

Finan- cial Report

Geberit Group 2013

Geberit Group

Consolidated Balance Sheets

	Note	31.12.2013 MCHF	31.12.2012 ¹ MCHF	01.01.2012 ¹ MCHF
Assets				
Current assets				
Cash and cash equivalents		538.1	361.3	455.0
Marketable securities	6	74.7	61.8	87.0
Trade accounts receivable	7	114.8	119.6	112.9
Other current assets and current financial assets	8	53.4	53.0	43.8
Inventories	9	170.9	163.8	162.2
Total current assets		951.9	759.5	860.9
Non-current assets				
Property, plant and equipment	10	536.4	521.2	516.2
Deferred tax assets	19	55.8	66.8	79.0
Other non-current assets and non-current financial assets	11	36.4	21.8	21.4
Goodwill and intangible assets	12	645.5	638.1	645.2
Total non-current assets		1,274.1	1,247.9	1,261.8
Total assets		2,226.0	2,007.4	2,122.7
Liabilities and equity				
Current liabilities				
Short-term debt	13	4.0	3.8	64.8
Trade accounts payable		61.6	58.6	60.2
Tax liabilities and tax provisions		67.2	69.9	62.3
Other current provisions and liabilities	14	146.7	140.3	161.0
Total current liabilities		279.5	272.6	348.3
Non-current liabilities				
Long-term debt	15	7.7	10.9	10.8
Accrued pension obligation	17	188.9	206.2	257.3
Deferred tax liabilities	19	51.2	47.6	49.8
Other non-current provisions and liabilities	20	34.6	38.8	37.0
Total non-current liabilities		282.4	303.5	354.9
Shareholders' equity				
Capital stock	22	3.8	3.9	4.0
Reserves		1,886.2	1,660.6	1,644.4
Cumulative translation adjustments		-225.9	-233.2	-228.9
Total equity		1,664.1	1,431.3	1,419.5
Total liabilities and equity		2,226.0	2,007.4	2,122.7

¹ Restatement see → Note 1

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

Consolidated Income Statements

	Note	2013 MCHF	2012 ¹ MCHF
Revenue from sales²	28	1,999.9	1,919.6
Cost of materials		597.2	590.7
Personnel expenses		475.4	469.3
Depreciation expense	10	76.6	74.3
Amortization of intangibles	12	5.5	5.8
Other operating expenses, net	24	334.5	323.0
Total operating expenses, net		1,489.2	1,463.1
Operating profit (EBIT)		510.7	456.5
Financial expenses	25	-4.8	-10.7
Financial income	25	3.4	4.3
Foreign exchange loss(-)/gain	25	-4.1	-0.8
Financial result, net		-5.5	-7.2
Profit before income tax expenses		505.2	449.3
Income tax expenses	26	69.4	61.8
Net income		435.8	387.5
- Attributable to shareholders of Geberit AG		435.8	387.5
EPS (CHF)	23	11.59	10.16
EPS diluted (CHF)	23	11.58	10.16

¹ Restatement see → **Note 1**

² New presentation see → **Note 1**

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

Consolidated Statements of Comprehensive Income

	Note	2013 MCHF	2012 ¹ MCHF
Net income according to the income statement		435.8	387.5
Cumulative translation adjustments		7.3	-4.3
Cumulative translation adjustments		7.3	-4.3
Cashflow hedge accounting	16	0.0	1.4
Taxes		0.0	-0.4
Cashflow hedge accounting, net of tax		0.0	1.0
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		7.3	-3.3
Remeasurements of pension plans	17	51.6	64.4
Taxes		-9.0	-8.2
Remeasurements of pension plans, net of tax		42.6	56.2
Total other comprehensive income not reclassified to the income statement in subsequent periods, net of tax		42.6	56.2
Total other comprehensive income, net of tax		49.9	52.9
Total comprehensive income		485.7	440.4
- Attributable to shareholders of Geberit AG		485.7	440.4

¹ Restatement see → **Note 1**

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

Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						Total equity
	Ordinary shares	Reserves	Treasury shares	Pension plans	Hedge-accounting	Cum. translation-adjustments	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	
Balance at 31.12.2011	4.0	2,065.0	-229.4	-190.2	-1.0	-228.9	1,419.5
Restatement ¹		-5.1		5.1			0.0
Total comprehensive income ¹		387.5		56.2	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	2,017.9	-228.4	-128.9	0.0	-233.2	1,431.3
Total comprehensive income		435.8		42.6		7.3	485.7
Distribution		-248.2					-248.2
Purchase (-)/Sale of treasury shares		8.0	-9.7				-1.7
Management option plans		-3.0					-3.0
Capital reduction	-0.1	-197.5	197.6				0.0
Balance at 31.12.2013	3.8	2,013.0	-40.5	-86.3	0.0	-225.9	1,664.1

¹ Restatement see → **Note 1**

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

Consolidated Statements of Cashflows

	Note	2013 MCHF	2012 ¹ MCHF
Cash provided by operating activities			
Net income		435.8	387.5
Depreciation and amortization	10/12	82.1	80.1
Financial result, net	25	5.5	7.2
Income tax expenses	26	69.4	61.8
Other non-cash income and expenses		20.7	31.9
Operating cashflow before changes in net working capital and taxes		613.5	568.5
Income taxes paid		-56.0	-58.5
Changes in trade accounts receivable		-0.7	-6.4
Changes in inventories		-7.3	-4.3
Changes in trade accounts payable		3.0	-1.2
Changes in other positions of net working capital		7.4	-4.1
Net cash provided by operating activities		559.9	494.0
Cash from/used (-) in investing activities			
Purchase of property, plant & equipment and intangible assets	10/12	-98.0	-86.0
Proceeds from sale of property, plant & equipment and intangible assets		2.8	1.0
Marketable securities, net	6	-12.1	24.5
Interest received		2.9	5.6
Other, net		2.5	-3.7
Net cash from/used (-) in investing activities		-101.9	-58.6
Cash from/used (-) in financing activities			
Repayments of borrowings		-4.0	-80.5
Interest paid		-0.5	-5.4
Distribution		-248.2	-241.7
Purchase/Sale of treasury shares		-26.8	-198.4
Other, net		-0.5	-1.8
Net cash from/used (-) in financing activities		-280.0	-527.8
Effects of exchange rates on cash		-1.2	-1.3
Net increase/decrease (-) in cash		176.8	-93.7
Cash and cash equivalents at beginning of year		361.3	455.0
Cash and cash equivalents at end of year		538.1	361.3

¹ Restatement see → **Note 1**

Further cashflow figures see → **Note 27**

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

Notes to the Consolidated Financial Statements

1. Basic information and principles of the report

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 and the product area "piping systems" with the product lines building drainage systems and supply systems. 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 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.

Other than required by IAS 1, in the past the consolidated income statements not only contained "Revenue from sales" but also "Sales" (see → **Note 3** and → **Note 28**). The correction of this presentation error was done in accordance with IAS 8 and does not affect net income.

As a consequence of the introduction of IAS 19R (see → **Note 17**), the previous year figures were restated for comparability reasons. As of December 31, 2012, the negative effect on the net income amounted to MCHF 4.8 (personnel expenses MCHF +5.8, taxes MCHF -1.0). The negative effect on earnings per share was CHF 0.13, on the diluted earnings per share CHF 0.12. In the balance sheet, the restatement for the year 2011 was done with a reclassification within equity of MCHF 5.1 from "Reserves" to "Pension plans" (see → **consolidated statements of changes in equity**). As a result of reviewing the accounting of defined benefit plans in connection with the introduction of IAS 19R, it became clear that the reinsurance policies were not presented correctly in the Notes. They were reported as a part of the plan assets, instead of being reported separately as reimbursement rights. These presentation errors were corrected in accordance with IAS 8 and do not affect net income.

Due to the change of the consolidation system, a presentation error occurred in the assets register in connection with the data transfer to the new system (see → **Notes 10** and → **12**). The reported historical cost and accumulated depreciation were too low. This error did not, however, have any impact on the net book values and the balance sheet. The gross values both were corrected accordingly. This presentation error was corrected in accordance with IAS 8 and does not affect net income.

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

No material changes in Group organization took place in 2013 and 2012.

3. Summary of significant accounting policies

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

Standard/Interpretation	Enactment	Relevance for Geberit	Introduction
IFRS 7 - Financial Instruments: Disclosures	1.1.2013	Disclosure in connection with the offsetting of financial assets and financial liabilities. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IFRS 10 - Consolidated Financial Statements	1.1.2013	This standard replaces the guidance on control and consolidation in IAS 27 and SIC-12. A consistent definition of control is introduced. This amendment has no 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 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 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 where the fair value has to be used. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This value is disclosed accordingly (Level 1-3). This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 1 – Presentation of Financial Statements	1.7.2012	This amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 19 - Employee Benefits incl. amendment of IAS 19	1.1.2013 and 1.7.2014 for amendment of IAS 19	1) The optional corridor approach was eliminated. As the Geberit Group already recognized actuarial gains and losses in other comprehensive income, this amendment had 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 (impact on the consolidated financial statements see → Note 1). 3) New principle-based disclosure requirements are introduced to enable a wide evaluation of the (risk) management of pension plans. The Notes were expanded to account for this adjustment. Risk sharing: the risk sharing was not implemented due to immaterial amounts. The amendment of IAS 19 was early adopted to take the option to go on with the present calculation method (without risk sharing).	1.1.2013 ¹
IAS 36 - Impairment of Assets	1.1.2014	Clarification of disclosures required regarding recoverable amount for non-financial assets. This amendment has no material impact on the consolidated financial statements.	1.1.2013 ¹
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

¹ This standard was early adopted by the Geberit Group.

New or revised IFRS standards and interpretations as from 2014 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 9 - Financial Instruments	open	The first parts of this new standard, which replaces IAS 39, was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The Geberit Group will assess the impacts on the consolidated financial statements based on the final version.	open
IFRS 10 - Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IAS 27 - Consolidated and Separate Financial Statement	1.1.2014	Amendments related to investment companies. This amendment has no impact on the consolidated financial statements.	1.1.2014
IAS 32 - Financial Instruments: Presentation	1.1.2014	Clarification related to the offsetting of financial assets and financial liabilities. This amendment has no material impact on the consolidated financial statements.	1.1.2014
IAS 39 - Financial Instruments: Recognition and Measurement	1.1.2014	Clarification that there is no need to discontinue hedge accounting if a hedging derivative is novated. This amendment has no impact on the consolidated financial statements.	1.1.2014
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 any further 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 that 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 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. Historical cost is determined using the weighted average cost formula, while the manufacturing cost is determined using the standard cost formula. 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 (8–25 years), molds (4–6 years), equipment (4–25 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 (generally more than a year) 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 an interest 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 on the following useful lives: patents and technology (10 years), trademarks (5 years), software (4–6 years) and capitalized development costs (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 on estimated claims. Actual warranty costs are charged against the provision when incurred.

Revenue from sales

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 amounts after deduction of the rebates shown on the invoice, plus customer bonuses and cash discounts granted subsequently.

Customer bonuses are sales deductions linked to the achievement of predefined sales targets. Cash discounts are sales deductions recognized on receipt of timely payments. Changes to these items material to Geberit's business model are described in "Segment reporting" (see → [Note 28](#)).

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 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 (see → [Note 19](#)).

Research and development expenditures

Geberit spends about 2% of sales on research and development (R&D) every year. The R&D expenses remain relatively constant over the years. About 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 relate to development costs for new products. If it concerns material development projects, they are reviewed at each balance sheet date in order to verify that the capitalization criteria of IAS 38.57 are fulfilled. In 2013, this was the case for two major development projects and costs of MCHF 3.3 (PY: 0.0) were capitalized.

In 2013, research and development costs totaling MCHF 50.9 (PY: MCHF 49.8) were charged directly to the income statement. The costs are included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net".

Retirement benefit plans

The Group manages different employee pension funds structured as both defined benefit and defined contribution plans. These pension funds are governed by the regulations of the countries in which the Group operates.

For defined benefit plans, the present value of the defined benefit obligation is calculated periodically by independent pension actuaries using the projected unit credit method on the basis of the service years, the expected salary and pension trends, and the return on investments. Actuarial gains and losses are immediately recognized in other comprehensive income as "Remeasurements pension plans". This item also includes the return on plan assets/reimbursement rights (excluding the interest based on the discount rate) and any effects of an asset ceiling adjustment. For defined benefit plans with an independent pension fund, the funded status of the pension fund is included in the consolidated balance sheet. Any surplus is capitalized in compliance with IAS 19.64 and IFRIC 14. The annual net periodic pension costs calculated for defined benefit plans are recognized in the income statement in the period in which they occur.

For defined contribution plans, the annual costs are calculated as a percentage of the pensionable salaries and are also charged to the income statement. Except for the contributions, the Group does not have any other payment obligations.

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 participation 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 that 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 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 is 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 financial reporting defines in this regard control measures, that 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

Financial contracts are agreed only with third parties that have at least an A (S&P) or A2 (Moody's) rating, or are considered to be relevant to the system. Management believes that the risk of loss from the existing contracts is remote.

In general, liquid funds are invested for less than three months. Part of the liquid funds is invested in government bonds (maximum MCHF 70 per country and usually with terms of less than 12 months). The residual liquid funds are generally put into fixed-term deposits at banks. To avoid cluster risks, the value of an investment per third party may not exceed MCHF 50 (or MCHF 70 for the major Swiss banks). In addition, investments with the same counterparty may not exceed half of the Group's total deposits. The Group has not suffered any losses on such transactions to date.

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. However, the translation risk which results from the translation of profits generated abroad can still substantially influence the consolidated results depending on the level of currency fluctuation despite 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:

	2013 MCHF	2012 MCHF
Value-at-risk +/- unrealized gains/losses	3.2	2.1
Equity	1,664.1	1,431.3
(Value-at-risk +/- unrealized gains/losses)/equity	0.2%	0.1%

Management of interest rate risk

Basically, two types of interest rate risk exist:

- the fair market value risk for financial positions bearing fixed interest rates
- 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:

	2013 MCHF	2012 ¹ MCHF
EBITDA	592.8	536.6
Financial result, net + CfaR	1.7	1.8
EBITDA/(Financial result, net + CfaR)	349x	298x

¹ Restatement see → Note 1

The unchanged high level of this key figure in comparison to the limit is 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.

	2013 MCHF	2012 MCHF
Combined foreign exchange rate and interest rate risk	5.6	4.2

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 and 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 590.5 (PY: MCHF 399.7).

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 2013, the average balance of receivables is about 160% 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.

Management is informed on a regular basis with key figures and reports about the compliance with the defined limits. 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	2013	2012 ¹
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/equity	0.2%	0.1%
Interest rate risk	EBITDA/(financial result, net + CfaR)	349x	298x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 590.5	MCHF 399.7

¹ Restatement see → Note 1

5. Management of capital

The objectives of the Group in regard to the management of the capital structure are as follows:

- 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 use 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:

	2013 MCHF	2012 ¹ MCHF
Gearing		
Debt	11.7	14.7
Liquid funds and marketable securities	612.8	423.1
Net debt	-601.1	-408.4
Equity	1,664.1	1,431.3
Net debt/equity	-36.1%	-28.5%
Return on equity (ROE)		
Equity (rolling)	1,546.2	1,397.8
Net income	435.8	387.5
ROE	28.2%	27.7%
Return on invested capital (ROIC)		
Invested capital (rolling)	1,366.0	1,346.0
Net operating profit after taxes (NOPAT)	437.9	389.6
ROIC	32.1%	28.9%

¹ Restatement see → Note 1

6. Marketable securities

The government bonds bought in 2012 in the amount of MEUR 52.1 were fully repaid in 2013. In return, the Group invested MEUR 61.8 in new government bonds (Germany and Austria) in 2013. As of December 31, the carrying amount was MCHF 74.7.

7. Trade accounts receivable

	2013 MCHF	2012 MCHF
Trade accounts receivable	123.0	127.9
Allowance	-8.2	-8.3
Total trade accounts receivable	114.8	119.6

Of trade accounts receivable, MCHF 5.3 was denominated in CHF (PY: MCHF 5.5), MCHF 62.4 in EUR (PY: MCHF 61.6), MCHF 13.3 in USD (PY: MCHF 13.4), and MCHF 9.0 in GBP (PY: MCHF 9.6).

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

	2013 MCHF	2012 MCHF
Allowances for trade accounts receivable		
January 1	8.3	8.0
Additions	1.5	1.4
Used	-1.1	-0.6
Reversed	-0.5	-0.5
Translation differences	0.0	0.0
December 31	8.2	8.3
Maturity analysis of trade accounts receivable		
Not due	90.8	95.4
Past due < 30 days	18.5	19.1
Past due < 60 days	4.8	6.1
Past due < 90 days	1.5	1.5
Past due < 120 days	0.7	1.0
Past due > 120 days	6.7	4.8
Allowance	-8.2	-8.3
Total trade accounts receivable	114.8	119.6

8. Other current assets and current financial assets

	2013 MCHF	2012 MCHF
Income tax refunds receivable	2.9	3.5
Value-added tax receivables	34.4	32.9
Short-term derivative financial instruments (see → Note 16) ¹	2.9	3.1
Prepaid expenses and other current assets	13.2	13.5
Total other current assets and current financial assets	53.4	53.0

¹ Is not part of the calculation of net working capital

9. Inventories

	2013 MCHF	2012 MCHF
Raw materials, supplies and other inventories	61.6	58.0
Work in progress	33.6	31.7
Finished goods	68.0	65.3
Merchandise	7.3	8.3
Prepayments to suppliers	0.4	0.5
Total inventories	170.9	163.8

As of December 31, 2013, inventories included allowances for slow-moving and obsolete items of MCHF 21.2 (PY: MCHF 18.2).

10. Property, plant and equipment

	Total MCHF	Land and buildings MCHF	Machinery and equipment MCHF	Office equipment MCHF	Assets under constr./ advance payments MCHF
2013					
Cost at beginning of year	1,251.6	361.3	795.8	56.8	37.7
Additions	90.6	11.2	36.3	2.9	40.2
Disposals	-33.9	-0.7	-29.8	-3.4	
Transfers	0.0	3.0	27.0	0.4	-30.4
Translation differences	6.8	1.6	5.2	0.1	-0.1
Cost at end of year	1,315.1	376.4	834.5	56.8	47.4
Accumulated depreciation at beginning of year	730.4	138.9	550.6	40.9	0.0
Depreciation expense	76.6	11.3	59.8	5.5	
Disposals	-32.1	-0.4	-28.4	-3.3	
Translation differences	3.8	0.5	3.3		
Accumulated depreciation at end of year	778.7	150.3	585.3	43.1	0.0
Net carrying amounts at end of year	536.4	226.1	249.2	13.7	47.4
2012					
Cost at beginning of year	955.2	296.9	580.4	35.1	42.8
Restatement ¹	260.0	47.4	184.0	30.3	-1.7
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	1,251.6	361.3	795.8	56.8	37.7
Accumulated depreciation at beginning of year	439.0	82.3	337.8	18.9	0.0
Restatement ¹	260.0	47.3	182.6	30.1	
Depreciation expense	74.3	10.2	58.2	5.9	
Disposals	-39.6	-0.4	-25.4	-13.8	
Translation differences	-3.3	-0.5	-2.6	-0.2	
Accumulated depreciation at end of year	730.4	138.9	550.6	40.9	0.0
Net carrying amounts at end of year	521.2	222.4	245.2	15.9	37.7

¹ Restatement see → Note 1

As of December 31, 2013, buildings were insured at MCHF 433.6 (PY: MCHF 432.2) and equipment at MCHF 928.4 (PY: MCHF 915.4) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,362.0 (PY: MCHF 1,347.6).

As of December 31, 2013, there were no qualified assets for which borrowing costs were capitalized during the production phase. As of December 31, 2013, the Group had entered into firm commitments for capital expenditures of MCHF 20.0 (PY: MCHF 11.6).

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

	2013 MCHF	2012 MCHF
Reinsurance policies for pension obligations (see → Note 17)	13.7	11.7
Reinsurance policies for other long-term employee obligations ¹	0.0	3.7
Employer contribution reserve (see → Note 17)	19.5	0.0
Deposits	0.9	2.6
Other	2.3	3.8
Total other non-current assets and non-current financial assets	36.4	21.8

¹ As from 2013, reinsurance policies for other long-term employee benefits are offset with the corresponding provision (→ Note 20). As this amount is not material, no restatement was made.

12. Goodwill and intangible assets

	Total MCHF	Goodwill MCHF	Patents and technology MCHF	Trademarks and other intangible assets ² MCHF
2013				
Cost at beginning of year	1,079.8	768.6	127.3	183.9
Additions	7.4			7.4
Disposals	-0.8			-0.8
Translation differences	6.4	7.3	-0.1	-0.8
Cost at end of year	1,092.8	775.9	127.2	189.7
Accumulated amortization at beginning of year	441.7	226.2	124.4	91.1
Amortization expense	5.5		2.8	2.7
Disposals	-0.8			-0.8
Translation differences	0.9	1.7		-0.8
Accumulated amortization at end of year	447.3	227.9	127.2	92.2
Net carrying amounts at end of year	645.5	548.0	0.0	97.5
2012				
Cost at beginning of year	1,013.0	715.6	127.3	170.1
Restatement ¹	72.9	58.6	0.0	14.3
Additions	2.6			2.6
Disposals	-2.9			-2.9
Translation differences	-5.8	-5.6		-0.2
Cost at end of year	1,079.8	768.6	127.3	183.9
Accumulated amortization at beginning of year	367.8	169.4	121.2	77.2
Restatement ¹	72.9	58.6	0.0	14.3
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	441.7	226.2	124.4	91.1
Net carrying amounts at end of year	638.1	542.4	2.9	92.8

¹ Restatement see → Note 1

² Other intangible assets: mainly software and capitalized development costs (→ Note 3: chapter research and development expenditures)

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2013, 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 31.12.2013	Carrying amount 31.12.2012	Calculation of recoverable amount (PY numbers in brackets)			
			Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount pre-tax rate	Discount post-tax rate
				%	%	%
	MCHF	MCHF				
Goodwill from LBO Geberit	241.0	238.6	U	3.00 (2.60)	8.90 (10.10)	7.90 (8.90)
Goodwill from Mapress acquisition	289.3	285.9	U	3.00 (2.90)	10.40 (12.30)	8.20 (9.50)
Geberit trademarks	84.6	84.6	U	3.00 (2.60)	9.20 (10.60)	7.90 (8.90)
Total	614.9	609.1				

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

	2013 MCHF	2012 MCHF
Other short-term debt	4.0	3.8
Total short-term debt	4.0	3.8

Short-term credit lines

The Group maintains credit lines of MCHF 48.3 (PY: MCHF 47.9) from various lenders, which can be canceled 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, 2013 and 2012, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Other short-term debt

As of December 31, 2013, the Group had MCHF 4.0 of other short-term debt (PY: MCHF 3.8). This debt incurred an effective interest rate of 5.9% (PY: 6.0%).

Currency mix

Of the short-term debt outstanding as of December 31, 2013, MCHF 4.0 was denominated in EUR (PY: MCHF 3.8).

14. Other current provisions and liabilities

	2013 MCHF	2012 MCHF
Compensation-related liabilities	53.1	47.6
Customer-related liabilities	53.9	58.3
Current provisions	5.1	2.1
Value added tax payables	14.1	12.0
Other current liabilities	20.5	20.3
Total other current provisions and liabilities	146.7	140.3

2013 and 2012 movements of current provisions are shown in the following table:

	2013 MCHF	2012 MCHF
Current provisions		
January 1	2.1	3.2
Additions	4.2	1.2
Used	-1.2	-0.7
Reversed	0.0	-1.6
December 31	5.1	2.1

15. Long-term debt

	2013 MCHF	2012 MCHF
Revolving Facility	0.0	0.0
Other long-term debt	7.7	10.9
Total long-term debt	7.7	10.9

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, 2013, 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 33½%, a utilization fee of 0.15% is due on the entire credit portion and in the case of a drawdown of 66%, 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, 2013. In 2013 and 2012, no drawdown of the Revolving Facility took place.

Other long-term debt

As of December 31, 2013, the Group had MCHF 7.7 of other long-term debt (PY: MCHF 10.9). 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, 2013, MCHF 7.7 was denominated in EUR (PY: CHF 10.9).

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, 2013 and 2012, 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:

2013	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	18.12.2014	1.03345	20.7	-20.0	2.9	0.00	0.50	DCF ¹

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 20.0 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.

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 financial result, net.

b) Forward foreign exchange contracts and foreign exchange options

						Contract values	Fair value 31.12.	Calculation method
2013	MCZK	MEUR	MNOK	MGBP	MPLN	MSEK	MCHF	
Foreign exchange contracts	0.0	-29.0	-3.0	-0.5	-2.5	0.0	0.0	Mark-to-Market
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

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

17. Retirement benefit plans

The Geberit Group manages defined benefit plans for its employees in various countries. Only the Swiss retirement benefit plans, which hold their assets in legally separate pension funds are funded plans. The biggest plans are managed in Switzerland and Germany, which together account for 98% (PY: 98%) of the total benefit obligations.

The following table provides an overview of the current status of the benefit obligations, plan assets and reimbursement rights of reinsurance policies.

	2013 MCHF	2012 ¹ MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	401.7	421.5
Plan assets at fair value	434.4	391.8
Funded status	32.7	-29.7
Germany		
Benefit obligation (for unfunded retirement benefit plans)	177.2	165.6
Funded status	-177.2	-165.6
Reimbursement rights	8.8	7.1
Other plans		
Benefit obligation (for unfunded retirement benefit plans)	11.7	10.9
Funded status	-11.7	-10.9
Reimbursement rights	4.9	4.6
Total		
Benefit obligation (for all retirement benefit plans)	590.6	598.0
Plan assets at fair value	434.4	391.8
Funded status	-156.2	-206.2
Reimbursement rights	13.7	11.7

¹ Restatement see → Note 1

Swiss retirement benefit plans

The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) governs occupational benefits in Switzerland. An employer with employees who must be insured is obliged to set up an independent pension fund entered in the register for occupational pension providers or affiliate with such a pension fund. The "Gemeinschaftsstiftung" of the Geberit Group is a foundation legally independent from the Geberit Group that insures all Geberit employees in Switzerland for compulsory and non-compulsory benefits. The Board of Trustees manages the Foundation and consists of employer and employee representatives in a parity ratio. The tasks of the Board of Trustees are set out in the BVG and the regulations based on the BVG adopted by the Board of Trustees.

The benefits provided by the pension plan exceed the minimum prescribed by law. They are funded by the employer and employee contributions, plus the interest paid on the savings assets of the insured party at an interest rate defined annually by the Board of Trustees in accordance with the legal provisions. If an insured party leaves the Geberit Group and/or the pension plan before reaching retirement age, the vested benefits accrued under the BVG are transferred to the new pension fund of the insured party. In addition to the funds brought into the pension plan by the insured party, these vested benefits consist of the employer and employee contributions, plus a supplement prescribed by law. The pension benefits comprise lifelong retirement pensions, disability benefits and death benefits for the surviving dependents. On retirement, a maximum of 50% of the retirement assets can be withdrawn in the form of a lump sum. The employer and employees pay an equal contribution to the pension fund, which is settled monthly. The contribution amount is determined by the employee's age and is calculated as a percentage of the pensionable salary.

If the pension fund is underfunded in accordance with the BVG, the Board of Trustees is obliged by law to initiate measures to rectify the situation, such as reducing the interest paid on retirement assets, reducing the benefit entitlement, or collecting remedial contributions. Legally accrued benefits may not be reduced. With remedial contributions, the risk is shared between the employer and employees; the employer is not legally obliged to pay more than 50% of the additional contributions. The current financial status of the Swiss BVG-based pension plans does not require any remedial measures; the technical funding ratio of this foundation in accordance with the BVG was 113.6% as of December 31, 2013 (December 31, 2012: 109.8%).

If a pension fund is overfunded as defined in IAS 19, the surplus funds are available to the company only to a very limited extent. The economic benefit for Geberit lies in future reductions in contributions and is calculated in accordance with IFRIC 14.

The Board of Trustees is responsible for deciding on a strategy for investment of the plan assets. The objective is to achieve medium-term and long-term congruence and sustainability between the plan assets and the pension obligations under the BVG. Taking into account the foundation's risk capacity, the investment strategy is defined as a targeted long-term investment structure.

The funded plans also include the "Wohlfahrtsfonds" of the Geberit Group, which provides non-compulsory benefits only. This fund for managerial employees supplements the insurance cover granted by the existing pension plan. On retirement, the benefit is drawn as a lump sum or converted into a fixed-term annuity. The employer's contributions must equal at least the total of all contributions by the insured party.

German retirement benefit plans

In Germany, there are capital account plans and annuity plans. The annuity plans are closed-end funds.

Capital account plans

The benefit plans and guidelines for payout are agreed in labor-management contracts. The employer can change the conditions by applying provisos. There can be special commitments based on the labor-management contracts or individual agreements, sometimes with annuity options. There is no minimum financing obligation.

Every year, a pension contribution is determined as a percentage of the pensionable salary or the employees can choose an amount of deferred compensation with or without employer contributions. This then serves as the age-dependent component on which a pension is accrued. The pension components accrued during the years of active service, including any resulting promises of fixed bonus payments and the initial credit from the transitional arrangement, are paid out in the form of a one-off lump sum or in installments. Annuitization is possible with the consent of the employer. The pension is not dependent on the employee's final salary.

The employer manages the retirement accounts, informs the employees of the balance of their retirement assets, manages the claims and makes payments, sometimes involving the services of external service providers. When paying a lifelong pension, the employer must monitor the statutory and contractual obligations to adjust the pension and make adjustments when necessary.

If a lump-sum benefit is annuitized, the lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. Thanks to the contractual adjustment rules applying to annuitization, the statutory obligation to make (and review) adjustments is not currently seen to harbor any inflation risk.

The deferred compensation with/without employer contributions and possible demographic contributions retained by the employer are paid into reinsurance policies where the employer is the beneficiary. This partly covers the pension obligations.

Annuity plans

Annuity plans are governed by labor-management contracts or individual employment contracts. § 16 of the Company Pensions Act imposes an obligation on the employer to review the adjustment of pension payments. The extent of the adjustment requirement is usually determined by the consumer price index. Some individual employment contracts impose a contractual adjustment obligation. There is no minimum financing obligation.

These are closed-end funds. Pension commitments as prescribed by the Essener Verband (Essen Association) have been made to some active employees. Fixed euro entitlements are maintained for departing employees with vested rights. Annuities are paid out to the beneficiaries in the form of lifelong monthly pension payments that include survivors' benefit entitlements.

The employer manages entitlements and claims and makes payments, sometimes involving the services of external service providers. It monitors the statutory and contractual obligations to adjust the pension and makes adjustments when necessary.

The lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. The statutory obligation to make (and review) adjustments can also harbor an inflation risk.

The net periodic pension costs of all defined benefit plans were as follows:

	2013 MCHF	2012 ¹ MCHF
Current service cost	25.8	31.2
Contributions of employees	-8.6	-9.0
Net interest cost for retirement benefit plans	5.3	8.5
Net periodic pension cost	22.5	30.7

The service cost for the Swiss retirement benefit plans was MCHF 17.1 in 2013 (PY: MCHF 24.6) and for the German retirement benefit plans MCHF 8.1 (PY: MCHF 6.1). The net interest cost for the Swiss retirement benefit plans was MCHF 0.4 in 2013 (PY: MCHF 2.5) and for the German retirement benefit plans MCHF 4.8 (PY: MCHF 5.9).

The following table shows the remeasurements for the defined benefit plans in other comprehensive income in the Consolidated Statements of Comprehensive Income:

	2013 MCHF	2012 ¹ MCHF
Actuarial gains (-) / losses:	-32.7	-49.6
- of which from changes in demographic assumptions	0.0	-42.2
- of which from changes in financial assumptions	-31.7	-19.0
- of which from experience adjustments	-1.0	11.6
Return on plan assets (excluding interest based on discount rate)	-32.1	-14.8
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.0
Asset ceiling adjustment	13.2	0.0
Total pre-tax remeasurements recognized in other comprehensive income	-51.6	-64.4

The remeasurements recognized in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2013 for the Swiss retirement benefit plans amounted to MCHF -50.3 (PY: MCHF -91.2) and for the German retirement benefit plans MCHF -1.4 (PY: MCHF 25.5).

The following tables show the changes in benefit obligations, plan assets and reimbursement rights from January 1 to December 31:

	2013 MCHF	2012 ¹ MCHF
Benefit obligation		
At beginning of year	598.0	616.6
Current service cost	25.8	31.2
Interest cost	13.3	17.4
Actuarial gains (-) / losses	-32.7	-49.6
New plans / plan adjustments	3.2	1.2
Benefits paid	-19.4	-17.8
Translation differences	2.4	-1.0
Benefit obligation at end of year	590.6	598.0

¹ Restatement see → Note 1

	2013 MCHF	2012 ¹ MCHF
Plan assets at fair value		
At beginning of year	391.8	359.3
Interest income	7.5	8.7
Return on plan assets (excluding interest based on discount rate)	32.1	14.8
Contributions of employees	8.2	7.6
Contributions of employers	8.2	13.2
Benefits paid	-13.4	-11.8
Plan assets at fair value at end of year	434.4	391.8
Funded status at end of year	-156.2	-206.2
Swiss retirement benefit plans: asset ceiling adjustment	-13.2	0.0
Swiss retirement benefit plans: capitalization of employer contribution reserve (→ Note 11)	-19.5	0.0
Net funded status at end of year	-188.9	-206.2

	2013 MCHF	2012 ¹ MCHF
Fair value of reimbursement rights		
At beginning of year	11.7	10.1
Interest income	0.5	0.2
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.0
Contributions of employers	1.3	0.2
Contributions of employees	0.4	1.4
Benefits paid	-0.2	0.0
Translation differences	0.0	-0.2
Fair value of reimbursement rights at end of year	13.7	11.7

¹ Restatement see → Note 1

As of December 31, 2013, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 8.8 (PY: MCHF 7.1).

The following table provides an analysis of the fair value and composition of the plan assets.

	2013			2012		
	Listed on an active market	Other	Total	Listed on an active market	Other	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Equity instruments	175.1	9.9	185.0	130.6	9.6	140.2
Bonds and other debt instruments	52.4	36.2	88.6	53.5	36.6	90.1
Real estate property	22.9	94.2	117.1	20.9	87.3	108.2
Cash and cash equivalents	37.1	0.0	37.1	42.2	0.0	42.2
Other	2.0	4.6	6.6	6.1	5.0	11.1
Total	289.5	144.9	434.4	253.3	138.5	391.8

The effective income on the plan assets was +8.4% in 2013 and +7.6% in 2012. As of the end of 2013, the plan assets included MCHF 4.2 (PY: MCHF 3.1) in equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate used by the Group.

The following table provides an analysis of the benefit obligations of the Swiss and German retirement benefit plans:

	2013				2012			
	Active members	Deferred members	Pen-sioners	Total	Active members	Deferred members	Pen-sioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,149		458	1,607	1,154		436	1,590
German retirement benefit plans	3,873	409	333	4,615	3,601	371	330	4,302
Total plan members	5,022	409	791	6,222	4,755	371	766	5,892
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	233.6		168.1	401.7	247.9		173.5	421.5
German retirement benefit plans	131.8	16.4	29.0	177.2	121.9	14.9	28.8	165.6
Total benefit obligation	365.4	16.4	197.1	578.9	369.8	14.9	202.3	587.1
Share in %	63.2	2.8	34.0	100.0	63.0	2.5	34.5	100.0

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 14 years and for the German retirement benefit plans approx. 12 years.

Employer contributions of MCHF 8.2 are expected for the Swiss retirement benefit plans in 2014. In Switzerland, there is an employer contribution reserve of MCHF 19.5 that may be used for future contribution payments.

The calculation of the benefit obligations for the material retirement benefit plans was based on the following assumptions (in %):

	2013		2012	
	CH	DE	CH	DE
Discount rate	2.4	3.1	1.9	3.0
Salary increase rate	2.0	2.5	2.0	2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2010 generations table	2005G actuarial tables	BVG 2010 generations table	2005G actuarial tables

The trend for sickness costs does not affect benefit obligations in Switzerland or Germany.

The following sensitivity analysis shows how the present value of the benefit obligation for the material retirement benefit plans (CH and DE) would change if a single reporting date assumption were changed. Every assumption change was analyzed separately. Interdependencies were not taken into account.

	Swiss retirement benefit plans: increase/reduction (-) in present value of benefit obligation	German retirement benefit plans: increase/reduction (-) in present value of benefit obligation
Discount rate		
Increased by 50 basis points	-5.8%	-5.4%
Reduced by 50 basis points	+7.4%	+5.9%
Salaries		
Increased by 25 basis points	+0.32%	+0.04%
Reduced by 25 basis points	-0.31%	-0.04%

The Group's income statement for 2013 also includes expenses for defined contribution plans of MCHF 2.2 (PY: MCHF 2.0).

18. Participation plans

Share plans

In 2013, employees were able to purchase a limited number of shares at a discount of 40% (PY: 50%) compared to the market price ("Employee share plan 2013"). Geberit management was entitled to draw the previous year's variable remuneration partly or entirely in shares valued at market price ("Management share plans 2013"). For each of these shares, management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2013", non-executive members of the Board of Directors received their compensation for 2012 in shares of Geberit AG at a discount of 40% (PY: 50%). All share plans are subject to blocking periods valid beyond the period of employment.

The share plans introduced in 2013 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share program 2013 (ESPP)	2015	1,563	21,353	138.72
Management share program 2013 (MSPP)	2016	41	8,968	231.20
Board of Directors' program 2013 (DSPP)	2017	7	4,724	138.72
Total			35,045	

The 35,045 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2013, the Board of Directors, the Group Executive Board and the employees owned a combined total of 338,788 (PY: 370,045) shares, i.e. 0.9% (PY: 1.0%) of the share capital of Geberit AG.

Option plans

The management has the opportunity to invest part or all their variable remuneration in shares of the company through the management share participation plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable remuneration to be invested in shares. In order to encourage the management to participate in the program, a free share option is provided for each share purchased through the program. These options are subject to a vesting period of four years: a quarter of the options can be exercised one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant.

In connection with an additional option plan (MSOP), the managing directors and members of the Group Executive Board are entitled to additional options. The options of the managing directors are subject to a vesting period of four years: a quarter of the options can be exercised one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant. The options of the members of the Group Executive Board are also subject to a vesting period of four years: a third of the options can be exercised two years after the grant, a further third can be exercised three years after the grant and the remaining third four years after the grant.

The exercise price of the options corresponds to the fair market value at the time of grant. The options have a term of seven years after which they expire. They can be exercised between the vesting date and the expiration date. The vesting of share options is subject to the achievement of a performance criterion - the average Return on Invested Capital (ROIC) - over the respective vesting period.

The following is a summary of the options allocated to the management in 2013:

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share program 2013 (MSPP)	2014–2017	2020	41	8,968	231.20
Option plan 2013 (MSOP)/Group Executive Board	2015–2017	2020	5	45,628	231.20
Option plan 2013 (MSOP)/other management	2014–2017	2020	57	52,576	231.20
Total				107,172	

The fair value of the options granted in 2013 amounted to CHF 24.34 at the respective granting date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price ¹	Expected volatility	Expected Ø dividend yield	Contractual period	Riskfree interest rate
	CHF	%	%	Years	%
Management share program 2013 (MSPP)	231.20	17.139	3.47	7	0.463
Option plan 2013 (MSOP)	231.20	17.139	3.47	7	0.463

¹ The exercise price corresponds to the average price of Geberit shares for the period from 2.–18.3.2013.

The following table summarizes all option plans in place as of December 31, 2013:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2014–2016	29,509	184.88	29,509	184.88
2014	2015–2020	86,834	204.15	86,834	204.15
2015	2016–2020	50,590	229.94	50,590	229.94
2016	2017–2020	66,366	217.35	66,366	217.35
2017	2020	30,595	231.20	30,595	231.20
Total		263,894	213.39	263,894	213.39

The following movements took place in 2013 and 2012:

	MSOP		MSPP		Total 2013		Total 2012	
	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	207,359	185.93	43,946	183.49	251,305	185.51	266,710	175.17
Granted options	98,204	231.20	8,968	231.20	107,172	231.20	89,529	199.42
Forfeited options	4,569	207.34	55	189.10	4,624	207.12	5,079	175.64
Expired options	0	0	35	146.60	35	146.60	43,420	210.20
Exercised options	67,703	150.32	22,221	177.48	89,924	157.03	56,435	140.60
Outstanding December 31	233,291	214.91	30,603	201.86	263,894	213.39	251,305	185.51
Exercisable at December 31	23,683	185.80	5,826	181.17	29,509	184.88	45,972	168.12

The 263,894 options outstanding represent 0.7% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2013 had an exercise price of between CHF 96.50 and CHF 231.20 and an average remaining contractual life of 3.9 years.

Costs resulting from participation plans amounted to MCHF 2.6 in 2013 (PY: MCHF 3.7), those for option plans totaled MCHF 2.6 (PY: MCHF 2.3).

19. Deferred tax assets and liabilities

	2013		Movements 2013			2012
	Total	Charged/credited to income	Through equity	Through OCI ¹	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	3.2	-0.7	0.0	0.0	-0.2	4.1
Accrued pension obligation	14.2	0.3	0.0	-5.6	0.0	19.5
Property, plant and equipment	3.3	0.4	0.0	0.0	0.0	2.9
Goodwill and intangible assets	21.5	-4.7	0.0	0.0	0.0	26.2
Other	13.6	-0.4	-0.1	0.0	0.0	14.1
Total deferred tax assets	55.8	-5.1	-0.1	-5.6	-0.2	66.8
Deferred tax liabilities						
Inventories	-5.4	-0.1	0.0	0.0	0.1	-5.4
Property, plant and equipment	-30.4	0.5	0.0	0.0	-0.2	-30.7
Intangible assets	-7.1	-0.4	0.0	0.0	0.0	-6.7
Employer contribution reserve	-3.4	0.0	0.0	-3.4	0.0	0.0
Other	-4.9	-0.2	0.0	0.0	0.1	-4.8
Total deferred tax liabilities	-51.2	-0.2	0.0	-3.4	0.0	-47.6

¹ Other comprehensive income

	2012		Movements 2012			2011
	Total	Charged/credited to income ²	Through equity	Through OCI ^{1,2}	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	4.1	-1.0	0.0	0.0	0.0	5.1
Accrued pension obligation	19.5	1.1	0.0	-8.2	0.0	26.6
Property, plant and equipment	2.9	0.2	0.0	0.0	0.0	2.7
Goodwill and intangible assets	26.2	-5.1	0.0	0.0	0.0	31.3
Other	14.1	2.1	-0.8	-0.4	-0.1	13.3
Total deferred tax assets	66.8	-2.7	-0.8	-8.6	-0.1	79.0
Deferred tax liabilities						
Inventories	-5.4	0.6	0.0	0.0	0.1	-6.1
Property, plant and equipment	-30.7	0.8	0.0	0.0	0.2	-31.7
Intangible assets	-6.7	-0.1	0.0	0.0	0.0	-6.6
Other	-4.8	0.6	0.0	0.0	0.0	-5.4
Total deferred tax liabilities	-47.6	1.9	0.0	0.0	0.3	-49.8

¹ Other comprehensive income

² Restatement see → Note 1

In general, 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, 2013 and 2012, there were no such earnings, except of the Chinese companies. On the unremitted earnings from China, no deferred tax liabilities were recorded, as no plan exists to remit these earnings. Such a transfer of earnings would lead to income tax of MCHF 0.1.

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:

	2013	Without deferred tax asset	With deferred tax asset	2012	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	0.6	0.0	0.6
5 years	1.0	0.0	1.0	1.2	0.0	1.2
6 years	0.3	0.0	0.3	5.0	0.0	5.0
> 6 years	8.5	0.0	8.5	8.8	0.0	8.8
Total loss carryforwards	10.4	0.0	10.4	15.6	0.0	15.6

20. Other non-current provisions and liabilities

	2013	2012
	MCHF	MCHF
Provisions for operating risks	21.6	20.6
Accrued investment grants	3.3	3.1
Other non-current liabilities	9.7	15.1
Total other non-current provisions and liabilities	34.6	38.8

Provisions for operating risks mainly include provisions for warranties. Movements for 2013 and 2012 are shown in the following table.

	2013	2012
	MCHF	MCHF
Provisions for operating risks		
January 1	20.6	20.6
Additions	8.8	8.4
Used	-7.4	-7.9
Reversed	-0.5	-0.4
Translation differences	0.1	-0.1
December 31	21.6	20.6

The provisions for operating risk are on average due for payment within 3.0 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 is 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. The Group is not aware of any disputes that either individually or in the aggregate is likely to have a material adverse effect on the Group's financial position or operating results.

22. Capital stock and treasury shares

	2013	2012
	pcs.	pcs.
Issued shares		
January 1	38,821,005	39,847,005
Capital reduction as at June	-1,022,578	-1,026,000
December 31	37,798,427	38,821,005

Geberit AG concluded its share buyback program, started in January 2011, at the end of 2012. In total, 2,048,578 registered shares in the amount of CHF 390,172,725 were bought back 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. By December 31, 2011, Geberit AG had bought back 1,026,000 shares

under this program, which were canceled by way of a capital reduction. The approved capital reduction was executed in June 2012. The General Meeting approved another capital reduction on April 4, 2013 for the remaining 1,022,578 shares bought back in 2012. This approved capital reduction was executed in June 2013.

As of December 31, 2013, the Group held a total of 212,382 (PY: 1,235,345) treasury shares with a carrying amount of MCHF 40.5 (PY: MCHF 228.4). In 2013, the Group decreased the net number of treasury shares by 1,022,963. The decrease is mainly the result of the capital reduction in June 2013. Treasury shares are deducted at cost from equity.

	2013 pcs.	2012 pcs.
Stock of treasury shares		
From share buyback programs	0	1,022,578
Other treasury shares	212,382	212,767
Total treasury shares	212,382	1,235,345

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.

	2013	2012 ¹
Attributable net income according to income statement (MCHF)	435.8	387.5
Weighted average number of ordinary shares outstanding (thousands)	37,606	38,145
Total earnings per share (CHF)	11.59	10.16

¹ Restatement see → **Note 1**

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.

	2013	2012 ¹
Attributable net income according to income statement (MCHF)	435.8	387.5
Weighted average number of ordinary shares outstanding (thousands)	37,606	38,145
Adjustments for share options (thousands)	27	10
Weighted average number of ordinary shares outstanding (thousands)	37,633	38,155
Total diluted earnings per share (CHF)	11.58	10.16

¹ Restatement see → **Note 1**

24. Other operating expenses, net

	2013 MCHF	2012 MCHF
Outbound freight costs and duties	67.0	63.9
Energy and maintenance expenses	74.1	73.7
Marketing expenses	84.2	87.4
Administration expenses	43.1	40.1
Other operating expenses	78.2	72.0
Other operating income	-12.1	-14.1
Total other operating expenses, net	334.5	323.0

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

In 2013, costs of MCHF 12.0 (PY: MCHF 9.3) were capitalized as property, plant and equipment and intangible assets, including particular tools and assembly lines, which are part of the production process as well as capitalized development costs. The amount was deducted pro-rata from "personnel expenses", "cost of materials" and "other operating expenses, net".

25. Financial result, net

	2013	2012
	MCHF	MCHF
Interest expenses	-1.3	-5.9
Amortization of deferred financing fees	-0.3	-0.5
Other financial expenses	-3.2	-4.3
Total financial expenses	-4.8	-10.7
Interest income	3.4	4.3
Total financial income	3.4	4.3
Foreign exchange loss/gain	-4.1	-0.8
Total financial result, net	-5.5	-7.2

In 2012, "interest expenses" includes interests for the MUS\$ 65.0 US Private Placement loan which was repaid entirely at the end of 2012. "Other financial expenses" mainly includes the valuation losses from marketable securities. The interest income of marketable securities is included in "interest income". The foreign exchange loss in 2013 results mainly from the valuation of receivables and liabilities and is due to the weakening of currencies from emerging markets in the second half year of 2013.

26. Income tax expenses

	2013	2012 ¹
	MCHF	MCHF
Current taxes	64.1	61.0
Deferred taxes	5.3	0.8
Total income tax expenses	69.4	61.8

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.4% (PY: 13.2%) and the effective income tax expenses were as follows:

	2013	2012 ¹
	MCHF	MCHF
Income tax expenses, at applicable rate	67.9	59.4
Operating losses with no current tax benefit	0.0	0.0
Changes in future tax rates	-0.2	-0.2
Taxable goodwill amortization	-4.9	-4.8
Non-deductible expenses	3.4	2.9
Other	3.2	4.5
Total income tax expenses	69.4	61.8

¹ Restatement see → Note 1

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

27. Cashflow figures

Net cashflow is calculated as follows:

	2013	2012 ¹
	MCHF	MCHF
EBITDA ²	592.8	536.6
Financial result, net	-5.5	-7.2
Income tax expenses	-69.4	-61.8
Deferred taxes charged/credited (-) to net income (→ Notes 19 and → Notes 26)	5.3	0.8
Changes in non-current provisions	26.5	35.9
Changes in other non-current assets and liabilities and other	-1.0	-0.2
Net cashflow	548.7	504.1

¹ Restatement see → Note 1

² 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 booked to net income and gains from the disposal of property, plant and equipment.

Free cashflow is calculated as follows:

	2013	2012 ¹
	MCHF	MCHF
Net cashflow	548.7	504.1
Purchase of property, plant and equipment and intangible assets, net	-95.2	-85.0
Changes in net working capital	2.4	-16.0
Payments charged to non-current provisions	-11.6	-12.1
Free cashflow	444.3	391.0

¹ Restatement see → Note 1

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.

28. Segment reporting

The Geberit Group consists of one single business unit, the purpose of which 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, which resell the products to the end customer. Products are produced by plants that specialize in particular production processes. As a general rule, 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 comprises 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) and 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 and on the consolidated income statements, balance sheets, and statements of cashflows.

Segment reporting is therefore prepared according to IFRS 8.31 et seq. (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 customers.

The information is as follows:

	2013	2012 ¹
	MCHF	MCHF
Sales by product lines		
Installation Systems	830.5	780.0
Cisterns and Mechanisms	251.1	243.5
Faucets and Flushing Systems	120.6	125.9
Waste Fittings and Traps	95.4	93.4
Sanitary Systems	1,297.6	1,242.8
Building Drainage Systems	324.8	306.3
Supply Systems	669.2	638.7
Piping Systems	994.0	945.0
Total sales	2,291.6	2,187.8
Customer bonuses and cash discounts	291.7	268.2
Total revenue from sales	1,999.9	1,919.6
Operating cashflow (EBITDA)	592.8	536.6
Margin in % sales	25.9%	24.5%

	2013 MCHF	2012 ¹ MCHF
Sales by markets		
Germany	842.0	768.1
Switzerland	290.5	282.4
Italy	174.9	180.2
Other Europe	791.4	764.2
Other markets	192.8	192.9
Total sales	2,291.6	2,187.8
Customer bonuses and cash discounts	291.7	268.2
Total revenue from sales	1,999.9	1,919.6
Operating cashflow (EBITDA)		
Margin in % sales	25.9%	24.5%
	2013 MCHF	2012 MCHF
Share of sales by customers		
Customers with more than 10% of sales: customer A	362.1	319.6
Total > 10%	362.1	319.6
Remaining customers with less than 10% of sales	1,929.5	1,868.2
Total sales	2,291.6	2,187.8
Customer bonuses and cash discounts	291.7	268.2
Total revenue from sales	1,999.9	1,919.6

¹ Restatement see → Note 1

29. Related party transactions

In 2013 and 2012, total booked compensations for the Group Executive Board and the Board of Directors were as follows:

	2013 MCHF	2012 MCHF
Remuneration and salary fixed	4.0	3.5
Remuneration and salary variable	2.5	2.2
Options	1.2	0.9
Expenditures on pensions	0.8	1.0
Other	0.1	0.1
Total	8.6	7.7

Further information regarding compensations and investments of the Group Executive Board and the Board of Directors are disclosed in the notes of the financial statements of Geberit AG. This disclosure is according to the Swiss Code of Obligations.

In 2013 and 2012, there were no further material related party transactions.

30. Foreign exchange rates

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

Currency			2013		2012	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.2253	1.2310	1.2073	1.2053
United Kingdom	GBP	1	1.4642	1.4484	1.4793	1.4864
USA	USD	1	0.8884	0.9271	0.9148	0.9380
Poland	PLN	100	29.5400	29.3210	29.5800	28.8280
China	CNY	100	14.6800	15.1110	14.6800	14.8760
Denmark	DKK	100	16.4250	16.5080	16.1820	16.1950
Australia	AUD	1	0.7929	0.8910	0.9496	0.9709
Czech Republic	CZK	100	4.4720	4.7430	4.8110	4.8010
Hungary	HUF	100	0.4132	0.4150	0.4131	0.4160
Norway	NOK	100	14.6140	15.8440	16.3940	16.1240
Sweden	SEK	100	13.8280	14.2460	14.0500	13.8410
Singapore	SGD	1	0.7021	0.7397	0.7492	0.7508
South Africa	ZAR	100	8.4900	9.6280	10.7600	11.4730
India	INR	100	1.4400	1.5690	1.6700	1.7530

31. Subsequent events

The Board of Directors of Geberit AG has decided to initiate a share buyback program. Over a period of two years shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased via a separate trading line, less withholding tax, and retired by means of a capital reduction. Based on the closing price of Geberit registered shares on March 6th, 2014, the value of the shares to be bought back is approximately CHF 530 million.

These financial statements are subject to approval by the General Meeting. They were released by the Board of Directors on March 7, 2014.

32. 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 31.12.2013 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	538.1	538.1	0.0	
Marketable securities	74.7	0.0	74.7	Level 1
Trade accounts receivable	114.8	114.8	0.0	
Other current assets	50.5	50.5	0.0	
Other non-current assets	3.2	2.7	0.5	Level 2
Derivative financial instruments	2.9	0.0	2.9	Level 2
Total	784.2	706.1	78.1	
	Carrying amount as of 31.12.2013 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	4.0	4.0	0.0	
Trade accounts payable	61.6	61.6	0.0	
Other financial liabilities	7.7	7.7	0.0	
Total	73.3	73.3	0.0	

	Carrying amount as of 31.12.2012	Loans and receivables	Financial assets at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
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	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	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

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 31.12.2013	Maturity				
		2014	2015	2016	2017	2018 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	4.0	4.0	0.0	0.0	0.0	0.0
Trade accounts payable	61.6	61.6	0.0	0.0	0.0	0.0
Other financial liabilities	7.7	0.5	3.1	2.3	1.7	1.6
Total non-derivative financial liabilities	73.3	66.1	3.1	2.3	1.7	1.6
Derivative financial assets	-2.9	55.4	0.0	0.0	0.0	0.0
Total derivative financial instruments	-2.9	55.4	0.0	0.0	0.0	0.0
Total	70.4	121.5	3.1	2.3	1.7	1.6
	Carrying amount 31.12.2012	Maturity				
	MCHF	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 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

33. Group companies as of December 31, 2013

Switzerland	Ownership in %	Activity
Geberit AG, Rapperswil-Jona		0
Geberit Holding AG, Rapperswil-Jona	100	0
Geberit International AG, Rapperswil-Jona	100	0
Geberit International Sales AG, Rapperswil-Jona	100	Δ
Geberit Verwaltungs AG, Rapperswil-Jona	100	0
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	0
Geberit Huter GmbH, Matri	100	□
Belgium		
Geberit N.V., Machelen	100	Δ
Channel Islands		
Geberit Finance Ltd., Jersey	100	0
Geberit Reinsurance Ltd., Guernsey	100	0
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	0
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	0
Geberit Service GmbH & Co. KG, Pfullendorf	100	0
Geberit Vertriebs GmbH, Pfullendorf	100	Δ
Geberit Produktions GmbH, Pfullendorf	100	□
Geberit Logistik GmbH, Pfullendorf	100	0
Geberit Mapress GmbH, Langenfeld	100	□
Geberit RLS Beteiligungs GmbH, Langenfeld	100	0
Geberit Lichtenstein GmbH, Lichtenstein	100	□
Geberit Weilheim GmbH, Weilheim	100	□

	Ownership in %	Activity
Hungary		
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, 2013.

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, 2013 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 7, 2014

Geberit

AG

Balance Sheets

	31.12.2013 MCHF	31.12.2013 MCHF	31.12.2012 MCHF	31.12.2012 MCHF
Assets				
Current assets				
Treasury shares		0.0		197.6
Accounts receivable				
- Third parties		4.0		4.1
- Group companies		233.5		59.0
Total current assets		237.5		260.7
Non-current assets				
Investments		945.1		976.3
Total non-current assets		945.1		976.3
Total assets		1,182.6		1,237.0
Liabilities				
Current liabilities				
- Third parties		1.6		9.5
- Group companies		3.5		3.5
Total current liabilities		5.1		13.0
Shareholders' equity				
Capital stock		3.8		3.9
Legal reserves				
- General reserve, share premium		0.8		0.8
- Reserve for treasury shares		40.4		225.0
- Reserve from capital contributions				
- Share premium, reserves from capital contributions	25.7		128.1	
- Reserve for treasury shares from capital contributions	0.0	25.7	3.4	131.5
Total legal reserves		66.9		357.3
Free reserves				
- Other free reserve		698.2		561.1
Total free reserves		698.2		561.1
Retained earnings		408.6		301.7
Total shareholders' equity		1,177.5		1,224.0
Total liabilities and shareholders' equity		1,182.6		1,237.0

Income Statements

	2013 MCHF	2012 MCHF
Income		
Dividends from Group companies	400.0	300.0
Financial income	3.1	2.6
Other operating income	0.4	0.3
Total income	403.5	302.9
Expenses		
Administrative expenses	3.0	2.9
Total expenses	3.0	2.9
Net income	400.5	300.0

Notes to the Financial Statements

1.1 Guarantees, assets pledged in favor of third parties

	31.12.2013	31.12.2012
	MCHF	MCHF
Guarantee Revolving Facility	150.0	150.0

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

1.2 Significant investments

	2013 Ownership in %	2013 capital stock	2012 Ownership in %	2012 capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39 350	100	TCHF 39 350
Geberit Finance Ltd., Jersey ¹	82	TEUR 497	82	TEUR 522
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2	100	TEUR 2

¹ The remaining 18.5% (PY 17.6%) are held by Geberit Companies.

1.3 Share capital

The share capital of Geberit AG consists of 37,798,427 ordinary shares with a par value of CHF 0.10 each.

	2013	2012
	pcs.	pcs.
Number of shares issued		
January 1	38,821,005	39,847,005
Capital reduction as at June 2013 / June 2012	-1,022,578	-1,026,000
December 31	37,798,427	38,821,005

1.4 Capital contribution reserves

From the total of MCHF 25.7 shown as at 31.12.2013 the amount of MCHF 4.2 was confirmed by the Swiss tax authorities and is therefore 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	Average	Low
		in CHF	in CHF	in CHF
Balance at December 31, 2012	1,235,345			
Cancellation share buyback program 2012	-1,022,578			
Other Purchases	124,789	269.51	237.57	217.76
Sales	-125,174	272.00	228.40	205.80
Balance at December 31, 2013	212,382			
Number of treasury shares held by Geberit AG	0			

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. The repurchased shares from 2011 were cancelled in 2012 with the decision from the General Meeting on April 4, 2012. The remaining 1,022,578 shares were repurchased in 2012. The General Meeting dated April 4, 2013 decided to reduce the capital by the volume of the shares repurchased. Therefore as at June 2013, these 1,022,578 shares were cancelled 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 ⁴ CHF	R. Spoerry Vice Chairman CHF	H. Reuter CHF	F. Ehrat CHF	J. Song CHF	J. Tang- Jensen CHF	Total CHF
2013							
Remuneration of the Board of Directors							
Accrued remuneration ¹	-	320,000	222,500	150,000	170,000	200,000	1,062,500
Expenses	-	15,000	15,000	11,250	15,000	15,000	71,250
Contributions to social insurance	-	15,071	10,714	7,438	6,066	9,701	48,990
Total	-	350,071	248,214	168,688	191,066	224,701	1,182,740

	CHF						
Remuneration of former members of the Board of Directors							
Accrued remuneration	50,000						
Expenses	3,750						
Contributions to social insurance	2,469						
Total	56,219						

	A. Baehny Chairman ⁴ CHF	R. Spoerry Vice Chairman CHF	H. Reuter CHF	S. Ruoff CHF	J. Song CHF	J. Tang- Jensen CHF	Total CHF
2012							
Remuneration of the Board of Directors							
Remuneration							
- Fixed remuneration	-	210,000	140,000	130,000	82,500	97,500	660,000
- Variable remuneration	-	140,043	93,384	86,684	54,843	64,846	439,800
Total remuneration ²	-	350,043	233,384	216,684	137,343	162,346	1,099,800
<i>thereof drawn in shares in 2013³</i>		<i>333,621</i>	<i>222,183</i>	<i>206,230</i>	<i>103,346</i>	<i>122,305</i>	<i>987,685</i>
Expenses	-	10,000	10,000	10,000	7,500	7,500	45,000
Contributions to social insurance	-	16,422	11,201	10,454	6,799	7,893	52,769
Total	-	376,465	254,585	237,138	151,642	177,739	1,197,569

¹ Directors fee booked, but not yet paid as at December 31. Payment will be made in the first quarter of 2014 in the form of restricted shares. The blocking period is 4 years.

² The total remuneration for 2012 was calculated based on the fixed fee and the share discount of 40% granted under the Employee Share Plan 2013 in March 2013. The size of the Employee Share Plan discount is based on the performance of the previous year. For 2013, the compensation regulations of the board have been changed. From 2013, the compensation for the Board of Directors no longer includes a variable component.

³ The remuneration is paid out in the form of registered shares in the company with a par value of CHF 0.10 each, 4-year blocking period, valued at fair value at grant date of CHF 231.20. The part not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non Swiss board members.

⁴ The remuneration of A. Baehny as Chairman of the Board is compensated with his total CEO remuneration.

	2013		2012	
	A. Baehny CEO ¹⁰ CHF	Total CHF	A. Baehny CEO CHF	Total CHF
Remuneration of the Group Executive Board				
Salary				
- Fixed salary	946,803	2,861,729	946,803	2,861,729
- Variable salary ¹	831,086	2,507,682	596,580	1,792,510
<i>thereof in shares in 2013²</i>			596,496	1,028,378
Shares/options				
- Call options MSOP 2012 A ³	0	0	179,755	327,146
- Call options MSOP 2012 B ⁴	0	0	163,093	296,822
- Call options MSOP 2013 ⁵	548,526	1,110,585	0	0
- Call options MSPP	62,797 ⁶	108,264 ⁶	107,271 ⁷	219,068 ⁷
Non-cash benefits				
- Private share of company vehicle ⁸	9,660	38,792	9,660	37,512
Expenditure on pensions				
- Pension plans and social insurance	196,283	752,034	352,076 ¹¹	956,121 ¹¹
- Contribution health/accident insurance	2,262	12,390	2,390	13,030
Total⁹	2,597,417	7,391,476	2,357,628	6,503,938

¹ The amounts to be paid respectively the amounts effectively paid are shown. The payment of the variable salary occurs in the following year. The member of the Group Executive Board are free to choose between a payment in shares or in cash.

² Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 231.20 (PY CHF 192.85).

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; definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 26.97 determined 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; definitive acquisition of the option ("vesting") dependent on various conditions, 4-year blocking period, market value of CHF 24.47 determined 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 Stock Option Program (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 231.20; definitive acquisition of the option ("vesting") dependent on various conditions, 2-4-year blocking period (3 tranches at 33.3%), market value of CHF 24.34 determined using the binomial method. Effective January 1 2013, the MSOP program has been amended by implementing a performance-based vesting criteria (→ **Note 18 Participation plans** of the consolidated financial statements),

⁶ 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) related to the payout of the variable salary for the year 2012 and 2011 respectively; 1 option entitles to purchase 1 registered share at an exercise price of CHF 231.20; definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 24.34 determined using the binomial method.

⁷ 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; definitive acquisition of the option ("vesting") dependent on various conditions, 2-year blocking period, market value of CHF 31.43 determined using the binomial method.

⁸ Valuation in accordance with the guidelines of the Swiss Federal Tax Administration FTA (0.8% of the purchase cost per month).

⁹ 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.

¹⁰ The remuneration of A. Baehny as Chairman of the Board of Directors is compensated with his total CEO remuneration.

¹¹ Including one-off compensation in pension provision due to pension scheme modifications (reduction of pension conversion 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	F. Ehrat	J. Song	J. Tang- Jensen	Total
2013							
Shareholdings Board of Directors							
Shares	see Group Executive Board	6,355	5,584	200	448	749	13,336
Percentage voting rights shares		< 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
2013								
Shareholdings Group Executive Board								
Shares			45,201	20,000	1,489	1,940	3,084	71,714
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.19%
Call options ¹								
Vesting period:								
Vested	2014–2016	217.60	1,792	957	0	1,017	1,038	4,804
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
2014–2017	2020	231.20	25,116	7,356	4,968	7,016	5,620	50,076
Total options			47,107	14,907	8,788	14,152	11,090	96,044
Percentage potential share of voting rights options			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.25%

¹ Purchase ratio 1 share for 1 option

	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
Percentage voting rights shares		< 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								
Vesting period:								
Vested	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

As at the balance sheet date there were no outstanding loans or credits between the company and the members of the Board of Directors or the member of the Group Executive Board.

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:

	31.12.2013	31.12.2012
Capital Group Companies, Inc., Los Angeles	9.72%	9.72%
Black Rock, New York	3.23%	3.23%
MFS Investment Management, Boston	3.03%	< 3.00%
Nicolai Tangen, c/o AKO Capital, London	3.02%	< 3.00%
Geberit AG, Rapperswil-Jona	< 3.00%	3.18%
Marathon Asset Management, London	< 3.00%	3.00%

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.

1.9 Additional information

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

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

	2013 CHF	2012 CHF
Available earnings		
Net income	400,539,406	299,990,789
Balance brought forward	8,041,491	1,684,725
Withdrawal from legal capital contribution reserves	0	105,835,596
Total available earnings	408,580,897	407,511,110
Transfer to free reserves	110,000,000	150,000,000
Paid distribution out of capital contribution reserves	0	105,835,596
Proposed/paid dividend	283,488,203	143,634,023
Balance to be carried forward	15,092,694	8,041,491
Total appropriation of available earnings	408,580,897	407,511,110

Distribution of capital contribution / dividend payments

The Board of Directors proposes a dividend of CHF 7.50 per share. In the previous year, a redemption of capital contribution of CHF 2.80 per share and a dividend of CHF 3.80 was paid out. 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 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, 2013.

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, 2013 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 7, 2014