GEBERIT

Finan-
cial
Report

Geberit Group 2012

PDF Version

Highlights financial year

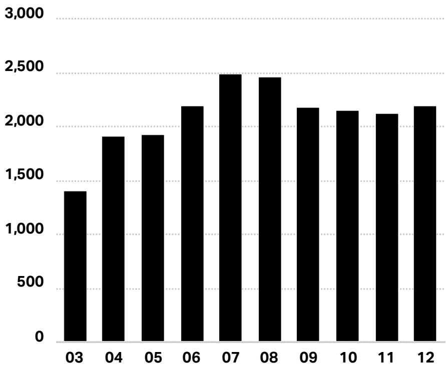
Sales

+4.5%

Currency-adjusted sales growth in 2012

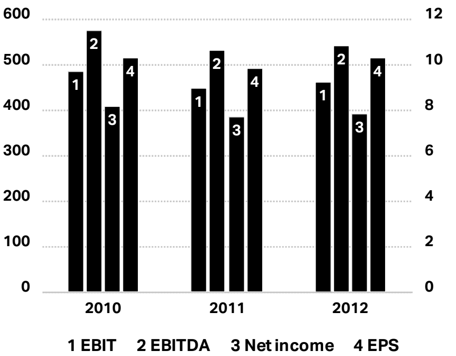
Sales development 2003 – 2012

(in CHF million)



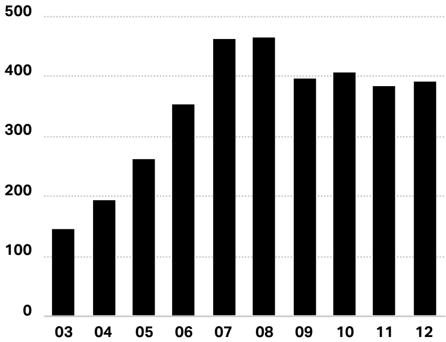
EBIT, EBITDA, Net income, Earnings per share (EPS) 2010 – 2012

(in CHF million) (EPS: in CHF)



Net income development 2003 – 2012

(in CHF million)



Operating cashflow margin (EBITDA margin)

24.8%

At the upper end of the mid-term target corridor of 23 to 25%

Free cashflow (in CHF)

391.0 mio.

1.3% above prior year's level

Highlights financial year

Earnings per share (in CHF)

10.29

+4.8% versus prior year

Payout ratio

63.6%

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

Expenditures for property, plant and equipment (in CHF)

86.0 mio.

- 7.1% versus prior year

R&D expenditures (in CHF)

49.8 mio.

+1.4 million versus prior year

Sales (in CHF)

≈ 30 mio.

negative currency effects

Operating profit (EBIT) (in CHF)

≈ 8 mio.

negative currency effects

Geberit key figures

2008 – 2012

		2012	2011	2010	2009	2008
Sales	MCHF	2,187.8	2,122.6	2,146.9	2,181.2	2,455.1
Change on previous year	%	+3.1	-1.1	-1.6	-11.2	-1.3
Operating profit (EBIT)	MCHF	462.3	449.2	486.2	526.7	563.4
Margin	%	21.1	21.2	22.6	24.1	22.9
Net income	MCHF	392.3	384.0	406.8	397.5	466.3
Margin	%	17.9	18.1	18.9	18.2	19.0
Operating cashflow (EBITDA)	MCHF	542.4	532.0	573.7	611.0	649.1
Margin	%	24.8	25.1	26.7	28.0	26.4
Free cashflow	MCHF	391.0	386.0	493.8	349.7	407.9
Margin	%	17.9	18.2	23.0	16.0	16.6
Financial result, net	MCHF	-7.2	-7.3	-14.3	-13.5	5.4
Capital expenditures	MCHF	86.0	92.6	80.5	106.4	152.5
Research and development expenses	MCHF	49.8	48.4	44.2	45.6	46.0
In % of sales	%	2.3	2.3	2.1	2.1	1.9
Earnings per share [1]	CHF	10.29	9.82	10.32	10.18	11.90
Earnings per share, adjusted [2]	CHF	10.29	9.82	10.32	10.18	11.90
Number of employees	31.12.	6,134	6,004	5,820	5,608	5,697
Annual average		6,150	5,992	5,793	5,634	5,684
Sales per employee	TCHF	355.7	354.2	370.6	387.1	431.9

		31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Total assets	MCHF	2,007.4	2,122.7	2,171.2	2,212.2	2,054.1
Liquid funds and marketable securities	MCHF	423.1	542.0	586.6	406.5	302.6
Net working capital	MCHF	134.4	114.1	108.5	180.9	156.5
Property, plant and equipment	MCHF	521.2	516.2	514.3	576.2	555.5
Goodwill and intangible assets	MCHF	638.1	645.2	658.8	753.1	756.2
Total debt	MCHF	14.7	75.6	73.4	110.9	152.3
Equity	MCHF	1,431.3	1,419.5	1,520.9	1,509.2	1,311.9
Equity ratio	%	71.3	66.9	70.0	68.2	63.9
Gearing	%	-28.5	-32.9	-33.7	-19.6	-11.5

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

Geberit key figures

2003 – 2007

		2007	2006	2005	2004	2003
Sales	MCHF	2,486.8	2,183.5	1,922.9	1,906.8	1,403.9
Change on previous year	%	+13.9	+13.6	+0.8	+35.8	+10.3
Operating profit (EBIT)	MCHF	553.8	482.2	366.9	305.5	206.4
Margin	%	22.3	22.1	19.1	16.0	14.7
Net income	MCHF	463.3	355.0	262.5	194.4	147.0
Margin	%	18.6	16.3	13.7	10.2	10.5
Operating cashflow (EBITDA)	MCHF	637.9	569.1	455.9	453.4	329.8
Margin	%	25.7	26.1	23.7	23.8	23.5
Free cashflow	MCHF	362.7	355.5	290.2	273.4	206.0
Margin	%	14.6	16.3	15.1	14.3	14.7
Financial result, net	MCHF	-11.4	-16.3	-17.2	-30.0	-23.4
Capital expenditures	MCHF	103.5	81.3	79.5	87.8	69.8
Research and development expenses	MCHF	48.1	44.3	43.5	43.4	35.7
In % of sales	%	1.9	2.0	2.3	2.3	2.5
Earnings per share [1]	CHF	11.67	8.86	6.41	4.73	3.63
Earnings per share, adjusted [2]	CHF	11.67	8.86	6.47	6.04	4.37
Number of employees	31.12.	5,344	5,269	5,162	5,516	4,412
Annual average		5,360	5,199	5,237	5,469	4,419
Sales per employee	TCHF	464.0	420.0	367.2	348.7	317.7

		31.12.2007	31.12.2006	31.12.2005	31.12.2004	31.12.2003
Total assets	MCHF	2,298.3	2,010.7	1,946.6	1,937.1	1,507.8
Liquid funds and marketable securities	MCHF	450.1	182.4	180.0	81.6	181.3
Net working capital	MCHF	168.7	131.9	120.8	130.9	77.6
Property, plant and equipment	MCHF	529.3	533.9	528.3	538.8	490.9
Goodwill and intangible assets	MCHF	828.8	825.1	812.4	878.8	469.7
Total debt	MCHF	273.9	323.1	393.4	535.3	297.2
Equity	MCHF	1,404.4	1,065.9	958.0	816.8	739.0
Equity ratio	%	61.1	53.0	49.2	42.2	49.0
Gearing	%	-12.5	13.2	22.3	55.5	15.7

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

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Geberit Group

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Consolidated Balance Sheets

	Note	31.12.2012 MCHF	31.12.2011 MCHF
Assets			
Current assets			
Cash and cash equivalents		361.3	455.0
Marketable securities	**6**	61.8	87.0
Trade accounts receivable	**7**	119.6	112.9
Other current assets and current financial assets	**8**	53.0	43.8
Inventories	**9**	163.8	162.2
Total current assets		**759.5**	**860.9**
Non-current assets			
Property, plant and equipment	**10**	521.2	516.2
Deferred tax assets	**19**	66.8	79.0
Other non-current assets and non-current financial assets	**11**	21.8	21.4
Goodwill and intangible assets	**12**	638.1	645.2
Total non-current assets		**1,247.9**	**1,261.8**
Total assets		**2,007.4**	**2,122.7**

	Note	31.12.2012 MCHF	31.12.2011 MCHF
Liabilities and equity			
Current liabilities			
Short-term debt	**13**	3.8	64.8
Trade accounts payable		58.6	60.2
Tax liabilities and tax provisions		69.9	62.3
Other current provisions and liabilities	**14**	140.3	161.0
Total current liabilities		**272.6**	**348.3**
Non-current liabilities			
Long-term debt	**15**	10.9	10.8
Accrued pension obligation	**17**	206.2	257.3
Deferred tax liabilities	**19**	47.6	49.8
Other non-current provisions and liabilities	**20**	38.8	37.0
Total non-current liabilities		**303.5**	**354.9**
Shareholders' equity			
Capital stock	**22**	3.9	4.0
Reserves		1,660.6	1,644.4
Cumulative translation adjustments		-233.2	-228.9
Total equity		**1,431.3**	**1,419.5**
Total liabilities and equity		**2,007.4**	**2,122.7**

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

Consolidated Income Statements

	Note	2012 MCHF	2011 MCHF
Sales		2,187.8	2,122.6
Cash discounts and customer bonuses	**24**	268.2	255.0
Revenue from sales	**29**	**1,919.6**	**1,867.6**
Cost of materials		590.7	587.9
Personnel expenses		463.5	435.6
Depreciation expense	**10**	74.3	76.9
Amortization of intangibles	**12**	5.8	5.9
Other operating expenses, net	**25**	323.0	312.1
Total operating expenses, net		1,457.3	1,418.4
Operating profit (EBIT)		**462.3**	**449.2**
Financial expenses	**26**	-10.7	-8.4
Financial income	**26**	4.3	3.6
Foreign exchange loss(-)/gain	**26**	-0.8	-2.5
Financial result, net		-7.2	-7.3
Profit before income tax expenses		**455.1**	**441.9**
Income tax expenses	**27**	62.8	57.9
Net income		**392.3**	**384.0**
- Attributable to shareholders of Geberit AG		392.3	384.0
EPS (CHF)	**23**	10.29	9.82
EPS diluted (CHF)	**23**	10.28	9.82

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

Consolidated Statements of Comprehensive Income

		Note	2012 MCHF	2011 MCHF
Net income according to the income statement			**392.3**	**384.0**
a)	Cumulative translation adjustments		-4.3	-16.8
	Reclassification to the income statement		0.0	0.0
	Total cumulative translation adjustments		**-4.3**	**-16.8**
b)	Cashflow hedge accounting		1.4	0.7
	Reclassification to the income statement		0.0	0.0
	Taxes		-0.4	-0.2
	Total cashflow hedge accounting, net of tax	**16**	**1.0**	**0.5**
c)	Actuarial adjustments of pension plans		58.6	-50.4
	Taxes		-7.2	9.0
	Total actuarial adjustments of pension plans, net of tax	**17**	**51.4**	**-41.4**
Other comprehensive income			**48.1**	**-57.7**
Total comprehensive income			**440.4**	**326.3**
- Attributable to shareholders of Geberit AG			440.4	326.3

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

Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						
	Ordinary shares	Reserves	Treasury shares	Pension plans	Hedge-accounting	Cum. translation adjustments	Total equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2010	**4.1**	**2,092.2**	**-213.0**	**-148.8**	**-1.5**	**-212.1**	**1,520.9**
Total comprehensive income		384.0		-41.4	0.5	-16.8	326.3
Distribution		-236.0					-236.0
Purchase (-)/Sale of treasury shares		9.8	-195.4				-185.6
Management option plans		-6.1					-6.1
Capital reduction	-0.1	-178.9	179.0				0.0
Balance at 31.12.2011	**4.0**	**2,065.0**	**-229.4**	**-190.2**	**-1.0**	**-228.9**	**1,419.5**
Total comprehensive income		392.3		51.4	1.0	-4.3	440.4
Distribution		-241.7					-241.7
Purchase (-)/Sale of treasury shares		5.6	-191.6				-186.0
Management option plans		-0.9					-0.9
Capital reduction	-0.1	-192.5	192.6				0.0
Balance at 31.12.2012	**3.9**	**2,027.8**	**-228.4**	**-138.8**	**0.0**	**-233.2**	**1,431.3**

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

Consolidated Statements of Cashflows

	Note	2012 MCHF	2011 MCHF
Cash provided by operating activities			
Net income		392.3	384.0
Depreciation and amortization	**10/12**	80.1	82.8
Financial result, net	**26**	7.2	7.3
Income tax expenses	**27**	62.8	57.9
Other non-cash income and expenses		26.1	16.7
Operating cashflow before changes in net working capital and taxes		568.5	548.7
Income taxes paid		-58.5	-48.0
Changes in trade accounts receivable		-6.4	1.8
Changes in inventories		-4.3	-15.5
Changes in trade accounts payable		-1.2	-5.7
Changes in other positions of net working capital		-4.1	11.8
Net cash provided by operating activities		**494.0**	**493.1**
Cash from/used (-) in investing activities			
Purchase of property, plant & equipment and intangible assets	**10/12**	-86.0	-92.6
Proceeds from sale of property, plant & equipment and intangible assets		1.0	3.8
Marketable securities, net	**6**	24.5	-88.3
Interest received		5.6	1.5
Other, net		-3.7	-3.5
Net cash from/used (-) in investing activities		**-58.6**	**-179.1**
Cash from/used (-) in financing activities			
Repayments of borrowings		-80.5	-3.8
Interest paid		-5.4	-5.1
Distribution		-241.7	-236.0
Purchase/Sale of treasury shares		-198.4	-195.9
Other, net		-1.8	-2.1
Net cash from/used (-) in financing activities		**-527.8**	**-442.9**
Effects of exchange rates on cash		-1.3	-2.7
Net increase/decrease (-) in cash		**-93.7**	**-131.6**
Cash and cash equivalents at beginning of year		455.0	586.6
Cash and cash equivalents at end of year		**361.3**	**455.0**

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

Notes to the Consolidated Financial Statements

1. Basis of preparation

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

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

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

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

Critical accounting estimates
The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates. Estimates and assumptions are continually reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Important estimates and assumptions (with the related uncertainties) were primarily made in the following areas:

- Impairment tests for goodwill and intangible assets with an indefinite useful life (see → **Note 12**)
- Capitalization of development costs (see → **Note 3**)
- Assumptions for the recognition of defined benefit pension plans (see → **Note 17**)
- Future development of tax rates (see → **Note 3**)

2. Changes in Group organization

2012:
There were no material changes in Group organization.

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

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

The residual company was renamed Geberit Verwaltungs GmbH, Pfullendorf.

3. Summary of significant accounting policies

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

Standard/Interpretation	Enactment	Relevance for Geberit	Introduction
IFRS 1 – First-time Adoption	1.7.2011	Amendments regarding hyperinflation and functional currency. This amendment has no impact on the consolidated financial statements.	1.1.2012
IFRS 7 – Financial Instruments: Disclosures	1.7.2011	Improvement of the disclosure requirements in relation to transferred financial assets. This amendment has no impact on the consolidated financial statements.	1.1.2012
IAS 1 – Presentation of Financial Statements	1.7.2012	This amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 12 – Income Taxes	1.7.2011	Amendment of deferred tax in relation with investment property at fair value. This amendment has no impact on the consolidated financial statements.	1.1.2012

New or revised IFRS standards and interpretations as from 2013 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 9 – Financial Instruments: Phase 1, Classification and Measurement	1.1.2015	IFRS 9 treats the classification and measurement of financial assets and financial liabilities. These new rules result from the first phase of the project to replace IAS 39. This amendment has no material impact on the consolidated financial statements.	1.1.2015
IFRS 10 – Consolidated Financial Statements	1.1.2013	This standard replaces the guidance on control and consolidation in IAS 27 and SIC-12. A consistent definition of control is introduced. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 11 – Joint Arrangements	1.1.2013	Replaces IAS 31 Joint Ventures and SIC 13. The proportionate consolidation has been eliminated. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 12 – Disclosure of Interests in Other Entities	1.1.2013	Enhancement of required disclosures for subsidiaries, joint arrangements and unconsolidated entities. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 13 – Fair Value Measurement	1.1.2013	Overall standard to measure and disclose assets and liabilities at fair value. This standard does not include rules in which cases the fair value has to be used. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This value is disclosed accordingly (Level 1 - 3). This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 19 – Employee Benefits	1.1.2013	1) The optional corridor approach is eliminated. As the Geberit Group already recognizes actuarial gains and losses in other comprehensive income, this amendment has no impact on the consolidated financial statements. 2) The net periodic pension cost now comprises the net interest cost or income, measured on the basis of the funded status of the plan by applying the discount rate for the defined benefit obligation. Based on current assumptions, this adjustment will lead to around MCHF 6 in additional costs for the Geberit Group. 3) New principle-based disclosure requirements are introduced to enable a wide evaluation of the (risk) management of pension plans. The Notes must be expanded to account for this adjustment.	1.1.2013
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary yearly clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements.	various

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

Foreign currency translation

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

Cash and cash equivalents

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

Marketable securities

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

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

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

Borrowing costs of all material qualified assets are capitalized during the production phase in accordance with IAS 23. A qualified asset is an asset for which an extensive period is required to transform it to its planned usable condition. If funds are specifically borrowed, the costs that can be capitalized are the actual costs incurred less any investment income earned on the temporary investment of these borrowings. If the borrowed funds are part of a general pool, the amount that can be capitalized must be determined by applying a capitalization rate to the expenses related to this asset.

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

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

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

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

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

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

Revenue from sales
The relevant sales figure according to IFRS is reported in the income statements as "revenue from sales". As additional information, the consolidated income statements start with "sales" in order to disclose the for the Geberit business model relevant development of "cash discounts and customer bonuses".

Customer bonuses are sales deductions linked to the achievement of predefined sales targets. Cash discounts are sales deductions recognized on receipt of timely payments.

Revenue from sales is recognized when the risks and rewards are transferred to the customer, which normally happens when the products are shipped to the customer, i.e. when the products are handed over to the carrier at the ramp of a Geberit logistics center. Revenue from sales includes the invoiced net sales amount after deduction of rebates listed on the invoice. Subsequently granted customer bonuses and cash discounts are also deducted.

Additional information on the business model is provided in ➔ **Notes 1** and ➔ **29**.

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

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

A liability for deferred taxes is recognized for non-refundable taxes at source and other earning distribution-related taxes for foreign subsidiaries for which available earnings are intended to be remitted and of which the parent company controls the dividend policy.

Research and development expenditures
Geberit spends around 2% of sales on research and development (R&D) every year. The R&D expenses remain relatively constant over the years. Around 70% of the R&D expenses are incurred in relation to basic research, product and product range management, customer software development and R&D support/overhead. The residual expenses (around 30%) relate to development costs for new products. These expenses are capitalized if they concern the development of material new products. Material development projects are reviewed at each balance sheet date in order to verify if the capitalization criteria of IAS 38.57 are fulfilled. In 2012 this was not the case and the development expenses were charged directly to the income statement. In 2012, R&D expenses amounted to MCHF 49.8 (PY: MCHF 48.4). The costs are included in personnel expenses, depreciation expenses and other operating expenses, net.

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

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

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

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

Earnings per share
The number of ordinary shares for the calculation of the earnings per share is determined on the basis of the weighted average of the issued ordinary shares less the weighted average number of the treasury shares. For the calculation of diluted earnings per share, an adjusted number of shares is calculated as the sum of the total of the ordinary shares used to calculate the earnings per share and the potentially dilutive shares from option programs. The dilution from option programs is determined on the basis of the number of ordinary shares which could have been bought for the amount of the accumulated difference between the market price and exercise price of the options. The relevant market price used is the average Geberit share price for the financial year.

Earnings per share and diluted earnings per share are defined as the ratio of the attributable net income to the relevant number of ordinary shares.

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

The recognition and measurement of marketable securities is described in the section → **"Marketable securities"**.

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

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

Hedge Accounting
Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded together with the change in fair value of the underlying item directly in the income statements, net. The effective portion of instruments designated as cashflow hedges is recognized in → **"other comprehensive income"**. The ineffective portion of such instruments is recorded in financial result, net.

4. Risk assessment and management

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

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

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

Management of counterparty risks from treasury activities
The counterparties for investments in financial instruments must have a rating of at least A (S&P) or A2 (Moody's) in principle. Management believes that the risk of loss from the existing contracts is remote.

Investments of cash generally mature within three months. Part of the liquid assets is invested in government bonds (usually with a term to maturity of less than 12 months). The Group has not incurred any losses in this regard. To avoid a concentration of risk, deposits with one counterparty are limited to a total amount of MCHF 70. In addition, investments with the same counterparty may not exceed half of the Group's total deposits.

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

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

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

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

Foreign exchange rate risk as of December, 31:

	2012 MCHF	2011 MCHF
Value-at-risk +/- unrealized gains/losses	2.1	5.5
Equity	1,431.3	1,419.5
(Value-at-risk +/- unrealized gains/losses)/equity	**0.1%**	**0.4%**

Management of interest rate risk
Basically, there are two types of interest rate risks:

a) the fair market value risk for financial positions bearing fixed interest rates
b) the interest rate risk for financial positions bearing variable interest rates

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

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

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

Interest rate risk as of December, 31:

	2012 MCHF	2011 MCHF
EBITDA	542.4	532.0
Financial result, net + CfaR	1.8	5.7
EBITDA/(Financial result, net + CfaR)	**301x**	**93x**

The considerable increase of this key figure was due to the fact that no interest expenses are expected for the next 12 months.

Combined foreign exchange rate and interest rate risk

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

	2012 MCHF	2011 MCHF
Combined foreign exchange rate and interest rate risk	4.2	11.4

Management of liquidity risk

Liquid funds (including the committed unused credit lines) must be available in order to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortization payments as well as capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 399.7 (PY: MCHF 515.7).

Management of credit risk

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

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of receivables at year-end is not representative because of the low sales volume in December. In 2012, the average balance of receivables is about 150% of the amount at year-end.

Summary

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

Type of risk	Key figure	2012	2011
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/equity	0.1%	0.4%
Interest rate risk	EBITDA/(financial result, net + CfaR)	301x	93x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 399.7	MCHF 515.7

5. Management of capital

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

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

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

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

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

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

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

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

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

	2012 MCHF	2011 MCHF
Gearing		
Debt	14.7	75.6
Liquid funds and marketable securities	423.1	542.0
Net debt	-408.4	-466.4
Equity	1,431.3	1,419.5
Net debt/equity	**-28.5%**	**-32.9%**
Return on equity (ROE)		
Equity (rolling)	1,397.8	1,475.2
Net income	392.3	384.0
ROE	**28.1%**	**26.0%**
Return on invested capital (ROIC)		
Invested capital (rolling)	1,346.0	1,327.6
Net operating profit after taxes (NOPAT)	394.5	382.3
ROIC	**29.3%**	**28.8%**

6. Marketable securities

The government bonds bought in 2011 in the amount of MEUR 71.9 were fully repaid in 2012. In return, the Group invested MEUR 52.1 in government bonds in 2012. As of December 31, the carrying amount was MCHF 61.8.

7. Trade accounts receivable

	2012 MCHF	2011 MCHF
Trade accounts receivable	127.9	120.9
Allowance	-8.3	-8.0
Total trade accounts receivable	**119.6**	**112.9**

Of trade accounts receivable, MCHF 5.5 was denominated in CHF (PY: MCHF 4.2), MCHF 61.6 in EUR (PY: MCHF 64.0), MCHF 13.4 in USD (PY: MCHF 12.2), and MCHF 9.6 in GBP (PY: MCHF 6.2).

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

	2012 MCHF	2011 MCHF
Allowances for trade accounts receivable		
January 1	**8.0**	**7.3**
Additions	1.4	1.9
Used	-0.6	-0.4
Reversed	-0.5	-0.6
Translation differences	0.0	-0.2
December 31	**8.3**	**8.0**

	2012 MCHF	2011 MCHF
Maturity analysis of trade accounts receivable		
Not due	95.4	91.0
Past due < 30 days	19.1	18.4
Past due < 60 days	6.1	3.7
Past due < 90 days	1.5	1.9
Past due < 120 days	1.0	1.3
Past due > 120 days	4.8	4.6
Allowance	-8.3	-8.0
Total trade accounts receivable	**119.6**	**112.9**

8. Other current assets and current financial assets

	2012 MCHF	2011 MCHF
Income tax refunds receivable	3.5	2.4
Value-added tax receivables	32.9	24.6
Short-term derivative financial instruments (see → **Note 16**)[1]	3.1	0.0
Prepaid expenses and other current assets	13.5	16.8
Total other current assets and current financial assets	**53.0**	**43.8**

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

9. Inventories

	2012 MCHF	2011 MCHF
Raw materials, supplies and other inventories	58.0	56.4
Work in progress	31.7	28.3
Finished goods	65.3	67.8
Merchandise	8.3	9.4
Prepayments to suppliers	0.5	0.3
Total inventories	**163.8**	**162.2**

As of December 31, 2012, inventories included allowances for slow-moving and obsolete items of MCHF 18.2 (PY: MCHF 16.5).

10. Property, plant and equipment

	Total MCHF	Land and buildings MCHF	Machinery and equipment MCHF	Office equipment MCHF	Assets under constr. / advance payments MCHF
2012					
Cost at beginning of year	955.2	296.9	580.4	35.1	42.8
Additions	83.4	11.2	31.6	5.0	35.6
Disposals	-40.3	-0.1	-26.4	-13.8	
Transfers	0.0	7.7	30.4	0.5	-38.6
Translation differences	-6.7	-1.8	-4.2	-0.3	-0.4
Cost at end of year	**991.6**	**313.9**	**611.8**	**26.5**	**39.4**
Accumulated depreciation at beginning of year	439.0	82.3	337.8	18.9	0.0
Depreciation expense	74.3	10.2	58.2	5.9	
Disposals	-39.6	-0.4	-25.4	-13.8	
Transfers	0.0				
Translation differences	-3.3	-0.5	-2.6	-0.2	
Accumulated depreciation at end of year	**470.4**	**91.6**	**368.0**	**10.8**	**0.0**
Net carrying amounts at end of year	**521.2**	**222.3**	**243.8**	**15.7**	**39.4**

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr. / advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2011					
Cost at beginning of year	910.2	287.5	556.1	34.7	31.9
Additions	87.6	10.1	31.3	5.1	41.1
Disposals	-26.8	-1.2	-20.2	-5.4	
Transfers	0.0	4.1	24.0	1.6	-29.7
Translation differences	-15.8	-3.6	-10.8	-0.9	-0.5
Cost at end of year	**955.2**	**296.9**	**580.4**	**35.1**	**42.8**
Accumulated depreciation at beginning of year	395.9	74.4	304.0	17.5	0.0
Depreciation expense	76.9	10.0	59.7	7.2	
Disposals	-24.8	-0.8	-18.8	-5.2	
Transfers	0.0				
Translation differences	-9.0	-1.3	-7.1	-0.6	
Accumulated depreciation at end of year	**439.0**	**82.3**	**337.8**	**18.9**	**0.0**
Net carrying amounts at end of year	**516.2**	**214.6**	**242.6**	**16.2**	**42.8**

As of December 31, 2012, buildings were insured at MCHF 432.2 (PY: MCHF 427.5) and equipment at MCHF 915.4 (PY: MCHF 887.6) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,347.6 (PY: MCHF 1,315.1).

As of December 31, 2012, there were no qualified assets for which borrowing costs were capitalized during the production phase.

As of December 31, 2012, the Group had entered into firm commitments for capital expenditures of MCHF 11.6 (PY: MCHF 12.1).

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

	2012	2011
	MCHF	MCHF
Reinsurance policies for pension obligations (see → **Note 17**)	11.7	10.1
Reinsurance policies for other long-term employee obligations	3.7	2.0
Long-term derivative financial instruments (see → **Note 16**)	0.0	2.7
Other	6.4	6.6
Total other non-current assets and non-current financial assets	**21.8**	**21.4**

12. Goodwill and intangible assets

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
	MCHF	MCHF	MCHF	MCHF
2012				
Cost at beginning of year	1,013.0	715.6	127.3	170.1
Additions	2.6			2.6
Disposals	-2.9			-2.9
Translation differences	-5.8	-5.6		-0.2
Cost at end of year	**1,006.9**	**710.0**	**127.3**	**169.6**
Accumulated amortization at beginning of year	367.8	169.4	121.2	77.2
Amortization expense	5.8		3.2	2.6
Disposals	-2.9			-2.9
Translation differences	-1.9	-1.8		-0.1
Accumulated amortization at end of year	**368.8**	**167.6**	**124.4**	**76.8**
Net carrying amounts at end of year	**638.1**	**542.4**	**2.9**	**92.8**

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
	MCHF	MCHF	MCHF	MCHF
2011				
Cost at beginning of year	1,028.0	733.5	127.3	167.2
Additions	5.0			5.0
Disposals	-1.3			-1.3
Translation differences	-18.7	-17.9		-0.8
Cost at end of year	**1,013.0**	**715.6**	**127.3**	**170.1**
Accumulated amortization at beginning of year	369.2	174.8	118.0	76.4
Amortization expense	5.9		3.2	2.7
Disposals	-1.3			-1.3
Translation differences	-6.0	-5.4		-0.6
Accumulated amortization at end of year	**367.8**	**169.4**	**121.2**	**77.2**
Net carrying amounts at end of year	**645.2**	**546.2**	**6.1**	**92.9**

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2012, there was no need for an impairment of these assets. The following table shows the carrying amount of positions which are material for the Group. The table shows also the parameters used in the impairment analysis.

	Carrying amount 31.12.2012	Carrying amount 31.12.2011	Calculation of recoverable amount (PY numbers in brackets)			
			Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount pretax rate	Discount posttax rate
	MCHF	MCHF		%	%	%
Goodwill from LBO Geberit	238.6	240.0	U	2.60 (3.63)	10.10 (10.17)	8.90 (8.98)
Goodwill from Mapress acquisition	285.9	287.9	U	2.90 (3.76)	12.30 (11.69)	9.50 (9.38)
Geberit trademarks	84.6	84.6	U	2.60 (3.63)	10.60 (10.40)	8.90 (8.98)
Total	**609.1**	**612.5**				

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

13. Short-term debt

	2012	2011
	MCHF	MCHF
Private Placement	0.0	61.0
Other short-term debt	3.8	3.8
Total short-term debt	**3.8**	**64.8**

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

Short-term credit lines
The Group maintains credit lines of MCHF 47.9 (PY: MCHF 45.7) from various lenders, which can be cancelled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. At December 31, 2012 and 2011, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Other short-term debt
As of December 31, 2012, the Group had MCHF 3.8 of other short-term debt (PY: MCHF 3.8). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix
Of the short-term debt outstanding as of December 31, 2012, MCHF 3.8 was denominated in EUR (PY: MCHF 3.8) and MCHF 0.0 in USD (PY: MCHF 61.0).

14. Other current provisions and liabilities

	2012 MCHF	2011 MCHF
Compensation-related liabilities	47.6	45.6
Accrued interest	0.2	0.5
Customer-related liabilities	58.3	56.9
Current provisions	2.1	3.2
Value added tax payables	12.0	11.0
Short-term derivative financial instruments (see ➔ **Note 16**)[1]	0.0	16.4
Other current liabilities	20.1	27.4
Total other current provisions and liabilities	**140.3**	**161.0**

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

2012 and 2011 movements of current provisions are shown in the following table:

	2012 MCHF	2011 MCHF
Current provisions		
January 1	**3.2**	**3.9**
Additions	1.2	1.3
Used	-0.7	-1.7
Reversed	-1.6	-0.1
Transfers	0.0	-0.1
Translation differences	0.0	-0.1
December 31	**2.1**	**3.2**

15. Long-term debt

	2012 MCHF	2011 MCHF
Revolving Facility	0.0	0.0
Other long-term debt	10.9	10.8
Total long-term debt	**10.9**	**10.8**

Revolving Facility

The Group has a firmly committed credit line (“Revolving Facility”) of MCHF 150 with a banking syndicate. The credit line is firmly committed until June 2016 with the purpose of ensuring the Group's financial flexibility. At December 31, 2012, the Revolving Facility bears interest at LIBOR plus an annual interest margin of 0.5%. The interest margin depends on the net debt to EBITDA ratio. This ratio is verified on a quarterly basis. In addition, in the case of a drawdown of the credit line of 33⅓%, a utilization fee of 0.15% is due on the entire credit portion and in the case of a drawdown of 66⅔%, an utilization fee of 0.30% is due. The interest is payable at the maturity date of the respective drawing used under the Revolving Facility. The drawings can have terms of one to six months. A commitment fee of 35% of the applicable interest margin is due on the unused portion. Drawings under the Revolving Facility are secured by guarantees from Geberit AG, Geberit Holding AG, Geberit Verwaltungs GmbH, and the Chicago Faucet Company, and contain covenants and conditions typical for syndicated financing, among others, compliance with the following financial ratios:

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

The limits for these financial ratios were fulfilled on December 31, 2012. In 2012 and 2011, no drawdown of the Revolving Facility took place.

Other long-term debt

As of December 31, 2012, the Group had MCHF 10.9 of other long-term debt (PY: MCHF 10.8). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix

Of the long-term debt outstanding as of December 31, 2012, MCHF 10.9 was denominated in EUR (PY: CHF 10.8).

16. Derivative financial instruments

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments according to the treasury policy. This policy and the corresponding accounting policies for the Group’s derivative financial instruments are disclosed in ➔ **Notes 3** and ➔ **4**. As of December 31, 2012 and 2011, the following derivative financial instruments were outstanding:

a) Cross Currency Interest Rate Hedges

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

2012	Maturity	Strike price	Contract amount buy	Contract amount sell (-)	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/ USD sell	18.12.2013	1.03345	25.8	-25.0	3.0	0.21	0.66	DCF[1]

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 25.0 was not designated as cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in the financial result, net.

The cross currency interest rate swap (USD buy/EUR sell) for MUSD 55.0 that was designated as cash flow hedge according to IAS 39.86 (b) and IAS 39.88 et seq. matured on December 19, 2012.

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

[1] Discounted Cash Flow

The cross currency interest rate swap (USD buy/EUR sell) for MUSD 55.0 was designated a cash flow hedge according to IAS 39.86 (b) and IAS 39.88 et seq.

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 25.0 was not designated as cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in financial result, net.

b) Forward foreign exchange contracts and foreign exchange options

						Contract values	Fair value 31.12.	Calculation method
2012	MCZK	MEUR	MNOK	MGBP	MPLN	MSEK	MCHF	
Foreign exchange contracts	-10.0	-10.0	-2.2	-0.5	-3.7	-2.2	0.1	Mark-to-Market
Foreign exchange options		-10.0					0.0	Black-Scholes

2011		MNOK	MGBP	MPLN	MSEK	MAUD	MCHF	
Foreign exchange contracts		-1.0	-0.8	-4.0	-3.5	-0.4	0.0	Mark-to-Market

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

17. Retirement benefit plans

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

	2012		2011	
	Funded plans MCHF	Unfunded plans MCHF	Funded plans MCHF	Unfunded plans MCHF
Service cost	26.5	4.7	22.7	4.4
Interest cost on projected benefit obligation	11.7	5.7	12.1	5.9
Expected return on plan assets	-14.7		-16.3	
Contributions of employees	-9.0		-8.2	
Net periodic pension cost	**14.5**	**10.4**	**10.3**	**10.3**

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

	2012		2011	
	Funded plans MCHF	Unfunded plans MCHF	Funded plans MCHF	Unfunded plans MCHF
Benefit obligation				
At beginning of year	485.1	131.5	430.6	129.4
Service cost	26.5	4.7	22.7	4.4
Interest cost on projected benefit obligation	11.7	5.7	12.1	5.9
Actuarial gains (-)/losses	-74.1	24.5	32.1	2.5
New plans	0.0	1.2	0.0	0.0
Translation differences	-0.1	-0.9	-0.2	-3.4
Benefits paid	-12.1	-5.7	-12.2	-7.3
Benefit obligation at end of year	**437.0**	**161.0**	**485.1**	**131.5**
Plan assets at fair value				
At beginning of year	369.4		365.9	
Expected return on plan assets	14.7		16.3	
Contributions of employees	9.0		8.2	
Contributions of employers	13.4		7.4	
Benefits paid	-11.8		-11.8	
Actuarial gains/losses (-)	9.0		-16.5	
Translation differences	-0.2		-0.1	
Plan assets at fair value at end of year	**403.5**		**369.4**	
Funded status at end of year	**-33.5**	**-161.0**	**-115.7**	**-131.5**
Adjustment according to IAS 19.58	0.0	0.0	0.0	0.0
Total pension asset/obligation (-)	**-33.5**	**-161.0**	**-115.7**	**-131.5**

	2012		2011	
	Funded plans MCHF	Unfunded plans MCHF	Funded plans MCHF	Unfunded plans MCHF
The pension asset/obligation (-) is composed of:				
Reinsurance policies for pension obligations (see → **Note 11**)	11.7		10.1	
Accrued pension obligations	-45.2	-161.0	-125.8	-131.5
Total pension asset/obligation (-)	**-33.5**	**-161.0**	**-115.7**	**-131.5**

The plan assets of funded plans of MCHF 403.5 (PY: MCHF 369.4) are composed of assets of MCHF 391.8 (PY: MCHF 359.3) in two independent Swiss trustee pension funds and MCHF 11.7 (PY: MCHF 10.1) in qualifying insurance policies.

The legal situation relating to pension plans in Switzerland strictly limits the Group's control over the surplus in the Swiss pension funds. In the case of material underfundings, recapitalization measures have to be taken in which also beneficiaries can be obliged to participate.

As of December 31, 2012, no underfundings existed for Swiss pension plans in compliance with Swiss GAAP FER (FER 26).

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

	2012 MCHF	2011 MCHF	2010 MCHF	2009 MCHF	2008 MCHF
Benefit obligations	-598.0	-616.6	-560.0	-520.7	-462.2
Plan assets	403.5	369.4	365.9	346.1	314.3
Funded status	**-194.5**	**-247.2**	**-194.1**	**-174.6**	**-147.9**
Net actuarial gains (-) and losses on benefit obligations	-49.6	34.6	36.7	33.8	-0.2
- of which from changes in actuarial assumptions	-61.2	38.3	40.1	30.9	-6.5
- of which from experience adjustments	11.6	-3.7	-3.4	2.9	6.3
Experience adjustments on plan assets	-9.0	16.5	-0.8	-13.0	76.5
Total actuarial gains (-) and losses in current year	**-58.6**	**51.1**	**35.9**	**20.8**	**76.3**
Adjustment according to IAS 19.58, gains/losses	0.0	0.0	0.0	0.0	-36.9
Recorded in OCI[1], current year	**-58.6**	**51.1**	**35.9**	**20.8**	**39.4**
Recorded in OCI[1] accumulated	**180.2**	**238.8**	**187.7**	**151.8**	**131.0**

[1] Other comprehensive income

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

	2012	2011
Shares	35.1	30.1
Bonds and other debt instruments	22.6	28.2
Real estate property	27.1	29.6
Other	15.2	12.1
Total	**100.0**	**100.0**

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

The actual return on these plan assets amounted to +7.6% in 2012 and -0.2% in 2011. As of December 31, 2012, plan assets included MCHF 3.1 (PY: MCHF 2.7) of equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate property used by the Group.

In 2013, the expected employers' contribution to the plan assets is MCHF 8.1.

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

			2012			2011
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	1.9	3.0	5.0	2.4	4.5	5.0
Annual rate of increase in future compensation levels	2.0	2.5	3.0	2.0	2.5	3.0
Expected inflation offset	0.0	0-2.0	0.0	1.0	0-2.0	0.0
Expected rate of return on plan assets	4.0			4.5		
Demography	BVG 2010 GT	Tables 2005 G		BVG 2010 P / Hewitt	Tables 2005 G	

The decrease in the discount rate compared to previous year results in a significant increase in the defined benefit obligation. This increase was overcompensated by the adjustments of the economic and demographic assumptions for Swiss pension plans. The expected inflation offset to pensions was reduced from 1% to 0%, as the Swiss pension plans do not longer foresee this compensation. Because of the higher fluctuation rate, the expected employee departure rate is now calculated on the basis of the BVG 2010 tables. To take better account of the increase in life expectancy, the periodic mortality tables were replaced by the generational tables. The impacts of these adjustments were recorded as actuarial gains and losses and are shown in the table "status of the defined benefit pension plans".

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

The consolidated income statement also includes expenses for defined contribution plans of MCHF 2.0 in 2012 (PY: MCHF 1.7).

18. Participation plans

Share plans
In 2012, employees were able to purchase a limited number of shares at a discount of 50% (PY: 30%) compared to the market price ("Employee share plan 2012"). The Geberit management was entitled to draw the previous year's results-related salary partly or entirely in shares valued at market price ("Management share plans 2012"). For each of these shares, the management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2012", the non-executive members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 50% (PY: 30%). All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2012 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share plan 2012 (ESPP)	2014	1,639	26,440	96.43
Management share plans 2012 (MSPP)	2015	58	15,809	192.85
Directors program 2012 (DSPP)	2014	7	8,060	96.43

The 50,309 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2012, the Board of Directors, the Group Executive Board and the employees owned a combined total of 370,045 (PY: 812,624) shares, i.e. 1.0% (PY: 2.0%) of the share capital of Geberit AG.

Option plans
For each of the shares purchased in connection with the "Management share plans 2012", the Geberit management received one option to purchase an additional share at a 1:1 ratio. The exercise price of the options is equal to the price at which the underlying shares were allocated. The options can be exercised after vesting periods of two years. They lapse if not exercised within five years of the grant date.

In connection with an additional option plan ("Option plan 2012"), the managing directors and members of the Group Executive Board were entitled to additional options with a term to maturity of five years and a vesting period of two and four years, respectively.

The following is a summary of the options allocated in 2012:

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share plans 2012 (MSPP)	2014	2017	58	15,809	192.85
Option plan 2012 type A (MSOP)	2014	2017	63	36,860	196.15
Option plan 2012 type B (MSOP)	2016	2017	63	36,860	205.50
Total				**89,529**	

The fair value of the options granted in 2012 amounted to CHF 26.97 for MSOP type A (two-years vesting period), CHF 24.47 for MSOP type B (four-years vesting period) and CHF 31.43 for MSPP (two-years vesting period) at the respective granting dates. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Reference share price [1]	Surcharge	Exercise price	Expected volatility	Expected Ø dividend yield	Contractual period	Riskfree interest rate
	CHF	%	CHF	%	%	Years	%
Management share plans 2012 (MSPP)	192.85	0	192.85	26.03	3.44	5	0.325
Option plan 2012 type A (MSOP)	186.82	5	196.15	25.92	3.56	5	0.216
Option plan 2012 type B (MSOP)	186.82	10	205.50	25.92	3.56	5	0.216

[1] The reference share price corresponds to the average share price of the Geberit shares for the period from 5.1.2012 to 18.1.2012 for MSOP and from 1.3.2012 to 14.3.2012 for MSPP, respectively.

The following table summarizes all option plans in place as of December 31, 2012:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Lapsed	2013 - 2015	45,972	168.12	45,972	168.12
2013	2014 - 2016	74,230	161.71	53,513	140.07
2014	2015 - 2017	73,526	198.40	52,669	195.16
2015	2016	20,717	228.00	0	0
2016	2017	36,860	205.50	0	0
Total		**251,305**	**185.51**	**152,154**	**167.62**

The following movements took place in 2012 and 2011:

	MSOP		MSPP		Total 2012		Total 2011	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding January 1	**213,627**	**175.53**	**53,083**	**173.69**	**266,710**	**175.17**	**315,520**	**152.30**
Granted options	73,720	200.83	15,809	192.85	89,529	199.42	58,203	217.14
Forfeited options	3,797	170.61	1,282	190.50	5,079	175.64	17,975	173.75
Expired options	29,930	216.47	13,490	196.30	43,420	210.20	0	0
Exercised options	46,261	143.14	10,174	129.05	56,435	140.60	89,038	121.85
Outstanding December 31	**207,359**	**185.93**	**43,946**	**183.49**	**251,305**	**185.51**	**266,710**	**175.17**
Exercisable at December 31	30,783	171.43	15,189	161.12	45,972	168.12	38,036	121.37

The 251,305 options outstanding represent 0.6% of the outstanding shares of Geberit AG. The Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2012 had an exercise price between CHF 96.50 and CHF 228.00 and an average remaining contractual life of 2.7 years.

Costs resulting from participation plans amounted to MCHF 3.7 in 2012 (PY: MCHF 1.7), those for option plans totaled MCHF 2.3 (PY: MCHF 2.3).

19. Deferred tax assets and liabilities

	2012	Movements 2012			2011
	Total	Charged/ credited to income	Through equity/ OCI [1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets					
Loss carryforwards	4.1	-1.0	0.0	0.0	5.1
Accrued pension obligation	19.5	0.1	-7.2	0.0	26.6
Property, plant and equipment	2.9	0.2	0.0	0.0	2.7
Goodwill and intangible assets	26.2	-5.1	0.0	0.0	31.3
Other	14.1	2.1	-1.2	-0.1	13.3
Total deferred tax assets	**66.8**	**-3.7**	**-8.4**	**-0.1**	**79.0**
Deferred tax liabilities					
Inventories	-5.4	0.6	0.0	0.1	-6.1
Property, plant and equipment	-30.7	0.8	0.0	0.2	-31.7
Intangible assets	-6.7	-0.1	0.0	0.0	-6.6
Other	-4.8	0.6	0.0	0.0	-5.4
Total deferred tax liabilities	**-47.6**	**1.9**	**0.0**	**0.3**	**-49.8**

[1] Other comprehensive income

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

[1] Other comprehensive income

Deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings if earnings are planned to be remitted to the parent. As of December 31, 2012 and 2011, there were no such retained earnings in the subsidiaries.

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

	2012	Without deferred tax asset	With deferred tax asset	2011	Without deferred tax asset	With deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Maturity						
1 year	0.0	0.0	0.0	0.0	0.0	0.0
2 years	0.0	0.0	0.0	0.0	0.0	0.0
3 years	0.0	0.0	0.0	0.0	0.0	0.0
4 years	0.6	0.0	0.6	0.0	0.0	0.0
5 years	1.2	0.0	1.2	0.0	0.0	0.0
6 years	5.0	0.0	5.0	5.7	0.0	5.7
> 6 years	8.8	0.0	8.8	14.0	0.0	14.0
Total loss carryforwards	**15.6**	**0.0**	**15.6**	**19.7**	**0.0**	**19.7**

20. Other non-current provisions and liabilities

	2012	2011
	MCHF	MCHF
Provisions for operating risks	20.6	20.6
Accrued grant payments	3.1	1.9
Other non-current liabilities	15.1	14.5
Total other non-current provisions and liabilities	**38.8**	**37.0**

Provisions for operating risks mainly include provisions for warranties. 2012 and 2011 movements are shown in the following table.

	2012	2011
	MCHF	MCHF
Provisions for operating risks		
January 1	**20.6**	**22.9**
Additions	8.4	9.5
Used	-7.9	-7.4
Reversed	-0.4	-4.1
Translation differences	-0.1	-0.3
December 31	**20.6**	**20.6**

The provisions for operating risk are on average due for payment within 3.3 years.

21. Contingencies

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

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

22. Capital stock and treasury shares

	2012 pcs.	2011 pcs.
Issued shares		
January 1	**39,847,005**	**41,238,005**
Capital reduction as at June 2012 / July 2011	-1,026,000	-1,391,000
December 31	**38,821,005**	**39,847,005**

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

Geberit AG has concluded its share buyback program, started in January 2011, earlier than planned. In total, 2,048,578 registered shares – equal to CHF 390,172,725 and corresponding to 5.28% of the share capital currently entered 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.

Up to December 31, 2011, Geberit AG repurchased 1,026,000 shares in the course of this program and canceled these shares by means of a capital reduction. The approved capital reduction was executed in June 2012.

With regard to the remaining 1,022,578 shares repurchased in 2012, it is proposed a capital reduction for the repurchased shares and their subsequent cancellation to the General Meeting on April 4, 2013.

As of December 31, 2012, the Group held a total of 1,235,345 (PY: 1,300,551) treasury shares with a carrying amount of MCHF 228.4 (PY: MCHF 229.4). In 2012, the Group decreased the net number of treasury shares by 65,206. Treasury shares are deducted at cost from equity.

	2012 pcs.	2011 pcs.
Stock of treasury shares		
From share buyback programs	1,022,578	1,026,000
Other treasury shares	212,767	274,551
Total treasury shares	**1,235,345**	**1,300,551**

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

23. Earnings per share

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

	2012	2011
Attributable net income according to income statement (MCHF)	392.3	384.0
Weighted average number of ordinary shares outstanding (thousands)	38,145	39,096
Total earnings per share (CHF)	**10.29**	**9.82**

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

	2012	2011
Attributable net income according to income statement (MCHF)	392.3	384.0
Weighted average number of ordinary shares outstanding (thousands)	38,145	39,096
Adjustments for share options (thousands)	10	19
Weighted average number of ordinary shares outstanding (thousands)	38,155	39,115
Total diluted earnings per share (CHF)	**10.28**	**9.82**

24. Cash discounts and customer bonuses

	2012 MCHF	2011 MCHF
Cash discounts	64.6	61.9
Customer bonuses	203.6	193.1
Total cash discounts and customer bonuses	**268.2**	**255.0**

25. Other operating expenses, net

	2012 MCHF	2011 MCHF
Outbound freight costs and duties	63.9	61.3
Energy and maintenance expenses	73.7	73.1
Marketing expenses	87.4	83.6
Administration expenses	40.1	40.0
Other operating expenses	72.0	67.7
Other operating income	-14.1	-13.6
Total other operating expenses, net	**323.0**	**312.1**

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

In 2012, costs of MCHF 9.3 (PY: MCHF 9.7) were capitalized as property, plant and equipment including particular tools and assembly lines, which are part of the production process. The amount was deducted pro-rata from “personnel expenses”, “cost of materials”, and “other operating expenses, net”.

26. Financial result, net

	2012 MCHF	2011 MCHF
Interest expenses	-5.9	-6.4
Amortization of deferred financing fees	-0.5	-0.5
Other financial expenses	-4.3	-1.5
Total financial expenses	**-10.7**	**-8.4**
Interest income	4.3	3.6
Total financial income	**4.3**	**3.6**
Foreign exchange loss/gain	-0.8	-2.5
Total financial result, net	**-7.2**	**-7.3**

"Other financial expenses" mainly includes the valuation losses from marketable securities. The interest income of marketable securities is included in the position "interest income".

27. Income tax expenses

	2012 MCHF	2011 MCHF
Current taxes	61.0	53.8
Deferred taxes	1.8	4.1
Total income tax expenses	**62.8**	**57.9**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.3% (PY: 13.7%) and the effective income tax expenses were as follows:

	2012 MCHF	2011 MCHF
Income tax expenses, at applicable rate	60.4	60.6
Operating losses with no current tax benefit	0.0	0.1
Changes in future tax rates	-0.2	-0.3
Taxable goodwill amortization	-4.8	-4.9
Non-deductible expenses	2.9	2.2
Other	4.5	0.2
Total income tax expenses	**62.8**	**57.9**

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

28. Cashflow figures

Net cashflow is calculated as follows:

	2012 MCHF	2011 MCHF
EBITDA[1]	542.4	532.0
Financial result, net	-7.2	-7.3
Income tax expenses	-62.8	-57.9
Deferred taxes charged/credited (-) to net income (see → **Notes 19** and → **27**)	1.8	4.1
Changes in non-current provisions	30.1	24.9
Changes in other non-current assets and liabilities and other	-0.2	-1.1
Net cashflow	**504.1**	**494.7**

[1] EBIT + Depreciation + Amortization

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

Free cashflow is calculated as follows:

	2012 MCHF	2011 MCHF
Net cashflow	504.1	494.7
Purchase of property, plant and equipment and intangible assets, net	-85.0	-88.8
Changes in net working capital	-16.0	-7.6
Payments charged to non-current provisions	-12.1	-12.3
Free cashflow	**391.0**	**386.0**

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

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

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

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

29. Segment reporting

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

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

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

The information is as follows:

	2012 MCHF	2011 MCHF
Sales by product lines		
Installation Systems	780.0	767.7
Cisterns and Mechanisms	243.5	226.9
Faucets and Flushing Systems	125.9	121.0
Waste Fittings and Traps	93.4	93.4
Sanitary Systems	**1,242.8**	**1,209.0**
Building Drainage Systems	306.3	308.6
Supply Systems	638.7	605.0
Piping Systems	**945.0**	**913.6**
Total sales	**2,187.8**	**2,122.6**
Cash discounts and customer bonuses	268.2	255.0
Total revenue from sales	**1,919.6**	**1,867.6**

	2012 MCHF	2011 MCHF
Sales by markets		
Germany	768.1	723.1
Switzerland	282.4	295.4
Italy	180.2	198.9
Other Europe	764.2	725.5
Other markets	192.9	179.7
Total sales	**2,187.8**	**2,122.6**
Cash discounts and customer bonuses	268.2	255.0
Total revenue from sales	**1,919.6**	**1,867.6**

	2012 MCHF	2011 MCHF
Share of sales by customers		
Customers with more than 10% of sales: customer A	319.6	292.9
Total > 10%	**319.6**	**292.9**
Remaining customers with less than 10% of sales	1,868.2	1,829.7
Total sales	**2,187.8**	**2,122.6**
Cash discounts and customer bonuses	268.2	255.0
Total revenue from sales	**1,919.6**	**1,867.6**

30. Related party transactions

In 2012 and 2011, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2012 MCHF	2011 MCHF
Salary and other short-term benefits	3.4	3.4
Share-based payments	3.4	2.7
Expenditures on pensions	1.0	0.8
Total	**7.8**	**6.9**

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

In 2012 and 2011, there were no further material related party transactions.

31. Foreign exchange rates

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

	Currency		2012 Balance sheet	2012 Income statement	2011 Balance sheet	2011 Income statement
European Currency Union	EUR	1	1.2073	1.2053	1.2174	1.2345
United Kingdom	GBP	1	1.4793	1.4864	1.4497	1.4154
USA	USD	1	0.9148	0.9380	0.9405	0.8857
Poland	PLN	100	29.5800	28.8280	27.6700	30.0440
China	CNY	100	14.6800	14.8760	14.9300	13.6780
Denmark	DKK	100	16.1820	16.1950	16.3760	16.5560
Australia	AUD	1	0.9496	0.9709	0.9558	0.9094
Czech Republic	CZK	100	4.8110	4.8010	4.7250	5.0260
Hungary	HUF	100	0.4131	0.4160	0.3923	0.4410
Norway	NOK	100	16.3940	16.1240	15.6660	15.8260
Sweden	SEK	100	14.0500	13.8410	13.6150	13.6720
Singapore	SGD	1	0.7492	0.7508	0.7234	0.7020
South Africa	ZAR	100	10.7600	11.4730	11.5300	12.1870
India	INR	100	1.6700	1.7530	1.7700	1.8990

32. Subsequent events

These financial statements are subject to approval by the General Meeting. They were released by the Board of Directors on March 5, 2013.

33. Additional disclosures on financial instruments

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

	Carrying amount as of 31.12.2012 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	361.3	361.3	0.0	
Marketable securities	61.8	0.0	61.8	Level 1
Trade accounts receivable	119.6	119.6	0.0	
Other current assets	49.9	49.9	0.0	
Other non-current assets	6.4	5.4	1.0	Level 2
Derivative financial instruments	3.1	0.0	3.1	Level 2
Total	**602.1**	**536.2**	**65.9**	

	Carrying amount as of 31.12.2012 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.8	3.8	0.0	
Trade accounts payable	58.6	58.6	0.0	
Other financial liabilities	10.9	10.9	0.0	
Total	**73.3**	**73.3**	**0.0**	

Fair value measurement hierarchy:

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

	Carrying amount as of 31.12.2011	Loans and receivables	Financial assets at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	455.0	455.0	0.0	
Marketable securities	87.0	0.0	87.0	Level 1
Trade accounts receivable	112.9	112.9	0.0	
Other current assets	43.8	43.8	0.0	
Other non-current assets	6.6	5.6	1.0	Level 2
Derivative financial instruments	2.7	0.0	2.7	Level 2
Total	**708.0**	**617.3**	**90.7**	

	Carrying amount as of 31.12.2011	Financial liabilities at amortized cost	Financial liabilities at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt	3.8	3.8	0.0	
Trade accounts payable	60.2	60.2	0.0	
Private Placement	61.0	61.0	0.0	
Other financial liabilities	10.8	10.8	0.0	
Derivative financial instruments	16.4	0.0	16.4	Level 2
Total	**152.2**	**135.8**	**16.4**	

Maturity analysis of financial instruments

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

	Carrying amount	Maturity				
	31.12.2012	2013	2014	2015	2016	2017 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	3.8	4.0	0.0	0.0	0.0	0.0
Trade accounts payable	58.6	58.6	0.0	0.0	0.0	0.0
Other financial liabilities	10.9	0.8	3.2	2.7	2.0	4.7
Total non-derivative financial liabilities	**73.3**	**63.4**	**3.2**	**2.7**	**2.0**	**4.7**
Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial assets	-3.1	38.0	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-3.1**	**38.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**70.2**	**101.4**	**3.2**	**2.7**	**2.0**	**4.7**

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

34. Group companies as of December 31, 2012

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

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

O Services, holding functions
Δ Distribution
▢ Production

Report of the Statutory Auditor

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Geberit AG, which comprise the → **balance sheet**, → **income statement**, → **statement of comprehensive income**, → **statement of changes in equity**, → **statement of cashflows** and → **notes**, for the year ended December 31, 2012.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

René Rausenberger Audit expert Auditor in charge	Martin Knöpfel Audit expert

Zurich, March 5, 2013

Geberit AG

PDF Version

Balance Sheets

	31.12.2012 MCHF	31.12.2012 MCHF	31.12.2011 MCHF	31.12.2011 MCHF
Assets				
Current assets				
Cash and cash equivalents		0.0		1.4
Treasury shares		197.6		185.7
Accounts receivable				
- Third parties		4.1		4.4
- Group companies		59.0		159.4
Total current assets		**260.7**		**350.9**
Non-current assets				
Investments		976.3		1,012.3
Total non-current assets		**976.3**		**1,012.3**
Total assets		**1,237.0**		**1,363.2**
Liabilities				
Current liabilities				
- Third parties		9.5		6.4
- Group companies		3.5		4.0
Total current liabilities		**13.0**		**10.4**
Shareholders' equity				
Capital stock		3.9		4.0
Legal reserves				
- General reserve, share premium		0.8		0.8
- Reserve for treasury shares		225.0		211.3
- Reserve from capital contributions				
- Share premium, reserves from capital contributions	128.1		356.6	
- Reserve for treasury shares from capital contributions	3.4	131.5	18.0	374.6
Total legal reserves		357.3		586.7
Free reserves				
- Other free reserve		561.1		360.4
Total free reserves		561.1		360.4
Retained earnings		301.7		401.7
Total shareholders' equity		**1,224.0**		**1,352.8**
Total liabilities and shareholders' equity		**1,237.0**		**1,363.2**

Income Statements

	2012 MCHF	2011 MCHF
Income		
Dividends from Group companies	300.0	400.0
Financial income	2.6	4.1
Other operating income	0.3	0.4
Total income	**302.9**	**404.5**
Expenses		
Administrative expenses	2.9	2.7
Financial expenses	0.0	0.1
Loss on treasury shares	0.0	6.8
Taxes	0.0	0.2
Total expenses	**2.9**	**9.8**
Net income	**300.0**	**394.7**

Notes to the Financial Statements

1.1 Guarantees, assets pledged in favor of third parties

	31.12.2012 MCHF	31.12.2011 MCHF
Guarantee Revolving Facility	150.0	150.0
Guarantee in connection with Private Placement (MUSD 65)	0.0	61.1

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

1.2 Significant investments

	2012 Ownership in %	2012 capital stock	2011 Ownership in %	2011 capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39 350	100	TCHF 39 350
Geberit Finance Ltd., Jersey[1]	82	TEUR 521 975	83	TEUR 551 975
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2	100	TEUR 2

[1] The remaining 18% (PY 17%) are hold by Geberit Companies.

1.3 Share capital

The share capital of Geberit AG consists of 38,821,005 ordinary shares with a par value of CHF 0.10 each.

	2012 pcs.	2011 pcs.
Number of shares issued		
January 1	**39,847,005**	**41,238,005**
Capital reduction as at June 2012 / July 2011	-1,026,000	-1,391,000
Dezember 31	**38,821,005**	**39,847,005**

1.4 Capital contribution reserves

From the total of MCHF 131.5 the amount of MCHF 110.0 was confirmed by the Swiss tax authorities as per 31 December 2012. MCHF 3.4 are blocked as reserves for treasury shares. MCHF 106.6 are available for withholding tax free distribution.

1.5 Treasury shares

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

	Number of registered shares	High in CHF	Average in CHF	Low in CHF
Balance at December 31, 2011	**1,300,551**			
Purchases, share buyback program 2012	1,022,578	209.57	193.26	176.66
Cancellation share buyback program 2011	-1,026,000			
Other Purchases	45,180	196.07	189.51	178.80
Sales	-106,964	208.90	193.80	177.60
Balance at December 31, 2012	**1,235,345**			
Number of treasury shares held by Geberit AG	1,022,578			

The Board of Directors of Geberit AG decided to initiate a share buyback program for the years 2011 and 2012 and determined a maximum repurchasing volume of 5% of the share capital, in total 2,048,578 shares. Until December 31, 2011 the company repurchased 1,026,000 shares. The General Meeting on April 4, 2012 decided to reduce the capital by the volume of the shares repurchased. On June 29, 2012, therefore 1,026,000 shares were cancelled.

The remaining 1,022,578 shares were repurchased in 2012. Geberit AG plans to propose to the General Meeting on April 4, 2013 a capital reduction in the amount of there shares repurchased and to cancel the shares as well.

The legal reserves for treasury shares were recorded at cost.

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

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	S. Ruoff	J. Song	J. Tang-Jensen	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2012							
Remuneration of the Board of Directors							
Accrued remuneration[1]	-	40,000	1,666	3,333	82,500	97,500	224,999
Shares[2]	-	286,810	233,087	213,520	0	0	733,417
Expenses	-	10,000	10,000	10,000	7,500	7,500	45,000
Contributions to social insurance	-	16,966	14,062	13,001	0	0	44,029
Total	**-** [3]	**353,776**	**258,815**	**239,854**	**90,000**	**105,000**	**1,047,445**

	CHF
Remuneration to former members of the Board of Directors	
Accrued remuneration[1]	-310,001
Shares[2]	661,476
Contributions to social insurance	27,350
Expenses	5,000
Total	**383,825**

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

	CHF
Remuneration to former members of the Board of Directors	
Accrued remuneration[1]	-250,000
Shares[2]	504,363
Contributions to social insurance	14,849
Expenses	6,666
Withholding tax	15,002
Total	**290,880**

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

[2] Remuneration is in the form of registered shares of the company with a par value of CHF 0.10 each, 2-year blocking period, valued at CHF 171.64 (PY CHF 176.20), made up of CHF 192.85 (PY CHF 197.95) market value at grant date less CHF 21.21 (PY CHF 21.75) tax benefit for blocking period. The number of shares allocated is calculated based on the remuneration divided by the net price of CHF 96.43 (CHF 192.85 less 50% discount) (PY CHF 138.57 [CHF 197.95 less 30% discount]).

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

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

	2012		2011	
	A. Baehny CEO	Total	A. Baehny CEO	Total
	CHF	CHF	CHF	CHF
Remuneration of the Group Executive Board				
Cash/deposits				
- Fixed salary	946,803	2,861,729	936,806	2,689,830
- Variable salary[1]	-64,737	490,705	57,078	817,313
Shares/options				
- Shares (instead of variable salary)[1,2]	552,565	1,128,444	478,157	832,827
- Call options MSOP A[3]	179,755	327,146	68,974	192,527
- Call options MSOP B[4]	163,093	296,822	66,770	186,375
- Call options MSPP[5]	107,271	219,068	120,489	209,861
Non-cash benefits				
- Private share of company vehicle[6]	9,660	37,512	9,340	36,015
Expenditure on pensions				
- Pension plans and social insurance[9]	352,076	956,121	255,853	729,322
- Contribution health/accident insurance	2,390	13,030	2,546	13,173
Total[7]	**2.248.876[8]**	**6,330,577**	**1.996.013[8]**	**5,707,243**

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

[2] Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at CHF 161.90 (PY CHF 166.20), made up of market value at grant date of CHF 192.85 (PY CHF 197.95) less CHF 30.95 (PY CHF 31.75) tax benefit for blocking period.

[3] Call options A on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Program (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 196.15 (PY CHF 217.60); definitive acquisition of the option (“vesting”) dependent on various conditions, 2-yearblocking period, market value of CHF 26.97 (PY CHF 38.49) using the binomial method.

[4] Call options B on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Program (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 205.50 (PY CHF 228.00); definitive acquisition of the option (“vesting”) dependent on various conditions, 4-yearblocking period, market value of CHF 24.47 (PY CHF 37.26) using the binomial method.

[5] Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 192.85 (PY CHF 197.95); definitive acquisition of the option (“vesting”) dependent on various conditions, 2-yearblocking period, market value of CHF 31.43 (PY CHF 41.88) using the binomial method.

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

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

[8] The compensation of A. Baehny as Chair of the Board of Directors is covered by his salary as CEO.

[9] Including one of the compensation in pension provision due to pension scheme modifications (reduction of pension conversion rate and the technical interest rate).

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

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	S. Ruoff	J. Song	J. Tang-Jensen	Total
2012							
Shareholdings Board of Directors							
Shares	see Group Executive Board	4,912	4,623	2,595	1	220	12,351
Share of voting rights		< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christensen	M. Reinhard	K. Spachmann	Total
2012								
Shareholdings Group Executive Board								
Shares			49,684	21,823	6,086	2,206	3,084	82,883
Percentage voting rights shares			0.13%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.21%
Call options[1]								
End of blocking period:								
Lapsed	2013-2015	178.37	4,232	3,983	715	1,784	555	11,269
2013	2014-2016	179.05	8,137	4,691	2,242	3,578	1,708	20,356
2014	2015-2017	198.53	11,742	4,220	1,891	3,560	2,619	24,032
2015	2016	228.00	1,792	957	753	1,017	483	5,002
2016	2017	205.50	6,665	1,417	1,176	1,542	1,330	12,130
Total options			**32,568**	**15,268**	**6,777**	**11,481**	**6,695**	**72,789**
Percentage potential share of voting rights options			< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.19%

[1] Purchase ratio 1 share for 1 option

	A. Baehny Chairman	R. Spoerry Vice Chairman	R. Hanslin	R. Heberlein	H. Reuter	S. Ruoff	Total
2011							
Shareholdings Board of Directors							
Shares	see Group Executive Board	2,241	363,151	91,880	3,265	1,351	461,888
Share of voting rights		< 0,1%	0.91%	0.23%	< 0,1%	< 0,1%	1.16%

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christensen	M. Reinhard	K. Spachmann	Total
2011								
Shareholdings Group Executive Board								
Shares			43,721	20,000	8,706	3,001	370	75,798
Percentage voting rights shares			0.11%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.19%
Call options[1]								
End of blocking period:								
Lapsed	2012-2014	163.95	6,320	1,660	2,285	2,730	3,295	16,290
2012	2013-2015	178.37	6,782	3,983	1,370	3,314	1,545	16,994
2013	2014-2016	179.05	8,137	4,691	2,242	3,578	1,708	20,356
2014	2015	206.60	1,664	980	715	1,018	555	4,932
2015	2016	228.00	1,792	957	753	1,017	483	5,002
Total options			**24,695**	**12,271**	**7,365**	**11,657**	**7,586**	**63,574**
Percentage potential share of voting rights options			< 0,1%	< 0,1%	< 0,1%	< 0,1%	< 0,1%	0.16%

[1] Purchase ratio 1 share for 1 option

1.7 Significant shareholders

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

	31.12.2012	31.12.2011
Capital Group Companies, Inc., Los Angeles	9.72%	9.72%
Black Rock, New York	3.23%	3.23%
Geberit AG, Rapperswil-Jona	3.18%	3.26%
Marathon Asset Management	3.00%	3.00%
CS Management Funds AG, Zürich	< 3.00%	3.05%

1.8 Risk management

Geberit AG is integrated into the group-wide risk management system of the Geberit Group.

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

2. Other Disclosures required by the law

Proposal for the Appropriation of Available Earnings
Proposal by the Board of Directors to the General Meeting:

Appropriation available earnings

	2012 CHF	2011 CHF
Available earnings		
Net income	299,990,789	394,676,067
Balance brought forward	1,684,725	7,008,658
Withdrawal from legal capital contribution reserves	105,835,596	243,009,932
Total available earnings	**407,511,110**	**644,694,657**
Transfer to free reserves	150,000,000	400,000,000
Proposed/Paid distribution of capital contribution reserves	105,835,596	243,009,932
Proposed dividend	143,634,023	
Balance to be carried forward	8,041,491	1,684,725
Total appropriation of available earnings	**407,511,110**	**644,694,657**

Distribution of capital contribution / Dividend payments
The Board of Directors proposes a redemption of capital contribution of CHF 2.80 per share and a dividend of CHF 3.80 per share. In the previous year, a redemption of capital contribution of CHF 6.30 per share was paid out. In line with the capital contribution law which is effective from January 1st, 2011, similar to a redemption of the nominal value of the shares, the redemption of capital contribution is not subject to withholding tax. However the dividend payment is subject to withholding tax.

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

Report of the Statutory Auditor

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Geberit AG, which comprise the → **balance sheet**, → **income statement** and → **notes**, for the year ended December 31, 2012.

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

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

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

Opinion
In our opinion, the financial statements for the year ended December 31, 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, March 5, 2013