Changes in Group organization (see **Note 2**)	0.5	0.5		
Additions	1.9			1.9
Disposals	-4.2	-0.6		-3.6
Translation differences	-132.8	-129.2		-3.6
Cost at end of year	**1,028.0**	**733.5**	**127.3**	**167.2**
Accumulated amortization at beginning of year	409.5	214.3	114.8	80.4
Amortization expense	5.7		3.2	2.5
Disposals	-3.5			-3.5
Translation differences	-42.5	-39.5		-3.0
Accumulated amortization at end of year	**369.2**	**174.8**	**118.0**	**76.4**
Net carrying amounts at end of year	**658.8**	**558.7**	**9.3**	**90.8**

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2011, there was no need for an impairment of these assets. The following table shows the carrying amount of positions which are material for the Group. The table shows also the parameters used in the impairment analysis.

	Carrying amount 31.12.2011	Carrying amount 31.12.2010	Calculation of recoverable amount (PY numbers in brackets)			
			Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount pre-tax rate	Discount post-tax rate
	MCHF	MCHF		%	%	%
Goodwill from LBO Geberit	240.0	244.3	U	3.63 (3.24)	10.17 (10.14)	8.98 (8.97)
Goodwill from Mapress acquisition	287.9	295.6	U	3.76 (2.10)	11.69 (12.36)	9.38 (9.10)
Geberit trademarks	84.6	84.6	U	3.63 (3.24)	10.40 (10.51)	8.98 (8.97)
Total	**612.5**	**624.5**				

The growth rates beyond the planning period are based on Euroconstruct estimations and on history-based internal assumptions about price and market share development. From today's perspective, management believes that a possible and reasonable change of one of the crucial parameters (see → **Note 3**) used to calculate the recoverable amount would not lead to an impairment. The scenarios used to support this assumption are based specifically on decreases both in operating margins and the growth rate beyond the planning periods.

13. Short-term debt

	2011	2010
	MCHF	MCHF
Private Placement	61.0	0.0
Other short-term debt	3.8	3.3
Total short-term debt	**64.8**	**3.3**

The Group maintains credit lines of MCHF 45.7 (PY: MCHF 46.2) from various lenders, which can be cancelled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. At December 31, 2011 and 2010, the Group did not have any outstanding drawings on the above-mentioned credit lines.

The terms of contract of the Private Placement are described in → **Note 15**.

14. Other current provisions and liabilities

	2011	2010
	MCHF	MCHF
Compensation-related liabilities	45.6	41.9
Accrued interest	0.5	0.4
Customer-related liabilities	56.9	50.0
Current provisions	3.2	3.9
Value added tax payables	11.0	24.8
Short-term derivative financial instruments (see **Note 33**)[1]	16.4	0.0
Other current liabilities	27.4	18.7
Total other current provisions and liabilities	**161.0**	**139.7**

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

2011 and 2010 movements of current provisions are shown in the following table:

	2011 MCHF	2010 MCHF
Current provisions		
January 1	**3.9**	**5.2**
Additions	1.3	1.8
Used	-1.7	-0.9
Reversed	-0.1	-1.8
Transfers	-0.1	0.0
Translation differences	-0.1	-0.4
December 31	**3.2**	**3.9**

15. Long-term debt

	2011 MCHF	2010 MCHF
Private Placement	61.0	60.7
Revolving Facility	0.0	0.0
Other debt	14.6	12.7
Total debt	**75.6**	**73.4**
Short-term portion of debt (see **Note 13**)	-64.8	-3.3
Total long-term debt	**10.8**	**70.1**

Private Placement

In December 2002, the Group raised MUSD 100.0 from various US insurance companies through a privately placed debt (“Private Placement”) issued by its US subsidiary The Chicago Faucet Company. The Private Placement is split into (i) a series A (MUSD 35.0), which carries a coupon of 5.0% and was due on December 19, 2009, and (ii) a series B (MUSD 65.0), which carries a coupon of 5.54% and is due on December 19, 2012. The series A (MUSD 35.0) was paid back on maturity (December 19, 2009).

The Private Placement is secured by guarantees from Geberit AG, Geberit Holding AG and Geberit Verwaltungs GmbH. The Group must comply with the following financial ratios. Both conditions were met on December 31, 2011.

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

As of December 31, 2011, the fair value of the Private Placement amounted to MCHF 63.2 (PY: MCHF 65.2). It is calculated by discounting all future cashflows with the current interest rate (swap rate applicable for remaining time to maturity plus credit spread).

Revolving Facility

At the end of June 2009, the Geberit Group opened a firmly committed credit line (“Revolving Facility”) of MCHF 250 with a banking syndicate. The Group changed the conditions of the firmly committed credit line of MCHF 250 as of June, 2011, and rolled over the credit term. Apart from a reduction of the credit line by MCHF 100 to MCHF 150, an improvement of the financial conditions could be achieved. The credit line is newly firmly committed until June 2016 and will ensure the Group’s financial flexibility. At December 31, 2011, the Revolving Facility bears interest at LIBOR plus an annual interest margin of 0.5%. The interest margin depends on the net debt to EBITDA ratio. This ratio is verified on a quarterly basis. In addition in the case of a drawdown of the credit line of 33⅓%, a utilization fee of 0.15% is due on the entire credit portion and in the case of a drawdown of 66⅔%, a utilization fee of 0.30% is due. The interest is payable at the maturity date of the respective drawing used under the Revolving Facility. The drawings can have terms of one to six months. A commitment fee of 35% of the applicable interest margin is due on the unused portion. Drawings under the Revolving Facility are secured by guarantees from Geberit AG, Geberit Holding AG, Geberit Verwaltungs GmbH, and the Chicago Faucet Company, and contain covenants and conditions typical for syndicated financing, among others, compliance with the following financial ratios:

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

The limits for these financial ratios were fulfilled on December 31, 2011. In 2011 and 2010, no drawdown of the Revolving Facility took place.

Other debt

As of December 31, 2011, the Group had MCHF 14.6 of other debt (PY: MCHF 12.7). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix

Of the debt outstanding as of December 31, 2011, MCHF 14.6 was denominated in EUR (PY: MCHF 12.3) and MCHF 61.0 in USD (PY: MCHF 60.9).

Convertible Bond

On June 14, 2004, the Group issued a Convertible Bond at a nominal value of MCHF 170.0. The Convertible Bond was split into 34,000 bond fractions at a par value of CHF 5,000 each. By the maturity date of June 14, 2010, a total of 5,189 fractions of the Convertible Bond in the nominal value of MCHF 25.8 had been converted into 266,431 shares in the first half-year. By the maturity of the Convertible Bond, all 34,000 fractions of the Convertible Bond in the nominal value of MCHF 170.0 had been converted into 1,718,095 shares. The effective interest rate of the Convertible Bond charged to the income statement was 3.56% (MCHF 0.1) in 2010.

16. Derivative financial instruments

Where required by the treasury policy, the Group enters into derivative financial instruments to hedge its exposure to foreign currency exchange rate risks, interest rate risks, and commodity price risks. This policy and the accounting policies for the Group’s derivative financial instruments are disclosed in ➔ **Notes 3** and ➔ **4**. As at December 31, 2011 and 2010, the following derivative financial instruments were outstanding:

a) Cross Currency Interest Rate Hedges

The following instruments were used to hedge foreign exchange rate risks, arising from the intercompany financing of subsidiaries:

2011	Maturity	Strike price	Contract amount Purchase	Contract amount Sale (-)	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MUSD	MEUR	MCHF	USD	EUR	
USD buy/ EUR sell	19.12.2012	1.004	55.0	-54.8	-16.4	5.54	5.9775	DCF[1]
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/ USD sell	18.12.2013	1.03345	25.8	-25.0	2.7	0.21	0.66	DCF[1]
2010								
			MUSD	MEUR	MCHF	USD	EUR	
USD buy/ EUR sell	19.12.2012	1.004	55.0	-54.8	-18.9	5.54	5.9775	DCF[1]
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/ USD sell	16.12.2011	1.03345	31.0	-30.0	2.8	0.37	1.20	DCF[1]

[1] Discounted cash flow

b) Forward foreign exchange contracts and foreign exchange options

2011	Contract values						Fair value 31.12.	Calculation method
	MNOK	MGBP	MPLN	MUSD	MSEK	MAUD	MCHF	
Foreign exchange contracts	-1.0	-0.8	-4.0	0.0	-3.5	-0.4	0.0	Mark-to-Market

2010								
	MNOK	MGBP	MPLN	MUSD	MSEK	MAUD	MCHF	
Foreign exchange contracts	-2.5	-0.3	-2.0	-0.9	0.0	0.0	0.1	Mark-to-Market

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

c) Interest rate hedges

As of December 31, 2011 and 2010, the Group had no outstanding interest rate hedges.

d) Commodity price hedging instruments

As of December 31, 2011 and 2010, there were no outstanding commodity price hedging instruments.

17. Retirement benefit plans

The Group maintains defined benefit plans for its employees in Switzerland, Germany, Austria, and the USA. These plans are either funded or unfunded. Funded plans are either funded by assets held independently of the Group’s assets in separate trustee-administered funds or by qualifying insurance policies. The net periodic pension costs of the defined benefit plans were as follows:

	2011		2010	
	Funded plans MCHF	Unfunded plans MCHF	Funded plans MCHF	Unfunded plans MCHF
Service cost	22.7	4.4	19.8	4.6
Interest cost on projected benefit obligation	12.1	5.9	12.7	6.6
Expected return on plan assets	-16.3		-15.4	
Contributions of employees	-8.2		-7.9	
Net periodic pension cost	**10.3**	**10.3**	**9.2**	**11.2**

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

	2011		2010	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Benefit obligation				
At beginning of year	430.6	129.4	381.1	139.6
Service cost	22.7	4.4	19.8	4.6
Interest cost on projected benefit obligation	12.1	5.9	12.7	6.6
Actuarial gains (-)/losses	32.1	2.5	28.9	7.8
Translation differences	-0.2	-3.4	-1.4	-22.8
Benefits paid	-12.2	-7.3	-10.5	-6.4
Benefit obligation at end of year	**485.1**	**131.5**	**430.6**	**129.4**
Plan assets at fair value				
At beginning of year	365.9		346.1	
Expected return on plan assets	16.3		15.4	
Contributions of employees	8.2		7.9	
Contributions of employers	7.4		7.2	
Benefits paid	-11.8		-10.3	
Actuarial gains/losses (-)	-16.5		0.8	
Translation differences	-0.1		-1.2	
Plan assets at fair value at end of year	**369.4**		**365.9**	
Funded status at end of year	**-115.7**	**-131.5**	**-64.7**	**-129.4**
Adjustment according to IAS 19.58	0.0	0.0	0.0	0.0
Total pension asset/obligation (-)	**-115.7**	**-131.5**	**-64.7**	**-129.4**

	2011		2010	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
The pension asset/obligation (-) is composed of:				
Reinsurance policies for pension obligations (see Note 11)	10.1		8.7	
Accrued pension obligations	-125.8	-131.5	-73.4	-129.4
Total pension asset/obligation (-)	**-115.7**	**-131.5**	**-64.7**	**-129.4**

The plan assets of funded plans of MCHF 369.4 (PY: MCHF 365.9) are composed of assets of MCHF 359.3 (PY: MCHF 357.2) in two independent Swiss trustee pension funds and MCHF 10.1 (PY: MCHF 8.7) in qualifying insurance policies.

The legal situation relating to pension plans in Switzerland strictly limits the Group's control over the surplus in the Swiss pension funds. In the case of material underfundings, recapitalization measures have to be taken in which also beneficiaries can be obliged to participate. As of December 31, 2011, no underfundings existed for Swiss pension plans in compliance with Swiss GAAP FER (FER 26).

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

	2011 MCHF	2010 MCHF	2009 MCHF	2008 MCHF	2007 MCHF
Benefit obligations	-616.6	-560.0	-520.7	-462.2	-457.4
Plan assets	369.4	365.9	346.1	314.3	368.8
Funded status	**-247.2**	**-194.1**	**-174.6**	**-147.9**	**-88.6**
Net actuarial gains (-) and losses on benefit obligations	34.6	36.7	33.8	-0.2	-28.4
- of which from changes in actuarial assumptions	38.3	40.1	30.9	-6.5	-34.6
- of which from experience adjustments	-3.7	-3.4	2.9	6.3	6.2
Experience adjustments on plan assets	16.5	-0.8	-13.0	76.5	5.6
Total actuarial gains (-) and losses in current year	**51.1**	**35.9**	**20.8**	**76.3**	**-22.8**
Adjustment according to IAS 19.58, gains/losses	0.0	0.0	0.0	-36.9	19.5
Recorded in OCI[1], current year	**51.1**	**35.9**	**20.8**	**39.4**	**-3.3**
Recorded in OCI[1] accumulated	**238.8**	**187.7**	**151.8**	**131.0**	**91.6**

[1] Other comprehensive income

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

	2011	2010
Shares	30.1	27.9
Bonds and other debt instruments	28.2	32.2
Real estate property	29.6	27.8
Other	12.1	12.1
Total	**100.0**	**100.0**

The expected return on plan assets is calculated based on long-term returns on the investments in the respective asset category. The investments per asset category follow the guidelines defined in the strategic asset allocation policy.

The actual return on these plan assets amounted to -0.18% in 2011 and 5.0% in 2010. As of December 31, 2011, plan assets included MCHF 2.7 (PY: MCHF 2.0) of equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate property used by the Group.

In 2012, the expected employers' contribution to the plan assets is MCHF 7.3.

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

	2011			2010		
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	2.4	4.50	5.0	2.8	4.75	5.0
Annual rate of increase in future compensation levels	2.0	2.5	3.0	2.0	2.5	3.0
Expected rate of future increases in pension benefits	1.0	0-2.0	0.0	1.0	0-2.0	0.0
Expected rate of return on plan assets	4.5			4.5		
Demography	BVG 2010	Tables 2005 G		BVG 2000	Tables 2005 G	

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

The consolidated income statement also includes expenses for defined contribution plans of MCHF 1.7 in 2011 (PY: MCHF 1.8).

18. Participation plans

Share plans

In 2011, employees were able to purchase a limited number of shares at a discount of 30% (PY: 30%) compared to the market price (“Employee share plan 2011”). The Geberit management was entitled to draw the previous year’s results-related salary partly or entirely in shares valued at market price (“Management share plans 2011”). For each of these shares, the management participants received one option (see part 2: “Option plans”). As part of the “Directors program 2011”, the non-executive members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 30% (PY: 30%). All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2011 are summarized below:

	End of blocking period	Number of partici-pants	Number of shares issued	Issuing price CHF
Employee share plan 2011 (ESPP)	2013	1,099	18,117	138.57
Management share plans 2011 (MSPP)	2014	60	13,259	197.95
Directors program 2011 (DSPP)	2013	7	7,341	138.57

The 38,717 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2011, the Board of Directors, the Group Executive Board and the employees owned a combined total of 812,624 (PY: 1,472,884) shares, i.e. 2.0% (PY: 3.6%) of the share capital of Geberit AG.

Option plans

For each of the shares purchased in connection with the “Management share plans 2011”, the Geberit management received one option to purchase an additional share at a 1:1 ratio. The exercise price of the options is equal to the price at which the underlying shares were allocated. The options can be exercised after vesting periods of two years. They lapse if not exercised within five years of the grant date.

In connection with an additional option plan (“Option plan 2011”), the managing directors and members of the Group Executive Board were entitled to additional options with a term to maturity of five years and a vesting period of two and four years, respectively.

The following is a summary of the options allocated in 2011:

	End of vesting period	Maturity	Number of partici-pants	Number of options allocated	Exercise price CHF
Management share plans 2011 (MSPP)	2013	2016	60	13,259	197.95
Option plan 2011 type A (MSOP)	2013	2016	65	22,472	217.60
Option plan 2011 type B (MSOP)	2015	2016	65	22,472	228.00
Total				**58,203**	

The fair value of the options granted in 2011 amounted to CHF 38.49 for MSOP type A (two-years vesting period), CHF 37.26 for MSOP type B (four-years vesting period) and CHF 41.88 for MSPP (two-years vesting period) at the respective granting dates. The fair value was determined using the binomial model for “American Style Call Options”.

The calculation model was based on the following parameters:

	Reference share price [1]	Surcharge	Exercise price	Expected volatility	Expected Ø dividend yield	Contractual period	Risk-free interest rate
	CHF	%	CHF	%	%	Years	%
Management share plans 2011 (MSPP)	197.95	0	197.95	28.47	3.43	5	1.130
Option plan 2011 type A (MSOP)	207.25	5	217.60	28.58	3.28	5	1.182
Option plan 2011 type B (MSOP)	207.25	10	228.00	28.58	3.28	5	1.182

[1] The reference share price corresponds to the average share price of the Geberit shares for the period from 6.1.2011 to 19.1.2011 for MSOP and from 3.3.2011 to 16.3.2011 for MSPP, respectively.

The following table summarizes all option plans in place as of December 31, 2011:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Lapsed	2012 – 2014	81,706	168.81	38,036	121.37
2012	2013 – 2015	65,944	172.10	32,160	148.80
2013	2014 – 2016	76,471	161.17	42,304	121.60
2014	2015	21,370	206.60	0	0
2015	2016	21,219	228.00	0	0
Total		**266,710**	**175.17**	**112,500**	**129.30**

The following movements took place in 2011 and 2010:

	MSOP		MSPP		Total 2011		Total 2010	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding January 1	**235,974**	**154.60**	**79,546**	**145.48**	**315,520**	**152.30**	**362,312**	**136.29**
Granted options	44,944	222.80	13,259	197.95	58,203	217.14	63,237	199.32
Forfeited options	17,036	172.72	939	192.41	17,975	173.75	8,682	155.39
Exercised options	50,255	120.44	38,783	123.66	89,038	121.85	101,347	124.15
Outstanding December 31	**213,627**	**175.53**	**53,083**	**173.69**	**266,710**	**175.17**	**315,520**	**152.30**
Exercisable at December 31	23,794	124.18	14,242	116.68	38,036	121.37	82,719	163.08

The 266,710 options outstanding represent 0.7% of the outstanding shares of Geberit AG. The Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2011, had an exercise price between CHF 96.50 and CHF 228.00 and an average remaining contractual life of 2.2 years.

Costs resulting from participation plans amounted to MCHF 1.7 in 2011 (PY: MCHF 1.5), those for option plans totaled MCHF 2.3 (PY: MCHF 2.3).

19. Deferred tax assets and liabilities

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

[1] Other comprehensive income

	2010	Movements 2010			2009
	Total	Charged/ credited to income	Through equity/ OCI [1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets					
Loss carryforwards	6.2	-2.4		-0.9	9.5
Accrued pension obligation	17.3	0.1	7.2	-1.1	11.1
Property, plant and equipment	2.4	0.7		-0.3	2.0
Goodwill and intangible assets	36.1	-5.0		-1.0	42.1
Other	16.5	2.4		-0.6	14.7
Total deferred tax assets	**78.5**	**-4.2**	**7.2**	**-3.9**	**79.4**
Deferred tax liabilities					
Inventories	-5.3	0.1		0.5	-5.9
Property, plant and equipment	-32.6	-1.2		3.5	-34.9
Intangible assets	-7.4				-7.4
Other	-6.9	0.7		0.2	-7.8
Total deferred tax liabilities	**-52.2**	**-0.4**	**0.0**	**4.2**	**-56.0**

[1] Other comprehensive income

Deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings if earnings are planned to be remitted to the parent. As of December 31, 2011 and 2010, there were no such retained earnings in the subsidiaries.

The Group recognizes deferred tax assets from loss carryforwards if they comply with the requirements of IAS 12. The following loss carryforwards (listed by maturity) were used for the calculation of deferred tax assets:

Maturity	2011	Not deferred tax asset	Deferred tax asset	2010	Not deferred tax asset	Deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
1 year	0.0	0.0	0.0	0.7	0.1	0.6
2 years	0.0	0.0	0.0	0.5	0.0	0.5
3 years	0.0	0.0	0.0	0.2	0.0	0.2
4 years	0.0	0.0	0.0	0.0	0.0	0.0
5 years	0.0	0.0	0.0	1.3	0.0	1.3
6 years	5.7	0.0	5.7	4.2	0.0	4.2
> 6 years	14.0	0.0	14.0	18.9	0.7	18.2
Total	**19.7**	**0.0**	**19.7**	**25.8**	**0.8**	**25.0**

20. Other non-current provisions and liabilities

	2011	2010
	MCHF	MCHF
Provisions for operating risks	20.6	22.9
Accrued grant payments	1.9	1.6
Long-term derivative financial instruments (see **Note 33**)	0.0	18.9
Other non-current liabilities	14.5	15.6
Total other non-current provisions and liabilities	**37.0**	**59.0**

For details with respect to derivative financial instruments see → **Note 16**. Provisions for operating risks mainly include provisions for warranties. 2011 and 2010 movements are shown in the following table.

	2011	2010
	MCHF	MCHF
Provisions for operating risks		
January 1	**22.9**	**20.6**
Additions	9.5	13.9
Used	-7.4	-8.8
Reversed	-4.1	-0.4
Translation differences	-0.3	-2.4
December 31	**20.6**	**22.9**

21. Contingencies

The Group is involved in various legal proceedings arising from the ordinary course of business. The Group believes that none of these proceedings either individually or in the aggregate are likely to have a material adverse impact on the Group’s financial position or operating results. The Group has established insurance policies to cover product liabilities and it makes provisions for potential product warranty claims.

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

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

22. Capital stock and treasury shares

The total number of issued Geberit shares at December 31, 2011, was 39,847,005.

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

	2011 pcs.	2010 pcs.
Issued shares		
January 1	**41,238,005**	**40,971,574**
Additional shares from Convertible Bond	0	266,431
Capital reduction as at July 6, 2011	-1,391,000	0
December 31	**39,847,005**	**41,238,005**

In 2011 and 2012, a new share buyback program will be executed. Shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased via a separate trading line, less withholding tax, and retired by means of a capital reduction. A total of 1,026,000 shares in the amount of MCHF 192.5 had been repurchased by December 31, 2011. The Board of Directors will propose the shareholders on the next General Meeting to retire these shares. Based on the closing price of the Geberit registered share on December 31, 2011, and the average price of the already repurchased shares, the value of the total shares to be bought back amounts to approximately MCHF 380.

As of December 31, 2011, the Group held a total of 1,300,551 (PY: 1,695,196) treasury shares with a carrying amount of MCHF 229.4 (PY: MCHF 213.0). In 2011, the Group decreased the net number of treasury shares by 394,645. Treasury shares are deducted at cost from equity.

	2011 pcs.	2010 pcs.
Stock of treasury shares		
From share buyback programs	1,026,000	1,391,000
Other treasury shares	274,551	304,196
Total treasury shares	**1,300,551**	**1,695,196**

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

23. Earnings per share

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

	2011	2010
Attributable net income according to income statement (MCHF)	384.0	406.8
Weighted average number of ordinary shares outstanding (thousands)	39,096	39,424
Total earnings per share (CHF)	**9.82**	**10.32**

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

	2011	2010
Attributable net income according to income statement (MCHF)	384.0	406.8
Weighted average number of ordinary shares outstanding (thousands)	39,096	39,424
Adjustments for share options (thousands)	19	54
Weighted average number of ordinary shares outstanding (thousands)	39,115	39,478
Total diluted earnings per share (CHF)	**9.82**	**10.30**

24. Cash discounts and customer bonuses

	2011 MCHF	2010 MCHF
Cash discounts	61.9	62.9
Customer bonuses	193.1	184.0
Total cash discounts and customer bonuses	**255.0**	**246.9**

25. Other operating expenses, net

	2011 MCHF	2010 MCHF
Outbound freight costs and duties	61.3	61.4
Energy and maintenance expenses	73.1	70.2
Marketing expenses	83.6	69.9
Administration expenses	40.0	41.0
Other operating expenses	67.7	75.8
Other operating income	-13.6	-11.9
Total other operating expenses, net	**312.1**	**306.4**

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

In 2011, costs of MCHF 9.7 (PY: MCHF 8.9) were capitalized as property, plant and equipment including particular tools and assembly lines, which are part of the production process. The amount was deducted prorata from “personnel expenses”, “cost of materials”, and “other operating expenses, net”.

26. Financial result, net

	2011 MCHF	2010 MCHF
Interest expenses	-6.4	-7.7
Amortization of deferred financing fees	-0.5	-0.5
Other financial expenses	-1.5	-2.7
Total financial expenses	**-8.4**	**-10.9**
Interest income	3.6	3.9
Total financial income	**3.6**	**3.9**
Foreign exchange loss (-)/gain	-2.5	-7.3
Total financial result, net	**-7.3**	**-14.3**

27. Income tax expenses

	2011 MCHF	2010 MCHF
Current taxes	53.8	60.5
Deferred taxes	4.1	4.6
Total income tax expenses	**57.9**	**65.1**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.7% (PY: 13.4%) and the effective income tax expenses were as follows:

	2011 MCHF	2010 MCHF
Income tax expenses, at applicable rate	60.6	63.0
Operating losses with no current tax benefit	0.1	0.1
Changes in future tax rates	-0.3	-0.1
Taxable goodwill amortization and non-deductible expenses, net	-2.7	-1.9
Other	0.2	4.0
Total income tax expenses	**57.9**	**65.1**

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

28. Cashflow figures

Net cashflow is calculated as follows:

	2011 MCHF	2010 MCHF
EBITDA [1]	532.0	573.7
Financial result, net	-7.3	-14.3
Income tax expenses	-57.9	-65.1
Deferred taxes charged/credited (-) to net income (see **Notes 19** and **27**)	4.1	4.6
Changes in non-current provisions	24.9	34.7
Changes in other non-current assets and liabilities and other	-1.1	-0.2
Net cashflow	**494.7**	**533.4**

[1] EBIT + Depreciation + Amortization

"Changes in non-current provisions" mainly includes the changes in provisions for operating risks, accrued pension obligations and non-cash expenses resulting from share participation and option plans charged or credited to net income. "Changes in other non-current assets and liabilities and other" mainly includes the changes in prepaid pension assets, gains from the disposal of property, plant and equipment and the non-cash amortization of transaction costs in relation with the borrowing of debts.

Free cashflow is calculated as follows:

	2011 MCHF	2010 MCHF
Net cashflow	494.7	533.4
Purchase of property, plant and equipment and intangible assets, net	-88.8	-78.4
Changes in net working capital	-7.6	51.8
Payments charged to non-current provisions	-12.3	-13.0
Free cashflow	**386.0**	**493.8**

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

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

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

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

29. Segment reporting

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

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

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

The information is as follows:

	2011 MCHF	2010 MCHF
Sales by product lines		
Installation Systems	767.7	800.0
Cisterns and Mechanisms	226.9	231.4
Faucets and Flushing Systems	121.0	129.9
Waste Fittings and Traps	93.4	94.4
Sanitary Systems	**1,209.0**	**1,255.7**
Building Drainage Systems	308.6	298.3
Supply Systems	605.0	592.9
Piping Systems	**913.6**	**891.2**
Total	**2,122.6**	**2,146.9**

	2011 MCHF	2010 MCHF
Sales by markets		
Germany	723.1	724.2
Switzerland	295.4	291.5
Italy	198.9	216.9
Other Europe	725.5	725.4
Other markets	179.7	188.9
Total	**2,122.6**	**2,146.9**

	2011 MCHF	2010 MCHF
Share of sales by customers		
Customers with more than 10% of sales: customer A	292.9	286.0
Total >10%	**292.9**	**286.0**
Remaining customers with less than 10% of sales	1,829.7	1,860.9
Total	**2,122.6**	**2,146.9**

30. Related party transactions

In 2011 and 2010, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2011 MCHF	2010 MCHF
Salary and other short-term benefits	3.4	3.9
Share-based payments	2.7	2.5
Expenditures on pensions	0.8	0.8
Total	**6.9**	**7.2**

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

In 2011 and 2010, there were no further material related party transactions.

31. Foreign exchange rates

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

			2011		2010	
	Currency		Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.2174	1.2345	1.2499	1.3852
United Kingdom	GBP	1	1.4497	1.4154	1.4507	1.6139
USA	USD	1	0.9405	0.8857	0.9371	1.0451
Poland	PLN	100	27.6700	30.0440	31.5500	34.5790
China	CNY	100	14.9300	13.6780	14.2000	15.3610
Denmark	DKK	100	16.3760	16.5560	16.7660	18.5600
Australia	AUD	1	0.9558	0.9094	0.9532	0.9565
Czech Republic	CZK	100	4.7250	5.0260	4.9840	5.4860
Hungary	HUF	100	0.3923	0.4410	0.4482	0.4990
Norway	NOK	100	15.6660	15.8260	15.9920	17.2120
Sweden	SEK	100	13.6150	13.6720	13.9170	14.4860
Singapore	SGD	1	0.7234	0.7020	0.7307	0.7667
South Africa	ZAR	100	11.5300	12.1870	14.1300	14.2420
India	INR	100	1.7700	1.8990	2.0900	2.2820

32. Subsequent events

These financial statements are subject to approval by the General Meeting. They were released by the Board of Directors on March 2, 2012.

33. Additional disclosures on financial instruments

Measurement of financial instruments by categories according to IAS 39

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

	Carrying amount as of 31.12.11 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	455.0	455.0		
Marketable securities	87.0		87.0	Level 1
Trade accounts receivable	112.9	112.9		
Other current assets	43.8	43.8		
Other non-current assets	6.6	5.6	1.0	Level 2
Derivative financial instruments	2.7		2.7	Level 2
Total	**708.0**	**617.3**	**90.7**	

	Carrying amount as of 31.12.11 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.8	3.8		
Trade accounts payable	60.2	60.2		
Private Placement	61.0	61.0		
Other financial liabilities	10.8	10.8		
Derivative financial instruments	16.4		16.4	Level 2
Total	**152.2**	**135.8**	**16.4**	

Fair value measurement hierarchy:

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

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

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

Fair value measurement hierarchy:

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

Maturity analysis of financial instruments

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

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

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

34. Group companies as of December 31, 2011

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

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

○ Services, holding functions
▵ Distribution
□ Production

Report of the Statutory Auditor

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Report of the Statutory Auditor
to the General Meeting of
Geberit AG
Rapperswil-Jona

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Geberit AG, which comprise the ➔ **balance sheet**, ➔ **income statement**, ➔ **statement of comprehensive income**, ➔ **statement of changes in equity**, ➔ **statement of cashflows** and ➔ **notes**, for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, March 2, 2012

GEBERIT

Geberit AG

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Financial Statements

	31.12.2011 MCHF	31.12.2011 MCHF	31.12.2010 MCHF	31.12.2010 MCHF
Balance Sheets				
Current assets				
Cash and cash equivalents		1.4		0.0
Treasury shares		185.7		157.3
Accounts receivable				
- Third parties		4.4		3.9
- Group companies		159.4		377.8
Total current assets		**350.9**		**539.0**
Non-current assets				
Investments		1,012.3		818.9
Total non-current assets		**1,012.3**		**818.9**
Total assets		**1,363.2**		**1,357.9**
Current liabilities				
- Third parties		6.4		1.7
- Group companies		4.0		3.3
Total current liabilities		**10.4**		**5.0**
Shareholders' equity				
Capital stock		4.0		4.1
Legal reserves				
- General reserve, share premium		0.8		0.8
- Reserve for treasury shares		211.3		179.8
- Reserve from capital contributions				
- Share premium, reserves from capital contributions	356.6		25.8	
- Reserve for treasury shares from capital contributions	18.0	374.6	33.2	59.0
Total legal reserves		586.7		239.6
Free reserves				
- Reserve from capital contributions		0.0		553.1
- Other free reserve		360.4		99.1
Total free reserves		360.4		652.2
Retained earnings		401.7		457.0
Total shareholders' equity		**1,352.8**		**1,352.9**
Total liabilities and shareholders' equity		**1,363.2**		**1,357.9**

	2011 MCHF	2010 MCHF
Income Statements		
Income		
Dividends from Group companies	400.0	450.0
Financial income	4.1	4.9
Other operating income	0.4	0.3
Total income	**404.5**	**455.2**
Expenses		
Administrative expenses	2.7	2.8
Financial expenses	0.1	0.1
Loss on treasury shares	6.8	0.0
Taxes	0.2	0.2
Total expenses	**9.8**	**3.1**
Net income	**394.7**	**452.1**

Notes to the Financial Statements

1.1 Guarantees, assets pledged in favor of third parties

	31.12.2011 MCHF	31.12.2010 MCHF
Guarantee Revolving Facility	150.0	250.0
Guarantee in connection with Private Placement (MUSD 65)	61.1	60.9

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

1.2 Convertible Bond

The bonds were completely converted by June 14, 2010.

1.3 Significant investments

	2011 Ownership in %	2011 capital stock	2010 Ownership in %	2010 capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39,350	100	TCHF 39,350
Geberit Finance Ltd., Jersey[1]	83	TEUR 551,975	77	TEUR 401,975
Geberit Reinsurance Ltd. Guernsey	100	TEUR 2	100	TEUR 2

[1] The remaining 17% (PY 23%) are hold by Geberit Companies.

1.4 Share capital

The share capital of Geberit AG consists of 39,847,005 ordinary shares with a par value of CHF 0.10 each.

	2011 pcs.	2010 pcs.
Number of shares issued		
Beginning balance	41,238,005	40,971,574
Additional shares from Convertible Bond		266,431
Capital reduction as at July 6, 2011	-1,391,000	
Ending balance	**39,847,005**	**41,238,005**

1.5 Capital contribution reserves

From the total of MCHF 374.6 the amount of MCHF 352.9 was confirmed by the Swiss tax authorities as per 31 December 2011 and is therefore available for withholding tax free distribution.

1.6 Treasury shares

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

	Number of registered shares	High	Average	Low
		in CHF	in CHF	in CHF
Balance at December 31, 2010	1,695,196			
Purchases, share buyback programm	1,026,000	211.70	187.67	148.22
Cancellation share buyback programm 2006	-1,391,000			
other Purchases	98,911	205.34	182.89	150.27
Sales	-128,556	219.50	201.04	161.10
Balance at December 31, 2011	**1,300,551**			
Number of treasury shares held by Geberit AG	1,026,000			

The Board of Directors of Geberit AG approved a share buyback program in the amount of MCHF 200.0 in January 2006. The buyback program was closed as at January 31, 2007. Under this program, the company repurchased 1,391,000 shares for MCHF 179.1 at an average price of CHF 128.75. The General Meeting on April 19, 2011 decided to reduce the capital in the volume of the shares repurchased. On July 6, 2011, therefore 1,391,000 shares were cancelled.

The Board of Directors of Geberit AG decided to initiate a share buyback program in the years 2011 and 2012 and determined a maximum repurchasing volume of 5% of the share capital, total 2,048,578 shares. Until December 31, 2011 the company repurchased 1,026,000 shares. Geberit AG plans to propose to the General Meeting on April 4, 2012 a capital reduction in the amount of the shares repurchased and to cancel the shares. The share buyback program continues in the year 2012.

The legal reserves for treasury shares were recorded at cost.

1.7 Captital increases

	31.12.2011	31.12.2010
	MCHF	MCHF
Conditional capital	0.0	0.2

The Board of Directors decided to cancel the remaining conditional capital at the General Meeting on April 19, 2011.

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

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

	CHF
Remuneration to former members of the Board of Directors	
Accrued remuneration[1]	-243,334
Shares[2]	504,363
Contributions to social insurance	14,849
Withholding tax	15,002
Total	**290,880**

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

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

[1] Directors fee booked, but not yet paid as at December 31. Negative amounts result if the provision in the previous year was higher than the provision in the current year.

[2] Remuneration is in the form of registered shares in the company with a par value of CHF 0.10 each, 2-year blocking period, valued at CHF 176.20 (PY CHF 168.30), made up of CHF 197.95 (PY CHF 189.10) market value at grant date less CHF 21.75 (PY CHF 20.80) tax benefit for blocking period. The number of shares allocated is calculated on the base fee divided by the net price of CHF 138.57 (CHF 197.95 less 30% discount) (PY CHF 132.37 [CHF 189.10 less 30% discount]).

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

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

	2011		2010	
	A. Baehny CEO	Total	A. Baehny CEO	Total
	CHF	CHF	CHF	CHF
Remuneration of the Group Executive Board				
Cash/deposits				
- Fixed salary	936,806	2,689,830	836,810	2,629,930
- Variable salary[1]	57,078	817,313	140,971	988,281
Shares/options				
- Shares (instead of variable salary)[1,2]	478,157	832,827	407,670	783,431
- Call options MSOP A[3]	68,974	192,527	62,949	202,654
- Call options MSOP B[4]	66,770	186,375	58,523	188,407
- Call options MSPP[5]	120,489	209,861	98,996	190,243
Non-cash benefits				
- Private share of company vehicle[6]	9,340	36,015	9,180	38,534
Expenditure on pensions				
- Pension plans and social insurance	255,853	729,322	230,134	717,233
- Contribution health/accident insurance	2,546	13,173	2,443	13,092
Total[7]	**1,996,013[8]**	**5,707,243**	**1,847,676**	**5,751,805**

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

[2] Registered shares in the company with a par value of CHF 0.10 each, 3-year blocking period, valued at CHF 166.20 (PY CHF 158.75), made up of market value at grant date of CHF 197.95 (PY CHF 189.10) less CHF 31.75 (PY CHF 30.35) tax benefit for blocking period.

[3] Call options A on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Program (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 217.60 (PY CHF 197.20); definitive acquisition of the option (“vesting”) dependent on various conditions, 2-year blocking period, market value of CHF 38.49 (PY CHF 37.83) using the binomial method.

[4] Call options B on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Program (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 228.00 (PY CHF 206.60); definitive acquisition of the option (“vesting”) dependent on various conditions, 4-year blocking period, market value of CHF 37.26 (PY CHF 35.17) using the binomial method.

[5] Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 197.95 (PY CHF 189.10); definitive acquisition of the option (“vesting”) dependent on various conditions, 2-year blocking period, market value of CHF 41.88 (PY CHF 38.55) using the binomial method.

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

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

[8] The remuneration of A. Baehny as Chairman of the Board of Directors is included in his CEO compensation.

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

	A. Baehny Chairman	R. Spoerry Vice Chairman	R. Hanslin	R. Heber-lein	H. Reuter	S. Ruoff	Total
2011							
Shareholdings Board of Directors							
Shares	see Group Executive Board	2,241	363,151	91,880	3,265	1,351	461,888
Share of voting rights		< 0.1%	0.91%	0.23%	< 0.1%	< 0.1%	1.16%

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christen-sen	M. Reinhard	K. Spachmann	Total
2011								
Shareholdings Group Executive Board								
Shares			43,721	20,000	8,706	3,001	370	75,798
Share of voting rights			0.11%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.19%
Call options[1]								
End of blocking period:								
Lapsed	2012–2014	163.95	6,320	1,660	2,285	2,730	3,295	16,290
2012	2013–2015	178.37	6,782	3,983	1,370	3,314	1,545	16,994
2013	2014–2016	179.05	8,137	4,691	2,242	3,578	1,708	20,356
2014	2015	206.60	1,664	980	715	1,018	555	4,932
2015	2016	228.00	1,792	957	753	1,017	483	5,002
Total options			**24,695**	**12,271**	**7,365**	**11,657**	**7,586**	**63,574**
Potential share of voting rights			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%

[1] Purchase ratio 1 share for 1 option

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

[1] Purchase ratio 1 share for 1 option

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

[1] Purchase ratio 1 share for 1 option

1.9 Significant shareholders

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

	31.12.2011	31.12.2010
Capital Group Companies, Inc., Los Angeles	9.72%	9.72%
Geberit AG, Rapperswil-Jona	3.26%	4.11%
Black Rock, New York	3.23%	3.23%
CS Management Funds AG, Zürich	3.05%	3.00%
Marathon Asset Management	3.00%	

1.10 Risk management

Geberit AG is integrated into the group-wide risk assessment process of the Geberit Group.

A description of the risk management system in the Geberit Group can be seen in → **Note 4 “Risk assessment and management”** of the consolidated financial statements.

2. Other Disclosures required by the law

Proposal for the Appropriation of Available Earnings

Proposal by the Board of Directors to the General Meeting:

Appropriation available earnings

	2011 CHF	2010 CHF
Available earnings		
Net income	394,676,067	452,150,596
Balance brought forward	7,008,658	4,858,062
Withdrawal from legal capital contribution reserves	244,572,332	237,534,030
Total available earnings	**646,257,057**	**694,542,688**
Transfer to free reserves	400,000,000	450,000,000
Proposed/Paid distribution of capital contribution reserves	244,572,332	237,534,030
Balance to be carried forward	1,684,725	7,008,658
Total appropriation of available earnings	**646,257,057**	**694,542,688**

Distribution of capital contribution

Instead of a dividend, the Board of directors proposes a redemption of capital contribution of CHF 6.30 per share. In the previous year, a redemption of capital contribution of CHF 6.00 per share was paid out. In line with the new capital contribution law which is effective from January 1st, 2011, similar to a redemption of the nominal value of the shares, this distribution is not subject to withholding tax.

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

Report of the Statutory Auditor

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Report of the Statutory Auditor
to the general meeting of
Geberit AG
Rapperswil-Jona

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Geberit AG, which comprise the ➔ **balance sheet**, ➔ **income statement** and ➔ **notes**, for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial state-ments according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

René Rausenberger Audit expert Auditor in charge	Martin Knöpfel Audit expert

Zürich, March 2, 2012