Highlights business year

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

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

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

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

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

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

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

**Once-in-a-Lifetime Mission**
Port Elizabeth was the scene of Geberit’s latest social aid project. The company’s apprentices spent two weeks renovating the WC facility at Fontein Primary School. The 850 children are not the only ones to benefit – the apprentices themselves have gained a unique experience in life.
Despite the challenging environment, the Geberit Group can look back on a convincing 2012. It once again successfully defended its excellent market position and gained market shares. Healthy sales growth was a major factor in raising the results slightly above the prior-year level, and this despite substantial additional investments in organic growth.

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

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

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

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

We credit the convincing results in 2012, which surpassed those of the prior year, to the outstanding commitment, high motivation and skills of our employees in 41 countries. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors are again deserving of special thanks for their solidarity and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

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

Albert M. Baehny
Chairman and CEO

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

Share price performance in the year under review

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

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

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

Distribution

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

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

The Board of Directors will propose to the General Meeting of Geberit AG on April 4, 2013 a distribution of CHF 6.60, an increase of 4.8% over that of 2012. As such, the shareholder-friendly distribution policy will be continued. CHF 2.60 of the distribution will be paid out as in the previous year, in the form of a tax-exempt payment to shareholders taken from reserves from capital contribution, and CHF 3.80 as a regular dividend. The payout ratio of 63.6% of net income is in the upper range of the 50 to 70% corridor, which was increased by the Board of Directors as a result of the reassessment of the use of liquid funds at the beginning of 2011.

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Major data relating to the Geberit share (as of December 31, 2012)</th>
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<tr>
<td>Registered shareholders</td>
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<td>Capital stock (CHF)</td>
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<td>Number of registered shares of CHF 0.10 each</td>
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<tr>
<td>Registered shares</td>
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<tr>
<td>Treasury stock:</td>
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<tr>
<td>- Treasury shares</td>
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<tr>
<td>- Share buyback program</td>
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<td>Total treasury stock</td>
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<td>Swiss securities identification number</td>
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<td>ISIN code</td>
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<td>Telekurs</td>
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<td>Reuters</td>
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<th>Key figures (CHF per share)</th>
<th>2011</th>
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<tr>
<td>Net income</td>
<td>9.62</td>
<td>10.29</td>
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<tr>
<td>Net cashflow</td>
<td>12.65</td>
<td>13.22</td>
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<td>Equity</td>
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<td>37.52</td>
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<td>Distribution</td>
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1 Subject to approval of the General Meeting 2013

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<th>Time schedule</th>
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<td>General Meeting</td>
<td>April 04</td>
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<tr>
<td>Dividend payment</td>
<td>April 11</td>
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<tr>
<td>Interim report first quarter</td>
<td>April 30</td>
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<tr>
<td>Half-year results</td>
<td>August 13</td>
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<tr>
<td>Interim report third quarter</td>
<td>October 31</td>
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<td>First information 2013</td>
<td>January 14</td>
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<td>Results full year 2013</td>
<td>March 11</td>
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<td>General Meeting</td>
<td>April 03</td>
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<tr>
<td>Dividend payment</td>
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<tr>
<td>Interim report first quarter</td>
<td>April 29</td>
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(subject to minor changes)
# Management structure

## as of December 31, 2012

### Board of Directors

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Albert M. Baehny</td>
</tr>
<tr>
<td>Vice Chairman and Lead Director</td>
<td>Robert F. Spoerry</td>
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### CEO Division

<table>
<thead>
<tr>
<th>Region</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>Albert M. Baehny</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Roland Held</td>
</tr>
<tr>
<td>Communications</td>
<td>Roman Sidler</td>
</tr>
<tr>
<td>Marketing</td>
<td>Egon Renfordt-Sasse</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>Andreas Lange</td>
</tr>
<tr>
<td>Environment/Sustainability</td>
<td>Roland Högger</td>
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<tr>
<td>Shower Toilet</td>
<td>Martin Baumüller</td>
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### Sales Europe

<table>
<thead>
<tr>
<th>Sales Executive</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Christian Buhl</td>
</tr>
<tr>
<td>Italy</td>
<td>Giorgio Castiglioni</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Hanspeter Tinner</td>
</tr>
<tr>
<td>Austria</td>
<td>Clemens Rapp</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Menno Portengen</td>
</tr>
<tr>
<td>Belgium</td>
<td>Paul Forier</td>
</tr>
<tr>
<td>Nordic Countries</td>
<td>Lars Risager</td>
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<tr>
<td>France</td>
<td>Patrick Jouvet</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Mark Larden</td>
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<tr>
<td>Poland</td>
<td>Andrzejk Dobut</td>
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<tr>
<td>Czech Republic</td>
<td>Vladimír Sedlacko</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Vladimír Sedlacko</td>
</tr>
<tr>
<td>Hungary</td>
<td>Tamás Köszeghy</td>
</tr>
<tr>
<td>Adriatic region</td>
<td>Miran Medved</td>
</tr>
<tr>
<td>Spain</td>
<td>David Mayolas</td>
</tr>
<tr>
<td>Portugal</td>
<td>José Seabra</td>
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<tr>
<td>OEM</td>
<td>Tobias Beck</td>
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### Sales International

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<th>Sales Executive</th>
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<tbody>
<tr>
<td>North America</td>
<td>Andreas Nowak</td>
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<tr>
<td>Far East/Pacific</td>
<td>Ron Kwan</td>
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<tr>
<td>China</td>
<td>Edward Qiao</td>
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<tr>
<td>Singapore</td>
<td>Eugene Foo</td>
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<tr>
<td>Australia</td>
<td>Tony Rusten</td>
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<tr>
<td>Middle East/Africa</td>
<td>Christian Steinberg</td>
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### Products

<table>
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<th>Product Category</th>
<th>Executive</th>
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<tr>
<td>Member Executive Board</td>
<td>Michael Reinhard</td>
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<tr>
<td>Accredited Test Laboratory</td>
<td>Markus Tanner</td>
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<tr>
<td>Quality</td>
<td>Christian Englisch</td>
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<td>Purchasing</td>
<td>Adriaan t' Glide</td>
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<td>Logistics</td>
<td>Gerd Hailfinger</td>
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<tr>
<td>Technology/Innovation</td>
<td>Felix Klaiber</td>
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<td>Products Sanitary Systems</td>
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<td>Cisterns and Mechanisms</td>
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<td>Faucets and Flushing Systems</td>
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<td>Product Development</td>
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<td>Products Piping Systems</td>
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<td>Supply Systems</td>
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Management structure
as of December 31, 2012

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<tr>
<th>CEO Division</th>
<th>Sales Europe</th>
<th>Sales International</th>
<th>Products</th>
<th>Finance</th>
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<td>Andreas Nowak</td>
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</table>

* IBA: Injection and Blow Moulding/Assembly
* EXM: Extrusion/Metal Processing

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

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

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

Geberit benefited from the fact that at -7.5%, the civil engineering sector - which is not relevant for the company - trended substantially weaker than the building construction sector (-3.8%). The more stable situation in the building renovation sector mentioned before and positive developments in the building construction sector in countries such as Austria (+1.5%), Germany (+0.9%) and Switzerland (+0.5%) also had a positive effect. Supported by this comparatively favorable situation, Geberit can assume that it clearly outperformed some of its competitors in Europe in the reporting year.

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

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

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

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

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

Strongly diverging performance in individual markets
The following changes in sales figures by markets and regions refer to local currencies.

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

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

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

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

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

Negative impact of foreign currencies smaller than in previous year

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

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

In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or 10% stronger:
- Sales: +/-7% to +/-9%
- EBIT: +/-9% to +/-11%
- EBIT margin: approximately +/- 0.5 percentage points


Results improved – profitability maintained at high level

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

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

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

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

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

Increase in free cashflow

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

Solid financial foundation

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Debt (in CHF million)</th>
<th>12/10</th>
<th>12/11</th>
<th>12/12</th>
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</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>70.1</td>
<td>10.8</td>
<td>10.9</td>
</tr>
<tr>
<td>Total debt</td>
<td>73.4</td>
<td>75.6</td>
<td>14.7</td>
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<tr>
<td>Liquid funds and marketable securities</td>
<td>586.6</td>
<td>542.0</td>
<td>423.1</td>
</tr>
<tr>
<td>Net debt</td>
<td>-513.2</td>
<td>-466.4</td>
<td>-408.4</td>
</tr>
</tbody>
</table>
Investments

Declining investment volume

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

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>Value</td>
<td>152.5</td>
<td>106.4</td>
<td>80.5</td>
<td>92.6</td>
<td>86.0</td>
</tr>
</tbody>
</table>

In % of sales | 6.2 | 4.9 | 3.7 | 4.4 | 3.9 |

Investments by purpose

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

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

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

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

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

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

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

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

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

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

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

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

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

Various activities to promote employee health

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

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

Group-wide, the absenteeism rate was 3.53% for the reporting year (previous year 3.20%). Of this, 3.37% (previous year 3.04%) was due to sickness and 0.16% (previous year 0.16%) to occupational accidents. The accident frequency rate (AFR) dropped to 11.7 in 2012 (previous year 13.9), also because of the constant efforts of the production plants to ensure safer working conditions. The two Chinese production plants have been certified in accordance with OHSAS 18001 since 2009, the sales company in the UK since 2010, and the production plant in Givisiez (CH) since 2011. To meet the Group’s
ambitious standards, the objective is to reduce the frequency and seriousness of accidents by 5% per year or by 50% between 2010 and 2020.

Integrity line creates transparency on internal grievances

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

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

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

Customer focus takes center stage

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

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

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

More emotion in communication with customers

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

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

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

In contrast to plumbers and planners, it is less the technical facts than the emotional and design aspects that count in communication with end customers, designers and architects. For this reason, Geberit introduced a new branding concept for the whole Group in 2011, aiming to evolve the brand while at the same time improving the focus on the needs of the business-to-consumer sector, which is a relative newcomer among the company's target groups. The new brand image integrates two different worlds: A more emotional one for architects and end customers, and a more technical one for plumbers and planners. Both worlds are based on the five central Geberit brand values - know-how, innovation, partnership, reliability and quality of life - and the same design principles. In the reporting year, the exhibition stands for the first time had the same look worldwide. The Group's internet site was redesigned at the
end of 2011, and in 2012 preparations started for the redesign of the local country sites to reflect the Group's enhanced focus on its specific target groups.

**High degree of customer satisfaction of utmost importance**

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

Innovation as central Geberit brand value

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

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

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

Growing internationalization also affects new product launches

Various new products were launched on the market in 2012:

- Following the very successful launch of the Monolith sanitary module for toilets, the success story was continued in 2012 with the introduction of modules for the washbasin and bidet. This bundles together the various usable spaces in a bathroom. Using the sanitary washbasin module as an example, this means that functions such as countertops, storage space and towel rails, as well as all the technology for fastening, water connections and traps, form a single unit that can be fitted with numerous commercially available faucets and washbasins. The same philosophy is behind the modules for toilets and bidets. The Monolith sanitary modules have been rewarded with several internationally recognized design awards.

- Last year, a sanitary toilet module for the Chinese market which is unique in its segment and tailored to local needs was introduced.

- With the electronic lavatory taps, environmentally friendly products for the public sphere that reduce water consumption have been offered for several years. These taps have been rated in the top A category by the WELL water efficiency label, and their electronic controls ensure economical consumption. In 2012 a new generator unit has been introduced which uses the energy of the flowing tap water to generate the required electricity, making these electronic taps entirely independent of mains current. The new generator is based on intelligent energy management that expediently unites use, ecology and practical installation in one device.

- The new Sigma80 actuator plate works touch-free and thus meets the highest standards for design, hygiene and comfort. The excellent dual-flush mechanism, which has been rated in the top A category by the WELL water efficiency label, can be activated easily by placing the hand in front of the light field available in five different colors. Everything else is done by the servo technology integrated in the cistern.

- In the reporting year Geberit also launched a concealed cistern developed specifically for the needs and installation methods of the Indian market. This product will be manufactured in time-tested quality from the second half of 2013 in the new Geberit plant currently being built in India.
Several new product launches are planned for 2013:

- With its simple, modern lines and wealth of innovative technology, the new Geberit AquaClean Sela shower toilet is a compelling product offering a high level of convenience. In adding this model, Geberit is supplementing its line of shower toilets with a complete solution that has been fundamentally redesigned and fits into nearly any style of bathroom. The shower function, which uses aerated water for cleaning, is the main feature of the new shower toilet. This not only gives a pleasant feeling of cleanliness, but also reduces energy consumption.

- The company's market position in China and Southeast Asia will be extended further with new and innovative products and an expanded product range that will set new bathroom trends. In 2012 Geberit was right on target with the Monolith sanitary toilet module adapted specifically to the needs of the Chinese market. This success was reason enough to make this exceedingly well-accepted product even more appealing with new colors and patterns. The concealed cistern launched successfully in India in 2012, which is sold together with the ceramic bowl, will now also be introduced in China and Southeast Asia. The cistern has an environmentally compatible dual-flush mechanism that reduces water consumption and is more efficient than traditional pressure flushing valve systems, as it needs less water pressure and smaller piping diameters. This product should replace the old in-wall cisterns.

- Following their optical and technical redesign, the Sigma10 and Sigma50 actuator plates are expected to set new trends in the design market.

- The new sound insulation for the Pluvia roof outlet solves the problem of irritating gurgling sounds in the roof outlet by removing the source of the noise. This adds a totally new and unique product to the globally successful Pluvia roof drainage system. This innovative product should further cement Geberit's position in the market as an acoustic specialist.

- To ease the daily work of Geberit’s most important customers, i.e. plumbers, the tried-and-tested welding machines for polyethylene pipes were improved further with the aim of reducing the weight without sacrificing their robustness, improving the functionality and operation in many small details, and simplifying the conversion of the machine from one pipe diameter to another.

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

Sustainable thinking as part of the Geberit culture

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

Water as scarce future commodity

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

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

<table>
<thead>
<tr>
<th>Stage</th>
<th>Water Consumption</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of raw materials</td>
<td>0.5% (14 million m³)</td>
<td>0.5% of the total amount of water is required in the manufacture of raw materials for Geberit products.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.01% (0.14 million m³)</td>
<td>A mere 0.01% of the water is used in the manufacturing of products at Geberit in 2012.</td>
</tr>
<tr>
<td>Use</td>
<td>99.4% (2,555 million m³)</td>
<td>The greatest water consumption by far occurs during the use of Geberit products manufactured in 2012 during their entire service life (cisterns, urinal flushing systems and lavatory taps).</td>
</tr>
<tr>
<td>Disposal</td>
<td>0.01% (0.2 million m³)</td>
<td>0.01% of the total amount of water is used for the disposal of Geberit products.</td>
</tr>
</tbody>
</table>

→ **Green building** has long been more than just a trend. European norms in this area are becoming more and more important and new standards are setting out the basic rules for environmental declarations for products within the construction industry. Geberit published the first Environmental Product Declaration for lavatory taps in 2012; others are set to follow. Investors, project developers, owners and tenants are increasingly looking for service providers with holistic expertise regarding green building. This is opening up a future market with major potential in which Geberit is present with water and energy-saving, low-noise and durable products that meet sustainable construction standards. The Group is well positioned as a leading system provider of sanitary solutions in green building and plays an active role in the relevant associations. The importance of the topic is also reflected in numerous green building reference projects in which Geberit products are installed. The reporting year saw the completion of some architecturally impressive examples such as the Vodafone headquarters in Milan (IT). Various Geberit products such as concealed cisterns and waste water piping systems are integrated into the sustainable super complex (also known as “the Vodafone Village”). The six-story → city hall in Viborg (DK) fulfills all the requirements of a green building. The roof drainage system from Geberit made a substantial contribution toward meeting the strict sustainability requirements concerning the use of rainwater. The new → National Stadium in Warsaw (PL) also has a sustainable water supply thanks to Geberit's know-how: The stadium's 2,100 or so toilets and urinals are equipped with water-saving and long-life concealed flushing systems. Geberit's positioning as a sustainable company is playing an increasingly important role in various stakeholder groups’ expectations, as is reflected by a large number of awards → Awards. The consistent implementation of the sustainability strategy is an essential guideline for the development of all internal organizational units. The strategy focuses on individual sustainability modules. Among these are → green procurement, → Green Logistics, → environmental management in production, → occupational safety, → eco-design in product development and → social-aid projects. Each module contains a clear objective, derived measures and quantified key figures for effective monitoring. Overall, objectives were achieved to a great extent in 2012. For more information, see the → sustainability strategy.
Geberit is committed to internationally recognized principles of sustainability and since 2008 has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalization more socially responsible and environmentally friendly. Communication on progress regarding measures in the areas of human rights, labor practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local Swiss network of the UN Global Compact. The formal anchoring of the subject of sustainability is reinforced by the Code of Conduct for Employees and the Code of Conduct for Suppliers. Compliance with the directives is ensured by continuously improved compliance processes. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see Corporate Governance, 3. Board of Directors, Information and Control Instruments vis-à-vis the Group Executive Board.

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

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

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

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

Eight products with WELL label

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

Resource-efficient production

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

Although currency-adjusted Group sales rose by 4.5% in the reporting year, the absolute environmental impact over the same period declined by a marked 5.1% (previous year: increase of 0.4%). The consumption of energy in the form of electricity, combustibles and fuels represents Geberit’s greatest environmental impact. Despite the sales growth, the consumption of electricity fell in 2012 (113.4 GWh; previous year: 114.2 GWh). The Company likewise consumed lower volumes of the combustibles natural gas (38.1 GWh compared to 42.9 GWh in the previous year) and heating oil (0.24 GWh compared to 0.40 GWh in the previous year). However, fuel consumption increased slightly (17.9 GWh compared to 17.3 GWh in the previous year). The sharp increase in the procurement of green electricity (20 GWh compared to 13 GWh in the previous year) and the deployment for the first time of 8.4 GWh of biogas reduced the environmental impact and CO₂ emissions, as did numerous technical measures. The number of injection molding machines retrofitted with energy-efficient drive technology (reduction in energy consumption of up to 50%) rose from 28 to 74 in 2012. The powder coating facility launched in the German plant of Lichtenstein in the middle of the year enabled productivity to be increased significantly and the energy consumption per component produced to be cut by around 40%, while simultaneously reducing the use of hazardous substances.
CO₂ emissions in 2012 amounted to 71,853 metric tons (previous year 76,903 metric tons). The ratio of CO₂ emissions to currency-adjusted sales was reduced by 10.6%. This enabled the targets set out in the long-term CO₂ strategy to be met. The growing use of renewable energies plays a significant role here. In 2012 the amount of green electricity supplied to the largest production site in Pfullendorf (DE) was increased by another 2 GWh to 12 GWh. A further increase of 2 GWh is planned for 2013. The Daishan site in China used about 3 GWh of wind power in the reporting year, which corresponds to approximately 60% of the plant’s energy consumption. The share of renewable energies in combustibles is also being gradually increased. The commissioning in 2012 of the combined block heating station in Pfullendorf (DE) that is fed with 9.4 GWh of regionally generated biogas, represents a milestone. Ongoing effective initiatives also contributed to the improved CO₂ balance: the master plan energy for saving energy and enhancing energy efficiency at the production plants, and the binding requirements for energy-efficient, low-emission new vehicles and the associated lowering of CO₂ emissions for new vehicles by 10% every three years until 2012. For the first time the CO₂ emissions caused by air travel were measured: In the reporting year they came to 603 tons. All the corresponding targets and measures are disclosed in detail as part of the company’s participation in the Carbon Disclosure Project (COP).

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

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

Logistics established as core competency

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

As the interface between plants, markets and transport service providers, Transport Management coordinates the activities in question. The centralized management of transport service providers facilitates intelligent transport solutions, for example, by enabling transport runs between plants to be linked with deliveries to customers. This reduces the number of empty kilometers and increases truck capacity utilization. Geberit currently works with six main transport service providers for land transport in Europe, whereas it used to be more than 70. These service providers undertake to pursue a sustainable corporate policy, which can take the form of training their drivers in eco-friendly driving, for example. In addition, these main transport service providers must deliver regular reports to Geberit on their quality and environmental management systems – including the reduction of energy consumption and emissions. Geberit’s logistics calculator records data on the composition of the vehicle fleet, transportation performance and the environmental impact of the transport service providers and prepares an eco balance sheet. In the reporting year, the 12 largest transport service providers handled 169.7 million ton-kilometers (previous year 168.1 million ton-kilometers), resulting in 26,883 tons of CO\textsubscript{2} emissions (previous year 25,501 tons), with a fleet consisting of 84% Euro5 vehicles (previous year 85%).

One important aim in the reporting year was to expand the use of mega-trailers. These vehicles allow more load volume to be transported. Thanks to the use of mega-trailers between the Rapperswil-Jona (CH) and Pfullendorf (DE) as well as between the Pfullendorf and Pottenbrunn (AT) sites as opposed to conventional vehicles, 414 fewer transport runs were made in 2012. This translates into a reduction of 126,000 kilometers. Moreover, diesel consumption was reduced by 37,500 liters and CO\textsubscript{2} emissions were lowered by 155 tons.

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

Supplier management further optimized

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

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

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

Compliance processes of high standing

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

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

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

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

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

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

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

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

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

Donations and financial contributions – including product donations – totaling CHF 2.7 million were made during the reporting year (previous year CHF 2.7 million). In addition, employees contributed 2,335 hours of charitable work as part of social projects (previous year 2,390 hours). All donations and related commitments are neutral from a party political point of view. Geberit also supported facilities for disabled persons and
long-term unemployed, where simple installation and packaging work in the amount of around CHF 4.8 million was carried out in 2012 (previous year CHF 3.5 million). As a rule, no donations are made to parties or politicians, no political statements are made and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.
Changes in group structure

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

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

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

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

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

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

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

Ambitious medium-term goals
Geberit has made the setting of standards in sanitary technology worldwide its goal and aims to entrench these standards in the long term by acting sustainably. This approach is to be reflected among other things in sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. Additional growth through acquisitions has not been ruled out. However, any potential acquisition will have to satisfy strict strategic and financial criteria. In the medium-term, average currency-adjusted sales growth of 4 to 6% and an operating cashflow margin of between 23 and 25% should be achieved annually.
Medium-term contributions to growth are to come from standard business activities, organic growth initiatives (OGIs), new product launches and from the Geberit AquaClean business. Overall, around one-third of growth should result from newly launched products and from Geberit AcquaClean.

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

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

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

**Strategy**

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

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

Continuously optimizing and extending the product range is crucial for future success. Innovation strength is founded on basic research in areas such as hydraulics, statics, fire protection, hygiene and acoustics. The insights gained are systematically applied in the development of products and systems for the benefit of customers.

The accelerated penetration of markets such as France, the United Kingdom, the Nordic countries, Eastern Europe and the Iberian Peninsula is an important factor for long-term success. Outside Europe, Geberit concentrates on the most promising markets. These
include North America, China, Southeast Asia, Australia, the Gulf region and India. With the exception of North America and Australia, the company mainly engages in project business in these regions. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.

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

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

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

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

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

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

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

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

**Group structure**

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

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

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

**Significant shareholders**

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

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


**Cross-shareholdings**

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

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

For more details, please refer to the following subchapters.

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

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

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

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

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

Shares, participation and profit-sharing certificates
The share capital of Geberit AG is fully paid in and amounts to CHF 3,882,100. It is divided into 38,821,005 registered shares with a par value of CHF 0.10 each. Each share carries one vote at the General Meeting.

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

Limitations on transferability and nominee registrations
The Geberit Group has not imposed any limitations on the transferability of its shares.

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

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

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

Members of the Board of Directors

On December 31, 2012, the Board of Directors was composed of six members.

Albert M. Baehny (1952)
Executive Chairman of the Board of Directors since 2011, elected until 2014
Swiss citizen
Resident in Arlesheim (CH)

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

Robert F. Spoerry (1955)
Vice Chairman and Lead Director of the Board of Directors since 2011, non-executive, independent member of the Board of Directors since 2009, elected until 2013
Swiss citizen
Resident in Schindellegi (CH)
Chairman of the Board of Directors Mettler-Toledo International Inc., Greifensee (CH); President of the Board of Directors Sonova Holding AG, Stäfa (CH); member the Board of Directors Conzzeta AG, Zurich (CH)

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

Hartmut Reuter (1957)
Non-executive, independent member of the Board of Directors since 2008, elected until 2014
German citizen
Resident in Steckborn (CH)
Member of the Shareholders Committee and Supervisory Board of Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board of GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors of Elmove AG, Zurich (CH); Member of the Board of Directors of Wilkhahn GmbH + Co KG, Bad Münnder (DE)

After graduating in industrial engineering from Darmstadt (DE) University of Technology, Hartmut Reuter joined the Bosch Group in Stuttgart in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units, at last he was Director in the division planning and controlling at the Bosch headquarters. From 1997 to 2009, Hartmut Reuter was a member of the Group Executive Board of the Rieter Group in Winterthur; for the last seven of those years he was CEO of the company. He has had no significant business relations with the Geberit Group in the past five years.
Susanne Ruoff (1958)
Non-executive, independent member of the Board of Directors since 2009, elected until 2015
Swiss citizen
Resident in Crans-Montana (CH)
CEO Swiss Post, Bern (CH); member of the Industry Advisory Board Computer Science, ETH Zurich (CH); member of the Board of Directors Bedag Informatik AG (CH)

In addition to her foundation studies in education, Susanne Ruoff obtained an MBA diploma at the University of Fribourg and attended a Client Executive Program at INSEAD in Fontainebleau. She started her career in 1989 at IBM Switzerland. In her 20-year affiliation with IBM, she held several management positions in the areas of marketing, sales and services. As a member of the Management Board of IBM Switzerland, she was responsible from 2005 to 2009 for the area of Global Technology Services, which included the entire maintenance, outsourcing, and service project area. She was also a member of the Foundation Board as an employer representative of the IBM Pension Fund for six years. From April 1, 2009, she held the position of CEO at British Telecom, Switzerland. On September 1, 2012, she took over the management of Swiss Post, as CEO. Susanne Ruoff has had no significant business relations with the Geberit Group in the past five years.

Jeff Song (1946)
Non-executive member of the Board of Directors since 2012, elected until 2015
US citizen
Resident in Shanghai (CN)

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

Jørgen Tang-Jensen (1956)
Non-executive member of the Board of Directors since 2012, elected until 2015
Danish citizen
Resident in Hellerup (DK)
Member of the Board of Directors Coloplast A/S (DK); member of the Confederation of Danish Industry Business Political Committee.

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

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

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

Internal organizational structure

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

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

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

The Board of Directors meets whenever business so requires, usually six times a year for one day each (2012: seven meetings). Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors.

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

The regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person. The participation rate in 2012 – with the exception of one meeting, which two members were unable to attend – was 100%.

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

- **Personnel Committee**
  The members of the Personnel Committee are Robert F. Spoerry (Chairman), Susanne Ruoff and Jørgen Tang-Jensen. The committee meets at least twice a year for a half day each (2012: three meetings, participation rate 100%). It develops proposals to be submitted to the entire Board of Directors, including, in particular, personnel decisions and the determination of compensation regulations and models (salaries, variable compensations, share and option plans) for the entire Group management, as well as the annual determination of the compensation for the Board of Directors and Group Executive Board. Therefore, the tasks and responsibilities of a compensation and a nomination committee are combined in this committee. Detailed responsibilities are stipulated in the organization regulations of the Personnel Committee.

- **Audit Committee**
  The Audit Committee is composed of Hartmut Reuter (Chairman) and Robert F. Spoerry. It meets at least twice a year for a half day each (2012: two meetings, participation rate 100%). It develops proposals to be submitted to the entire Board of
Directors. The committee's responsibilities include, in particular, the supervision of the internal and external audit as well as the control of the financial reporting. It determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal and external auditors provide an all-inclusive report about all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. The committee also assesses the functionality of the internal control system, including risk management (refer to “Information and control instruments vis-à-vis the Group Executive Board”), CEO and CFO as well as the internal and external auditors attend the meetings if necessary. Furthermore, the committee is entitled to hold meetings exclusively with representatives of the external as well as the internal auditors. Both the external and internal auditors have access to the minutes of the meetings of the Board of Directors and Group Executive Board. The detailed responsibilities are stipulated in the organization regulations of the Audit Committee.

Definition of areas of responsibility

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

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

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

The Group Executive Board is composed of the Chief Executive Officer and four other members. The members of the Group Executive Board are appointed by the Board of Directors based upon the proposal of the Personnel Committee.

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

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

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

Based on the Organization Regulations of the Board of Directors, the Audit Committee has implemented an extensive system for monitoring and controlling the risks linked to the business activities. This process includes the risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for the controlling of the risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for the risk management and monitor their implementation. Every other year, the Internal Corporate Audit Department issues a risk report to the attention of the Audit Committee on the management of financial risks → See Notes to the Consolidated Financial Statements, 4. Risk assessment and management. In addition, the internal Audit Department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimization proposals of previous audits.
4. Group Executive Board

Albert M. Baehny (1952)
Chief Executive Officer (CEO) since 2005
Member of the Group Executive Board since 2003,
with Geberit since 2003
Executive Chairman of the Board of Directors since 2011
Swiss citizen
Resident in Arlesheim (CH)

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

Roland Iff (1961)
Member of the Group Executive Board since 2005,
with Geberit since 1993
Head of Group Division Finance (CFO)
Swiss citizen
Resident in Herrliberg (CH)
Member of the Board of Directors, VZ-Holding AG; Zurich (CH)

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

William J. Christensen (1973)
Member of the Group Executive Board since 2009,
with Geberit since 2004
Head of Group Division Sales International
Swiss citizen
Resident in Wilen, Wollerau (CH)

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

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

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

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

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

Contents and method of determining compensation and participation plans

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

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

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

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

In addition to the salary, there is an annual option plan for the Group Executive Board and other management members (approx. 70 executives). The Board of Directors annually determines the scope of the options granted to management members. In the year under review, the market value of options granted as of the granting date corresponded to 10% of target salary. For the CEO this figure was set at 25% in 2012 on the basis of an external benchmarking. Half of these options with a total term of five years are subject to a blocking period of two years; the other half are subject to a blocking term of four years. The exercise price of the option is 5% and 10%, respectively in excess of the share market price at the time of allotment. Each option entitles to subscribe for one share.

There are special pension fund regulations for the Group Executive Board and other management members. The company pays for the entire contribution in regard to the part of the salary that exceeds TCHF 146. In addition, each member of the Group Executive Board as well as other management members have company cars at their disposal. Additionally, no other significant payments of any similar kind are made. Details regarding compensation, share and option allotments and ownership can be found under Financial Statements of Geberit AG, 1.6 Remuneration, loans and shareholdings of members of the Board of Directors and of the Group Executive Board.
6. Participatory rights of the shareholders

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

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

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

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

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

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

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

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

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

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

**Auditing fees**

In 2012, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,057 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

**Additional fees**

For additional services PricewaterhouseCoopers invoiced TCHF 429 relating to tax consultancy and support as well as TCHF 218 for other services.

**Supervisory and control instruments pertaining to the auditors**

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

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

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

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

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

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

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