

# Geberit Group 2013

Annual Report

# Busi- ness Report

Geberit Group 2013

# Highlights business year



### The Alpha builders

Production in India is successfully underway. After one and a half years of plant construction, the first "Alpha" concealed cisterns were manufactured in the brand-new plant in Pune. These cisterns were designed specifically for the needs of the Indian market.



### Meeting point

Every two years, the crème de la crème of sanitary technology gather at the world's most important sanitary fair – the ISH in Frankfurt. Geberit used this opportunity to provide visitors to the trade fair with a range of insights into its wide array of products and services.



### The makings of a classic

The simpler the better – this was the approach taken by renowned architect and designer Matteo Thun when designing the new Geberit AquaClean Sela. The shower toilet that looks like a normal toilet has already won numerous awards for its impressive design.



### Peace and quiet under the roof

Loud gurgling sounds in the roof drainage system can certainly get on your nerves, particularly when apartments or places of work are located under the roof. Geberit launched a new roof outlet on the market to alleviate this situation.

# Highlights business year



### A life-defining experience

During the course of our social project, eight Geberit apprentices from various countries spent two weeks working in a hospice for seriously ill people in Bucharest. They helped with the installation of sanitary facilities and also undertook voluntary work taking care of the patients, which was much appreciated.



### Broadening their horizons

Living and working abroad for a few months is a great learning experience, both personally and professionally. Geberit therefore offered its young graduate apprentices the opportunity to undertake an assignment lasting several months at the production plant in Shanghai.



### A bow or an iceberg?

The Titanic Belfast museum is located on the same site where the legendary passenger liner was launched over 100 years ago. 800,000 visitors passed through its doors in the first year. Geberit know-how and products were called upon for the challenging task of draining the roof.



### Green buildings in the desert

The Al Bahar Towers in Abu Dhabi have a sophisticated shading screen that results in a reduction in energy consumption of around 50 percent compared with conventional buildings. Geberit flush technology ensures the sustainable use of water in the buildings.

# Highlights financial year

## Sales

**+3.6%**

Currency-adjusted sales growth in 2013

## Sales development 2004–2013

(in CHF million)



## EBIT, EBITDA, Net income, Earnings per share (EPS) 2011–2013

(in CHF million)

(EPS: in CHF)



## Net income development 2004–2013

(in CHF million)



## Operating cashflow margin (EBITDA margin)

**25.9%**

At the upper end of the mid-term target corridor of 25 to 26%

## Free cashflow (in CHF)

**444.3 mio.**

13.6% above prior year's level

# Highlights financial year

---

Earnings per share  
(in CHF)

**11.59**

+14.1% versus prior year

---

Payout ratio

**65.1%**

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

---

Expenditures for property, plant and equipment (in CHF)

**98.0 mio.**

+14.0% versus prior year

---

R&D expenditures  
(in CHF)

**50.9 mio.**

1.1 million versus prior year

---

Sales  
(in CHF)

**≈ 25 mio.**

positive currency effects

---

Operating profit (EBIT)  
(in CHF)

**≈ 2 mio.**

positive currency effects

# Geberit key figures

2009 – 2013

|   |               | 2013              | 2012 <sup>3</sup> | 2011              | 2010              | 2009              |
|---|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Sales</b>                                  | <b>MCHF</b>   | 2,291.6           | 2,187.8           | 2,122.6           | 2,146.9           | 2,181.2           |
| Change on previous year                       | %             | +4.7              | +3.1              | -1.1              | -1.6              | -11.2             |
| <b>Revenue from sales</b>                     | <b>MCHF</b>   | 1,999.9           | 1,919.6           | 1,867.6           | 1,900.0           | 1,931.0           |
| Change on previous year                       | %             | +4.2              | +2.8              | -1.7              | -1.6              | -11.4             |
| <b>Operating profit (EBIT)</b>                | <b>MCHF</b>   | 510.7             | 456.5             | 449.2             | 486.2             | 526.7             |
| Margin in % of sales                          | %             | 22.3              | 20.9              | 21.2              | 22.6              | 24.1              |
| <b>Net income</b>                             | <b>MCHF</b>   | 435.8             | 387.5             | 384.0             | 406.8             | 397.5             |
| Margin in % of sales                          | %             | 19.0              | 17.7              | 18.1              | 18.9              | 18.2              |
| <b>Operating cashflow (EBITDA)</b>            | <b>MCHF</b>   | 592.8             | 536.6             | 532.0             | 573.7             | 611.0             |
| Margin in % of sales                          | %             | 25.9              | 24.5              | 25.1              | 26.7              | 28.0              |
| <b>Free cashflow</b>                          | <b>MCHF</b>   | 444.3             | 391.0             | 386.0             | 493.8             | 349.7             |
| Margin in % of sales                          | %             | 19.4              | 17.9              | 18.2              | 23.0              | 16.0              |
| <b>Financial result, net</b>                  | <b>MCHF</b>   | -5.5              | -7.2              | -7.3              | -14.3             | -13.5             |
| <b>Capital expenditures</b>                   | <b>MCHF</b>   | 98.0              | 86.0              | 92.6              | 80.5              | 106.4             |
| <b>Research and development expenses</b>      | <b>MCHF</b>   | 50.9              | 49.8              | 48.4              | 44.2              | 45.6              |
| In % of sales                                 | %             | 2.2               | 2.3               | 2.3               | 2.1               | 2.1               |
| <b>Earnings per share<sup>1</sup></b>         | <b>CHF</b>    | 11.59             | 10.16             | 9.82              | 10.32             | 10.18             |
| Earnings per share, adjusted <sup>2</sup>     | <b>CHF</b>    | 11.59             | 10.16             | 9.82              | 10.32             | 10.18             |
| <b>Number of employees</b>                    | <b>31.12.</b> | 6,226             | 6,134             | 6,004             | 5,820             | 5,608             |
| Annual average                                |               | 6,219             | 6,150             | 5,992             | 5,793             | 5,634             |
| <b>Sales per employee</b>                     | <b>TCHF</b>   | 368.5             | 355.7             | 354.2             | 370.6             | 387.1             |
|   |               | <b>31.12.2013</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>31.12.2010</b> | <b>31.12.2009</b> |
| <b>Total assets</b>                           | <b>MCHF</b>   | 2,226.0           | 2,007.4           | 2,122.7           | 2,171.2           | 2,212.2           |
| <b>Liquid funds and marketable securities</b> | <b>MCHF</b>   | 612.8             | 423.1             | 542.0             | 586.6             | 406.5             |
| <b>Net working capital</b>                    | <b>MCHF</b>   | 127.9             | 134.4             | 114.1             | 108.5             | 180.9             |
| <b>Property, plant and equipment</b>          | <b>MCHF</b>   | 536.4             | 521.2             | 516.2             | 514.3             | 576.2             |
| <b>Goodwill and intangible assets</b>         | <b>MCHF</b>   | 645.5             | 638.1             | 645.2             | 658.8             | 753.1             |
| <b>Total debt</b>                             | <b>MCHF</b>   | 11.7              | 14.7              | 75.6              | 73.4              | 110.9             |
| <b>Equity</b>                                 | <b>MCHF</b>   | 1,664.1           | 1,431.3           | 1,419.5           | 1,520.9           | 1,509.2           |
| Equity ratio                                  | %             | 74.8              | 71.3              | 66.9              | 70.0              | 68.2              |
| Gearing                                       | %             | -36.1             | -28.5             | -32.9             | -33.7             | -19.6             |

<sup>1</sup> Based on the 1:10 stock split implemented on May 8, 2007

<sup>2</sup> Adjusted for amortization of goodwill

<sup>3</sup> Restatement see Note 1 in the consolidated financial statements of the Geberit Group

# Geberit key figures

2004 – 2008

|   |               | 2008              | 2007              | 2006              | 2005              | 2004              |
|---|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Sales</b>                                  | <b>MCHF</b>   | 2,455.1           | 2,486.8           | 2,183.5           | 1,922.9           | 1,906.8           |
| Change on previous year                       | %             | -1.3              | +13.9             | +13.6             | +0.8              | +35.8             |
| <b>Revenue from sales</b>                     | <b>MCHF</b>   | 2,178.9           | 2,206.4           | 1,935.1           | 1,718.9           | 1,731.6           |
| Change on previous year                       | %             | -1.2              | +14.0             | +12.6             | -0.7              | +36.2             |
| <b>Operating profit (EBIT)</b>                | <b>MCHF</b>   | 563.4             | 553.8             | 482.2             | 366.9             | 305.5             |
| Margin in % of sales                          | %             | 22.9              | 22.3              | 22.1              | 19.1              | 16.0              |
| <b>Net income</b>                             | <b>MCHF</b>   | 466.3             | 463.3             | 355.0             | 262.5             | 194.4             |
| Margin in % of sales                          | %             | 19.0              | 18.6              | 16.3              | 13.7              | 10.2              |
| <b>Operating cashflow (EBITDA)</b>            | <b>MCHF</b>   | 649.1             | 637.9             | 569.1             | 455.9             | 453.4             |
| Margin in % of sales                          | %             | 26.4              | 25.7              | 26.1              | 23.7              | 23.8              |
| <b>Free cashflow</b>                          | <b>MCHF</b>   | 407.9             | 362.7             | 355.5             | 290.2             | 273.4             |
| Margin in % of sales                          | %             | 16.6              | 14.6              | 16.3              | 15.1              | 14.3              |
| <b>Financial result, net</b>                  | <b>MCHF</b>   | 5.4               | -11.4             | -16.3             | -17.2             | -30.0             |
| <b>Capital expenditures</b>                   | <b>MCHF</b>   | 152.5             | 103.5             | 81.3              | 79.5              | 87.8              |
| <b>Research and development expenses</b>      | <b>MCHF</b>   | 46.0              | 48.1              | 44.3              | 43.5              | 43.4              |
| In % of sales                                 | %             | 1.9               | 1.9               | 2.0               | 2.3               | 2.3               |
| <b>Earnings per share<sup>1</sup></b>         | <b>CHF</b>    | 11.90             | 11.67             | 8.86              | 6.41              | 4.73              |
| Earnings per share, adjusted <sup>2</sup>     | <b>CHF</b>    | 11.90             | 11.67             | 8.86              | 6.47              | 6.04              |
| <b>Number of employees</b>                    | <b>31.12.</b> | 5,697             | 5,344             | 5,269             | 5,162             | 5,516             |
| Annual average                                |               | 5,684             | 5,360             | 5,199             | 5,237             | 5,469             |
| <b>Sales per employee</b>                     | <b>TCHF</b>   | 431.9             | 464.0             | 420.0             | 367.2             | 348.7             |
|   |               | <b>31.12.2008</b> | <b>31.12.2007</b> | <b>31.12.2006</b> | <b>31.12.2005</b> | <b>31.12.2004</b> |
| <b>Total assets</b>                           | <b>MCHF</b>   | 2,054.1           | 2,298.3           | 2,010.7           | 1,946.6           | 1,937.1           |
| <b>Liquid funds and marketable securities</b> | <b>MCHF</b>   | 302.6             | 450.1             | 182.4             | 180.0             | 81.6              |
| <b>Net working capital</b>                    | <b>MCHF</b>   | 156.5             | 168.7             | 131.9             | 120.8             | 130.9             |
| <b>Property, plant and equipment</b>          | <b>MCHF</b>   | 555.5             | 529.3             | 533.9             | 528.3             | 538.8             |
| <b>Goodwill and intangible assets</b>         | <b>MCHF</b>   | 756.2             | 828.8             | 825.1             | 812.4             | 878.8             |
| <b>Total debt</b>                             | <b>MCHF</b>   | 152.3             | 273.9             | 323.1             | 393.4             | 535.3             |
| <b>Equity</b>                                 | <b>MCHF</b>   | 1,311.9           | 1,404.4           | 1,065.9           | 958.0             | 816.8             |
| Equity ratio                                  | %             | 63.9              | 61.1              | 53.0              | 49.2              | 42.2              |
| Gearing                                       | %             | -11.5             | -12.5             | 13.2              | 22.3              | 55.5              |

<sup>1</sup> Based on the 1:10 stock split implemented on May 8, 2007

<sup>2</sup> Adjusted for amortization of goodwill

## Care in the square

**Geberit is consistently geared towards sustainability – with green projects across the globe, innovative water management and social commitment.**



“Care in the square” means that – together with our skilled and dedicated employees and partners – we achieve our goal of being a leading sustainable company in the areas of production, procurement and logistics, as well as through our products and our social commitment.

Here are three examples: In the Slovenian town of Ruše, we are constructing a production plant that features a sophisticated energy concept. We also enable our graduate apprentices to gain valuable experience at Geberit locations around the globe. Another positive aspect is our use of trucks powered by natural gas, which transport goods between the Pfullendorf (DE) and Rapperswil-Jona (CH) sites.

Whether we are talking about environmentally friendly production, our responsibility as an employer or green logistics – sustainable business management pays off for people as well as for the environment. Every single project is a further step towards a successful future and implementation of our credo of “Care in the square”.

- How Geberit is building for the future.
- How young Geberit talents are successfully broadening their horizons.
- How Geberit is working with partners to provide access to clean water.
- How architects are building green with support from Geberit.
- How Geberit is stepping on the (natural) gas in pursuit of clean energy solutions.

## Simply exceptional

**Green building is the standard at Geberit – even when it comes to its own buildings. The new production plant in Ruše (SI) is a perfect example of this approach.**



The factory premises, which are currently being built in Ruše (SI), are already serving as a model for green production throughout Slovenia. The future Geberit production site – located only a few kilometers from the current plant – is a perfect example of how factory premises can be planned and realized in an ecologically and economically sustainable manner.

One of the site's special features is its sophisticated energy concept. Among other aspects, this includes the use of all waste heat from industrial processes as well as the complete absence of fossil fuels. The available ground water is used for cooling, while rainwater is collected and used both as extinguishing water and for watering the surrounding area.

An interdisciplinary Geberit team critically examined the entire production process and considered the special characteristics of the landscape when designing the new building. This resulted in the development of a unique concept that can be expanded step by step as required. The building itself features state-of-the-art design, sophisticated processes, environmentally friendly materials and an exceptional energy concept.



**Matjaz Lesjak is Managing Director of the Geberit production plant in Ruše (SI). In his interview, he explains the special features of the new building complex.**

# Simply exceptional



**"Thanks to the new plant, the future of our jobs is even safer."**

Andrej Ketis, tool maker and Chairman of the Employee Representation at Geberit Ruše (SI)



**"Geberit is one of the most important employers for Ruše and the surrounding area, and a partner that we can rely on at all times."**

Uroš Štanc, Mayor of Ruše (SI)



The new production plant will offer twice the capacity of the current site.



The entire building complex is heated exclusively by waste heat from the production processes.



The foundations for the office wing are laid. The preliminary work for future expansion has also been considered in the planning concept.



Geberit PE pipes and the Pluvia system ensure reliable roof drainage.

## Ready to take on the world

**International and mobile – two qualities that are the mark of successful professionals. Geberit gives its young graduate apprentices ample opportunities in these areas.**



It is becoming increasingly important for global companies to acquire employees for assignments abroad. In order to advance the internationalization of its training, Geberit is focusing on graduate apprentices who are willing to undertake an assignment lasting several months at one of its locations abroad.

The aim is to give the young people the opportunity to develop both personally and professionally in a new and unfamiliar environment. During these assignments, they not only broaden their horizons – as newly qualified professionals, they often come up with valuable recommendations for improvement. A good example of this is mechatronics engineer Manuel Krom (see picture), who gained practical work experience in the production plant in Shanghai (CN) on completion of his apprenticeship at Geberit Pfullendorf (DE). "During my apprenticeship, I realized that I wanted to gain work experience abroad and that I wanted to do so as quickly as possible on completion of my training," explains Krom. His supervisor Paul Wang emphasizes just how welcome Krom's specialized knowledge was: "Manuel was able to help us in areas that we are looking to further improve here," the assembly manager at the Shanghai plant explains. "This was particularly the case in the area of machine maintenance."

Getting young people interested in assignments abroad and enabling them to gain a wide range of experiences early on in their career increases their willingness to be mobile at a later stage, which is exactly what Geberit is hoping to achieve.



**Fabienne Huff and Stefanie Giger explain in this short film what they learned during their internship at Geberit in the Middle Kingdom.**



**"In addition to their specialized knowledge, the former apprentices bring along a high degree of enthusiasm and new approaches which also benefit the Chinese employees."**

Jörg Scherrer, Group Leader Product Development at Geberit Shanghai (CN) and intern Supervisor of the trainees.

# Ready to take on the world



**"I was impressed at how well my integration into the team in China went and how quickly I felt a part of this culture."**

Fabienne Huff, Bachelor of Arts in Logistics, back at Geberit Pfullendorf (DE) since the end of November 2013



**"I learned a great deal during this short time, both personally and professionally – probably more than I ever could in three years at home in familiar surroundings."**

Stefanie Giger, draftsman, was in China for six months in 2013

# Shaping the future

## Geberit assumes social responsibility – worldwide and in a range of projects that always center around our core topic of water.



### Social project Romania – Geberit apprentices in action in Bucharest

The organization “Hospice Casa Sperantei” cares for seriously ill people in Bucharest who are dependent on free support. The new hospice in the center of Bucharest provides in-patient care as well as day-care facilities. In 2013, Geberit funded the building of the hospice and the installation of the sanitary facilities. Eight Geberit apprentices were responsible for part of the sanitary work. In addition to technical installation tasks, the young apprentices also undertook valuable voluntary work.

### Helvetas and Geberit – working together to provide access to water

In 2010, Geberit and the Swiss development organization Helvetas agreed on a partnership to provide one million people with access to clean water by 2013. This goal was already reached by the end of 2012. The partnership has continued right through the “International Year of Water Cooperation” – as 2013 was declared by the United Nations. This success story highlights just what can be achieved by two partners in pursuit of a joint vision.

### The Swiss Water Kiosk Foundation – clean drinking water in Bangladesh

Clean drinking water means fewer diseases. The University of Applied Sciences Rapperswil (CH) has developed a solar water pasteurization system. Several water treatment systems are already in operation in Bangladesh. As we wish to improve the long-term quality of life for these people, Geberit has been supporting the project since 2012.



Geberit apprentices pitch in in Bucharest (RO) in summer 2013. Although not quite their normal everyday work, they show great commitment in carrying out their tasks.

---

### Geberit social projects

2013 Romania

2012 South Africa

2011 Serbia

2010 India

2009 Solomon Islands

2008 Ecuador

---

Since 2008, over 40 Geberit apprentices have taken part in our social projects all over the world. Thanks to this commitment, people living in developing regions gain access to clean drinking water and basic sanitation.

# Shaping the future



Geberit apprentices hard at work in the Hospice Casa Sperantei in Bucharest.



Whether commercial clerks, mechanics or plastics technicians – Geberit apprentices show their plumbing skills during the social project in Romania.



Many hands make light work: Geberit apprentices demonstrate their array of different talents.



Part of the social project in Romania involved allowing the children of seriously ill parents to enjoy several hours of carefree fun.



The Geberit team shared unforgettable moments with the Romanian children.

# The Green Giant

**When a visitor centre is a friend to the natural heritage site to which it is dedicated rather than a rival, sustainability has come into its own. Look to Northern Ireland's geological wonder, the Giant's Causeway, for proof.**



Gentle slopes and the thundering North Atlantic are the setting for one of the most awe-inspiring natural phenomena on the Irish isle: the "Giant's Causeway" is formed by myriad hexagonal basalt columns. Tightly grouped together, they look like a ramp that leads into the sea.

Is it possible for a manmade structure to sit seamlessly beside this UN World Heritage site without destroying its serenity? The answer is yes. The Visitor Centre designed by Dublin-based architects heneghan peng is the perfect example. Carefully embedded in the hillside, this award-winning building makes use of stone columns that flank the building and lines that stretch far into the rugged cliffs above the Causeway.

The Giant's Causeway Visitor Centre breathes sustainability from the outside and lives up to the same principle on the inside: all guidelines for the planning, construction and operation of the building, reaching from the criteria for energy efficiency, through to resource consumption and durability, and as far as the integration of local artisan craftwork are in line with one objective: to make the home of the Giant a true icon of sustainable architecture.



**"The National Trust's mission is to restore places of cultural and natural interest and then 'open them up for ever, for everyone'. Therefore there was an underlying commitment to develop a project that protects the environment for ever, for everyone, too."**

Róisín Heneghan, heneghan peng Architects, Dublin (IE)

---

## Water saving

# -75%

Only one fourth of the water used in standard approaches runs down the drains of the Visitor Centre. Geberit Sigma concealed cisterns 12cm with dual flush technology are part of the reason why. They are equipped with esthetic Sigma50 flush plates.

---

## Durability

# 100 years

One century is the predicted life span of the Visitor Centre. Consequently, the durability of the piping systems is crucial, which is why Geberit HDPE pipes were selected for all waste and rainwater systems and Geberit Mepla pipes for the drinking water system.

# The Green Giant



The Giant's Causeway Visitor Centre is dedicated to the impressive basalt formations at Northern Ireland's northern shore.



heneghan peng say that its design can be understood as two folds in the landscape: one upward, holding the building, and one downward, on which the carpark is placed.



Local stonemasons delivered a total of 186 columns made of black basalt. The stone was quarried near the Giant's Causeway.



The energy efficient building boasts a number of interactive exhibition areas that unlock the geology and mythology of the World Heritage Site. On top, the grass roof offers 360 degree views of the Causeway coastline (view of the lobby shortly before the opening).



Across the centuries, the peculiar hexagonal basalt columns of the Giant's Causeway have stirred the imagination of residents and travellers. Legend says that they were carved from the coast by the mighty giant, Finn McCool.

# Natural gas – the way forward

**Natural gas vehicles are not just a sensible choice ecologically speaking – they are also a smart choice from a financial perspective.**



Vehicles powered by natural gas are already a regular feature on the streets in many places and are gaining in popularity, which is hardly surprising given that natural gas contributes significantly to protecting the environment. Thanks to a growing network of filling stations for natural gas vehicles and the related high security of supply, it is largely possible to travel in such vehicles without any restrictions.

At Geberit, green logistics refers to the company's continuous quest for improvements that benefit the environment. In line with this approach, a truck powered by natural gas has been traveling regularly between Geberit's production plant in Rapperswil-Jona (CH) and the logistics center in Pfullendorf (DE) since December 2013. The initial experience has proven highly convincing in every respect.

The natural gas truck is also an excellent choice in terms of cost-effectiveness. Although the initial outlay is higher, the fuel costs are 30% lower than with diesel or gasoline.

Geberit is in continuous discussion with all of its logistics partners with regard to gradually expanding the use of natural gas trucks. Finding intelligent solutions for transporting our products in a more eco-efficient manner demonstrates that we are on the right path.

**"Geberit is a unique partner for us to collaborate with on implementing pathbreaking ideas. Through this partnership, we are demonstrating that green logistics is not just some fancy concept we claim to stand behind, but something that we are actually putting into practice one step at a time."**

Gerhard Reger, Fleet Manager,  
Transco Süd GmbH, Konstanz (DE)

---

## Diesel trucks vs. natural gas trucks

Particle

**-85%**

Methane

**-98%**

The reduction achieved by the natural gas truck is based on the 150,000 km traveled each year by the truck during its round trips between Rapperswil-Jona (CH) and Pfullendorf (DE).

# Natural gas – the way forward



Transco and Geberit had the natural gas truck specially made to meet their specific needs.



The eight natural gas tanks have a capacity of 640 liters. Fully tanked, the vehicle can travel a total of around 550 kilometers before it's time for a refill.



The driver's cabin of the natural gas truck is different to that of conventional diesel trucks, with the overall appearance and entrance reminiscent of a bus.



In comparison to traditional diesel trucks, the new natural gas truck still looks very out of the ordinary.

# Editorial

The Geberit Group achieved pleasing results in the past year. In a continued challenging environment, market shares were gained in many markets through above-average sales increases. Despite continued, substantial investments in organic growth, the results were up on the previous year's values thanks to healthy sales growth and efficient cost control.

Cumulative sales in 2013 increased by 4.7% to CHF 2,291.6 million, corresponding to currency-adjusted growth of 3.6%. Following a somewhat subdued first six months, the second half of the year proved considerably more dynamic. The lower cost of materials in percentage terms compared with the previous year had a positive effect on the results. This was partially offset by higher customer bonuses as well as increased maintenance and personnel expenses. Operating profit (EBIT) rose by 11.9% to CHF 510.7 million, and the EBIT margin reached 22.3% (previous year 20.9%). Net income increased by 12.5% to CHF 435.8 million, with a return on sales of 19.0% (previous year 17.7%). Earnings per share rose in comparison to sales growth by a disproportionately high 14.1% to CHF 11.59. Free cashflow grew by 13.6% to CHF 444.3 million.

In addition to successful business development, 2013 was characterized by the introduction of new, innovative products – most notably the new Geberit AquaClean Sela. The shower toilet designed by the renowned architect and designer Matteo Thun combines simple, modern lines with innovative technology and a high level of convenience, and has already won a range of international design awards. Other new products included the further developed actuator plates Sigma10 and Sigma50 and the sound-optimized Pluvia roof outlet that minimizes irritating sounds immediately under the roof. Thanks to consistent market penetration efforts, we were able to position the Monolith sanitary modules introduced in previous years, the piping system Silent-PP and the shower element with even greater success in 2013.

We continued to invest in the production infrastructure in the past year, and the list of Geberit production sites now has a new member – India. In the production plant in Pune – Geberit's latest and 17th across the globe – the first Alpha concealed cisterns for the Indian market left the assembly line in August. Meanwhile, the groundbreaking ceremony for a completely new plant took place in Slovenia. The move to the building, which replaces the existing plant and will meet the highest standards of green production, is scheduled for 2014. The pipe manufacturing facility at Villadose, Italy, is being enlarged by an impressive 6,600 square meters in 2013/2014. This production site will then be even better equipped to support the ambitious sales growth targets for piping systems.

As part of Geberit's latest social project, eight of its own apprentices embarked on an experience in Romania last summer that was anything but ordinary. Together they helped to install the sanitary facilities at a hospice for seriously ill people. As a special kind of challenge, they also worked with the residents of the hospice.

We also wish to take this opportunity to point out the extremely positive performance of the Geberit share price. After starting the year at around CHF 200, the pleasing business results – together with the positive stock market environment – boosted the share price to new all-time highs of above CHF 270 towards the end of the year.

The Board of Directors intends to let the shareholders participate in the positive development of the business and will maintain the attractive distribution policy of previous years. A distribution of CHF 7.50 will be proposed at the General Meeting, an increase of 13.6% over that of 2013. Unlike in previous years, the distribution is to be paid entirely as a regular dividend as reserves from capital contribution are no longer available for distribution. The payout ratio of 65.1% of net income is therefore in the upper range of the 50 to 70% corridor, which was increased by the Board of Directors as a result of the reassessment of the use of liquid funds at the beginning of 2011. Furthermore, the Board of Directors 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.

Jeff Song has decided to step down from the Board of Directors as of the next General Meeting for health reasons. The Board of Directors and Group Executive Board would like to extend their thanks for his contributions to the further development of the company. The process of filling the position has been initiated. The other members of

the Board of Directors are standing for re-election for a further year in office in accordance with the new Ordinance Against Excessive Compensation for Listed Companies (Minder-Initiative).

We credit the pleasing results in 2013, which surpassed those of the previous year, to the outstanding commitment, high motivation and skills of our employees in over 40 countries. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors are again deserving of special thanks for their solidarity and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

Owing to the tense situation in the majority of the European construction markets, 2014 will again be a demanding business year for the Geberit Group. The objective is, not only in the few markets that are healthy but also in the large number of markets that are shrinking, to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize our business processes. The management is convinced that the company is very well equipped for its upcoming tasks. With experienced and highly motivated employees, a number of promising products that have been launched in recent years as well as product ideas for the more distant future, a lean and market-oriented organization, established and trustful cooperation with our market partners in both commerce and trade and – as a result of our industry leadership in terms of financial results in recent years – an extremely solid financial foundation, Geberit can look to the future with confidence.



Albert M. Baehny  
Chairman and CEO



Robert F. Spoerry  
Lead Director and  
Vice Chairman

# Geberit share information

## Share price performance in the year under review

As with the previous year, the price of the Geberit share benefited substantially from the favorable climate on the equity markets. Beginning the year at CHF 201.40, the share price mostly kept pace with the Swiss Market Index (SMI) in the first half of the year. The share price disproportionately increased from the end of June to mid-August, before dropping back by almost the same extent following the release of the half-year figures and unfulfilled market expectations. The share price subsequently recovered during the remainder of the second half of the year, performing well above average in comparison with the SMI. The Geberit share was boosted in particular by the very good third-quarter figures, allowing it to reach new all-time highs of above CHF 270.00. Despite a temporary drop in the markets, this level was maintained. At the end of 2013, the share closed at CHF 270.50, which corresponds to a rise of 34.3% compared with the end of the previous year. In the same period, the SMI advanced by 20.2%. Viewed over the past five years, the Geberit share posted an annual average increase in value of 19.1% (SMI: +8.2%). The Geberit Group's market capitalization reached CHF 10,224 million at the end of 2013.

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

At the end of 2013, the free float as defined by SIX was 100%.

## Distribution

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

Over the last five years, around CHF 1.6 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of the Geberit share has risen from CHF 113.10 at the end of 2008 to CHF 270.50 at the end of 2013.

The Board of Directors will propose to the General Meeting of Geberit AG on April 3, 2014, a distribution of CHF 7.50, an increase of 13.6% over that of 2013. Unlike in previous years, the distribution will be paid entirely as a regular dividend. The payout ratio of 65.1% of net income is in the upper range of the 50 to 70% corridor, which was increased by the Board of Directors as a result of the reassessment of the use of liquid funds at the beginning of 2011. Subject to the shareholders' approval, the distribution will be paid on April 10, 2014. Furthermore, the Board of Directors 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 6, 2014, the value of the shares to be bought back is approximately CHF 530 million.

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

The General Meeting of April 4, 2013 approved a capital reduction in the amount of the shares repurchased in 2012. The 1,022,578 shares were canceled with effect from June 2013 following expiry of a two-month deadline and the publication of three notices to creditors in the Swiss Official Gazette of Commerce. The total number of shares entered in the Commercial Register now stands at 37,798,427 shares. The shares repurchased in 2011 as part of the buyback program had already been canceled in 2012 by resolution of the General Meeting of April 4, 2012.

## Share price development January 1 until December 31, 2013



Source: Bloomberg

## Share price development 22.06.1999 (IPO) – 31.12.2013



Basis: 1:10 stock split implemented on May 8, 2007  
Source: Bloomberg

## Distribution paid (CHF per share)

|                    | 2009        | 2010        | 2011        | 2012        | 2013        |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| Dividend           | 5.40        | 6.40*       | -           | -           | 3.80        |
| Capital redemption | -           | -           | 6.00        | 6.30        | 2.80        |
| <b>Total</b>       | <b>5.40</b> | <b>6.40</b> | <b>6.00</b> | <b>6.30</b> | <b>6.60</b> |

\* Inclusive special dividend of CHF 1.00

## Total distribution to shareholders (CHF million)

|               | 2009       | 2010       | 2011       | 2012       | 2013       | Total        |
|---------------|------------|------------|------------|------------|------------|--------------|
| Distribution  | 211        | 253        | 236        | 242        | 248        | 1,190        |
| Share buyback | 0          | 0          | 193        | 198        | 0          | 391          |
| <b>Total</b>  | <b>211</b> | <b>253</b> | <b>429</b> | <b>440</b> | <b>248</b> | <b>1,581</b> |

## Communication

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

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

Contact may be established at any time under  
[→ corporate.communications@geberit.com](mailto:corporate.communications@geberit.com)

Comprehensive share information can be found under  
[→ www.geberit.com](http://www.geberit.com) > [investors](#) > [share information](#)

### Major data relating to the Geberit share (as of December 31, 2013)

|   |                    |
|---|--------------------|
| Registered shareholders                         | 18,969             |
| Capital stock (CHF)                             | 3,779,842.70       |
| Number of registered shares<br>of CHF 0.10 each | 37,798,427         |
| Registered shares                               | 23,957,851         |
| Treasury stock:                                 |                    |
| - Treasury shares                               | 212,382            |
| - Share buyback program                         | 0                  |
| Total treasury stock                            | 212,382            |
| Stock exchange                                  | SIX Swiss Exchange |
| Swiss securities identification number          | 3017040            |
| ISIN code                                       | CH-0030170408      |
| Telekurs  | GEBN               |
| Reuters   | GEBN.VX            |

### Key figures (CHF per share)

|              | 2012  | 2013              |
|--------------|-------|-------------------|
| Net income   | 10.16 | 11.59             |
| Net cashflow | 13.22 | 14.59             |
| Equity       | 37.52 | 44.25             |
| Distribution | 6.60  | 7.50 <sup>1</sup> |

<sup>1</sup> Subject to approval of the General Meeting 2014

### Time schedule

|                              | 2014   |
|------------------------------|--------|
| General Meeting              | Apr 3  |
| Dividend payment             | Apr 10 |
| Interim report first quarter | Apr 29 |
| Half-year results            | Aug 12 |
| Interim report third quarter | Oct 30 |

### 2015

|                              |        |
|------------------------------|--------|
| First information 2014       | Jan 14 |
| Results full year 2014       | Mar 10 |
| General Meeting              | Apr 1  |
| Dividend payment             | Apr 9  |
| Interim report first quarter | Apr 28 |

(Subject to minor changes)

# Management structure

## Board of Directors

**Chairman**  
Albert M. Baehny

**Vice Chairman and  
Lead Director**  
Robert F. Spoerry

## CEO Division

**Chief Executive Officer**  
Albert M. Baehny

**Human Resources**  
Roland Held

**Communications &  
Investor Relations**  
Roman Sidler

**Marketing**  
Egon Renfordt-Sasse

**Strategic Planning**  
Andreas Lange

**Environment/Sustainability**  
Roland Högger

**Shower Toilet**  
Martin Baumüller

## Sales Europe

**Member Executive Board**  
Karl Spachmann

**Germany**  
Christian Buhl

**Italy**  
Giorgio Castiglioni

**Switzerland**  
Hanspeter Tinner

**Austria**  
Clemens Rapp

**Netherlands**  
Menno Portengen

**Belgium**  
Paul Forier

**Nordic Countries**  
Lars Risager

**France**  
Patrick Jouvét

**United Kingdom**  
Mark Larden

**Poland**  
Andrzej Dobrut

**Czech Republic**  
Vladimir Sedlacko

**Slovakia**  
Vladimir Sedlacko

**Hungary**  
Tamás Kőszeghy

**Adriatic Region**  
Miran Medved

**Spain**  
David Mayolas

**Portugal**  
José Seabra

**OEM**  
Tobias Beck

## Sales International

**Member Executive Board**  
William J. Christensen

**North America**  
Andreas Nowak

**Far East/Pacific**  
Ron Kwan

**China**  
Ron Kwan a.i.

**Singapore**  
Stefan Schmied

**Australia**  
Tony Rusten

**Middle East/Africa**  
Christian Steinberg

## Products

**Member Executive Board**  
Michael Reinhard

**Accredited Test Laboratory**  
Markus Tanner

**Quality**  
Christian Englisch

**Purchasing**  
Adriaan 't Gilde

**Logistics**  
Gerd Hailfinger

**Technology/Innovation**  
Felix Klaiber

**Products Sanitary Systems**  
Jörn Ikels

**Installation Systems**  
Mario von Ballmoos

**Cisterns and Mechanisms**  
Marcel Heierli

**Faucets and Flushing  
Systems**  
Daniel Raissle

**Waste Fittings and Traps**  
Thomas Kiffmeyer

**Shower Toilet**  
Armin Gierer

**Product Development  
Appliance Engineering**  
Hansjörg Rohr

**Project Manager Pool**  
Rolf Kuster

**Product Development  
Sanitary Systems**  
Erwin Schibig

**Products Piping Systems**  
Pietro Mariotti

**Building Drainage Systems**  
Sandro à Porta

**Supply Systems**  
Michael Schüpbach

## Finance

**Member Executive Board**  
Roland Iff

**Controlling**  
Beat Gresser

**Treasury**  
Thomas Wenger

**Internal Audit**  
Martin Reiner

**Information Technology**  
Markus Enz

**Legal Services**  
Albrecht Riebel

**Service, Finance and  
Holding Companies**  
Werner Frei/Jürgen Haas

# Management structure

| CEO Division | Sales Europe | Sales International | Products  | Finance |
|--------------|--------------|---------------------|---|---------|
|              |              |                     | <b>Project Manager Pool</b><br>Pietro Mariotti                    |         |
|              |              |                     | <b>Product Development Piping Systems</b><br>Pietro Mariotti a.i. |         |
|              |              |                     | <b>Production Plant IBA*</b><br>Robert Lernbecher                 |         |
|              |              |                     | <b>Pfullendorf (DE)</b><br>Robert Lernbecher                      |         |
|              |              |                     | <b>Rapperswil-Jona (CH)</b><br>Bruno Bünzli                       |         |
|              |              |                     | <b>Pottenbrunn (AT)</b><br>Helmut Schwarzl                        |         |
|              |              |                     | <b>Ruše (SI)</b><br>Matjaz Lesjak                                 |         |
|              |              |                     | <b>Pune (IN)</b><br>Wolfgang Büstrow                              |         |
|              |              |                     | <b>Chinese Production Sites</b><br>Christian Steiger              |         |
|              |              |                     | <b>Production Plant EXM**</b><br>Martin Ziegler                   |         |
|              |              |                     | <b>Langenfeld (DE)</b><br>Martin Ziegler a.i.                     |         |
|              |              |                     | <b>Lichtenstein (DE)</b><br>Thomas Schweikart/<br>Hartmut Müller  |         |
|              |              |                     | <b>Weilheim (DE)</b><br>Martin Frick                              |         |
|              |              |                     | <b>Matrei (AT)</b><br>Josef Rapp                                  |         |
|              |              |                     | <b>Givisiez (CH)</b><br>Michel Pittet                             |         |
|              |              |                     | <b>Villadose (IT)</b><br>Rainer Prügl                             |         |
|              |              |                     | <b>Rapperswil-Jona (CH),<br/>Shower Toilet</b><br>Karl Zahner     |         |
|              |              |                     | <b>US Production Sites</b><br>Andreas Nowak                       |         |

\* IBA: Injection and Blow Moulding/Assembly

\*\* EXM: Extrusion / Metal Processing

# Business and financial review

The Geberit Group achieved convincing results in 2013. In a continued challenging environment, market shares were gained in many markets through above-average sales increases. Despite continued, substantial investments in organic growth, the results were up on the previous year's values. The healthy sales growth and lower cost of materials in percentage terms compared to the previous year had a positive effect on the results. This was partially offset by higher customer bonuses as well as increased maintenance and personnel expenses. With these results, Geberit noticeably outperformed the European market environment and further consolidated its position as a leading provider of sanitary technology.

# Market environment

## Challenging parameters

2013 saw only an insignificant change in economic and political parameters. As in the previous year, the construction industry in the geographic markets relevant for Geberit saw strongly divergent developments. Some markets remained robust, others recovered in the second half of the year and several remained caught up in a serious crisis.

Euroconstruct published an updated outlook for construction volumes in **Europe** in November 2013. These figures once again forecasted a decline in building construction volumes of 2.7% in 2013 (previous year -4.4%). The decline was much more significant for new buildings (-4.5%) compared to renovations (-1.2%). When compared to figures from further in the past, new building projects are over 30% down on 2008 and almost 40% down on the same value in 2007. In contrast, the renovation business is comparatively stable and has been ranging between 5 and 10% below the values from 2007 and 2008 for several years.

In addition to the more stable situation in the building renovation sector mentioned before, Geberit also benefited from the generally positive trend in the building construction sector in countries such as Switzerland (+1.9%) and Germany (+0.3%). Also of note is the largely positive situation in Scandinavia (with the exception of Finland). In comparison with the construction sector as a whole, Geberit also benefited from the fact that, at -4.0% (previous year -8.2%), the civil engineering sector – which is not relevant for the company – trended substantially weaker than the building construction sector. Based on this information, Geberit can assume that it clearly outperformed its competitors once again. For example, the company managed to develop better than the market environment in countries experiencing a decline – thus gaining market shares.

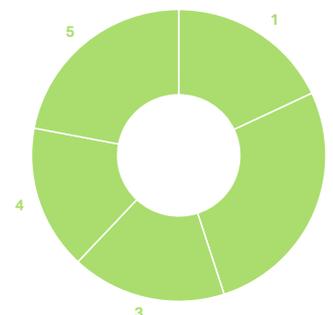
Of the total construction volume in 2013 of EUR 1,285 billion, 78% relates to building construction. Residential construction accounted for just under 60% of this, and non-residential construction for just over 40%. Within the building construction sector, slightly more than half pertained to renovation projects, primarily as a result of the high proportion within residential construction.

In the **USA**, gross domestic product (GDP) rose by 1.9% and the economy grew at a slower rate than in 2012 (+2.8%). Investments in building construction increased by 8.6% year-on-year, thus continuing the recovery which started the previous year. However, despite positive trends a return to the long-term average is still a long way off. Investments in non-residential construction increased by 0.1% in total (previous year +5.1%). While offices, hotels and commercial buildings increased noticeably (+6.3% in 2013), the trend for the healthcare/hospital and school/university sectors important to Geberit remained unsatisfactory (-5.2% in 2013). Residential construction performed substantially better than non-residential construction: The number of building permits for new private residential units increased by 18.0% in the reporting year (previous year +33.0%), while the number of permits for single-family houses rose by 19.0% (previous year +24.0%). The number of finished private residential units increased by 17.0% year-on-year (figures on the US construction industry as per the US Department of Commerce, United States Census Bureau).

In contrast to the global trend of a slowdown in development (from 2.6% to 2.4% according to the International Monetary Fund), economic growth in the **Far East/Pacific** region increased to just under 5%. Around 60% of total global growth was reported in this region in 2013, with China accounting for 60% of this figure. Based on the data of IHS Global Insight, the construction industry in Asia experienced similar growth in 2013 (+4.9%) as in the previous year, whereby the civil engineering sector, which is not relevant for Geberit, grew more strongly than the building construction sector. With almost 50% of regional construction volume and well over half the growth, China remains the dominant country in the construction sector in the Far East/Pacific region.

## Total construction output Europe 2013

(EUR 1,285 billion)

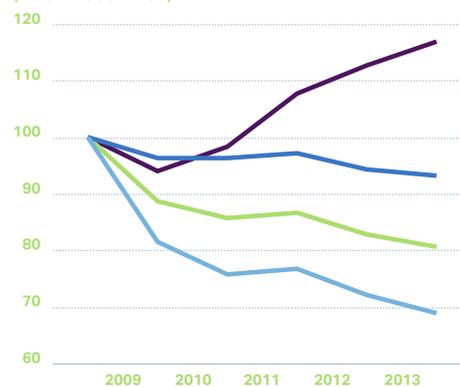


- 1 Residential - New (18%)
- 2 Residential - Renovation (27%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (16%)
- 5 Civil engineering (22%)

Source: 76th Euroconstruct Conference in Prague, November 2013

## Construction output and Geberit sales in Europe 2009–2013

(Index: 2008 = 100)



- Geberit sales currency-adjusted in Europe
- Total Building Construction
- Total Building Renovation
- Total New Building

Source: 76th Euroconstruct Conference in Prague, November 2013

# Sales

## Currency-adjusted sales growth slightly below medium-term target range

Cumulative sales in 2013 increased by 4.7% to CHF 2,291.6 million. With a growth of 3.6% in local currencies, total sales were slightly below the medium-term growth expectation of 4 to 6%. The total growth figure is made up of a volume effect of +1.8%, a price effect of +1.8% and a foreign currency effect of +1.1%.

In spite of the decline in sales experienced between 2008 and 2011, the longer-term trend remains encouraging. Average growth for the last ten years was 5.0%.

## Market shares gained

The following changes in sales figures by markets and regions refer to local currencies.

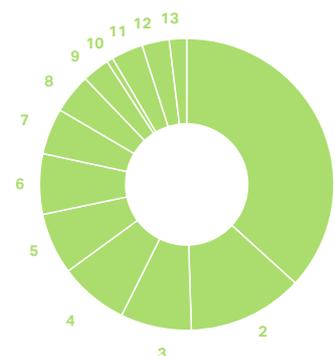
In a continued challenging environment, market shares were gained in many markets through above-average sales increases. Europe recorded an increase in sales of 3.7%. While individual markets saw recoveries in the second half of the year, an overall trend of strongly diverging developments continued. Substantial growth was posted in the United Kingdom/Ireland (+18.3%) and Germany (+7.4%). The Nordic Countries (+4.5%), Central/Eastern Europe (+4.1%), the Iberian Peninsula (+3.9%), Switzerland (+2.9%) and France (+1.0%) also made gains. By contrast, the Benelux Countries (-1.7%), Austria (-1.8%) and Italy (-5.0%) recorded drops in sales. Despite a slight recovery, the sales development in America (-0.8%) remained negatively affected by the poor state of the public sector – an area of prime importance to Geberit in this region. Sales in the Far East/Pacific region, which were largely affected by negative business development in China, decreased by 3.8%. However, Middle East/Africa achieved positive sales growth of +23.8%.

## Sales development 2004–2013

(in CHF million)



## 2013 sales by markets/regions



- 1 Germany (36.8%)
- 2 Switzerland (12.7%)
- 3 Benelux (7.8%)
- 4 Italy (7.6%)
- 5 Central/Eastern Europe (6.8%)
- 6 Austria (6.7%)
- 7 Nordic Countries (5.1%)
- 8 France (4.4%)
- 9 United Kingdom/Ireland (3.0%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.5%)
- 12 Far East/Pacific (3.0%)
- 13 Middle East/Africa (1.9%)

### Stronger growth in Piping Systems

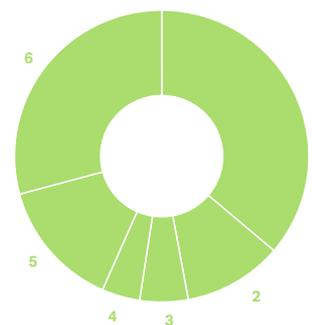
Sales for the **Sanitary Systems** product area increased by 4.4% in Swiss francs to CHF 1,297.6 million. Growth in local currencies was 3.3%.

Sales for the **Installation Systems** product line, at 36.2% of Group sales the most important product line, rose by 5.2% in local currencies – thus also achieving the highest increase across all product lines. In the reporting year, drywall elements and designer actuator plates were also a key to success. The Huter prefabricated bathrooms also achieved impressive growth rates. Growth of 2.1% was posted by the **Cisterns and Mechanisms** product line, which accounts for 10.9% of total sales. Sales were boosted by the strong growth of the Monolith sanitary module for WCs, which is breaking into ever more markets. In contrast, sales of traditional exposed cisterns stagnated as a consequence of Geberit's efforts over many years to convert to concealed solutions. Sales of filling and flush valves also stagnated, mainly because of the generally volatile OEM business. The AquaClean shower toilet was not able to achieve the growth seen in the previous years. Following years of impressive growth, the effects of the introduction of the new AquaClean Sela and delivery problems due to the high demand for the new models resulted in only single-figure growth rates in the past year. Sales for the **Faucets and Flushing Systems** product line, which accounts for 5.3% of total sales, decreased by 3.9% in 2013. This product line continued to be negatively affected by challenging market conditions where the US subsidiary Chicago Faucets is engaged in business with schools and hospitals. Sales of urinal flush controls remained stable at the previous year's level. Sales for the **Waste Fittings and Traps** product line, representing 4.2% of total Group sales, improved only slightly by 1.2%. The positive growth rates seen in floor outlets and bathtub drains were offset by weaker sales in traps for washbasins, bidets, urinals and WCs.

Sales for the **Piping Systems** product area grew by 5.2% to CHF 994.0 million. The increase in local currencies was 4.0%. Once again, sales for this product area thus improved more than those for the Sanitary Systems area.

Sales for the **Building Drainage Systems** product line grew at an above-average rate of 5.1% in local currencies, contributing 14.2% to total sales. The Silent-PP and Silent-db20 sound-absorbing drainage systems did well, but sales of the PE drainage system decreased. The **Supply Systems** product line posted 3.4% growth. The contribution of this product line, which is the second largest measured by Group sales, remained unchanged at 29.2%. The Mapress Stainless Steel product range delivered impressive sales increases in particular. On the other hand, Mapress Carbon Steel and Mapress Copper and the Mepla multilayer piping system experienced below-average growth.

### 2013 sales by product areas and product lines



- Sanitary Systems (56.6%)**
- 1 Installation Systems (36.2%)
- 2 Cisterns and Mechanisms (10.9%)
- 3 Faucets and Flushing Systems (5.3%)
- 4 Waste Fittings and Traps (4.2%)
- Piping Systems (43.4%)**
- 5 Building Drainage Systems (14.2%)
- 6 Supply Systems (29.2%)

# Results

## Positive impact of foreign currencies

For the first time in a long time, the strength of the recovering euro against the Swiss franc had a positive impact on the income statement in 2013. The total currency gains contained in sales amounted to around CHF 25 million. In 2013, Geberit generated 69% of its sales in the eurozone, 5% in US dollars and 3% in British pounds. Accumulated currency effects increased sales by 1.1%. As a result of the currency trend, the operating profit (EBIT) was positively impacted by approximately CHF 2 million.

In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs are incurred in the same proportion in the currencies in which sales are generated. This hedging strategy has been almost completely successful for the euro and US dollar, but the higher costs in Swiss francs compared to sales in Swiss francs have led to slight deviations. Consequently, only minor currency gains or losses result from transaction effects.

In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or 10% stronger:

- Sales: +/-7% to +/-9%
- EBIT: +/-9% to +/-11%
- EBIT margin: approximately +/- 0.5 percentage points

For more information on the management of currency risks, please refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 4. Risk Assessment and Management, Management of Currency Risks](#) and the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 16. Derivative Financial Instruments](#).

## Increase in results exceeds sales growth

Thanks to healthy sales growth and efficient cost control, results were up on the previous year's values in a challenging environment in spite of once again continued, substantial investments in organic growth.

Operating cashflow (EBITDA) rose by 10.5% to CHF 592.8 million. At 25.9%, the EBITDA margin was significantly higher than the previous year (24.5%) and also above the medium-term target range. Over the last decade, average EBITDA growth of 6.0% was better than the corresponding increase in sales of 5.0%. Operating profit (EBIT) rose by 11.9% to CHF 510.7 million, and the EBIT margin reached 22.3% (previous year 20.9%). Net income increased by 12.5% to CHF 435.8 million, which led to a return on sales of 19.0% (previous year 17.7%). As a percentage of sales, net income thus reached its highest value since going public in 1999. Earnings per share rose by 14.1% to CHF 11.59 – also as a result of a lower number of shares issued.

## EUR/CHF exchange rates 2012/2013

(Period-end exchange rates)



## EBIT, EBITDA, Net income, Earnings per share (EPS) 2011–2013

(in CHF million)

(EPS: in CHF)



### Costs under control

Customer bonuses and cash discounts increased by 8.8% to CHF 291.7 million or from 12.3% to 12.7% of total sales, primarily as a result of sales growth.

In 2013, total operating expenses advanced by 1.8% to CHF 1,489.2 million or to 65.0% of total sales (previous year 66.9%). Foreign currency effects no longer had any significant influence on the operating results. Increased maintenance expenses, freight costs and personnel expenses had a negative impact. In contrast, the slight decrease in material prices compared to the previous year had a positive effect on the results.

The cost of materials increased slightly by 1.1% to CHF 597.2 million and dropped from 27.0% of sales in the previous year to 26.1%. The effects felt in the first four months of the year resulting from insourcing the shower toilet business, price increases and slightly lower material prices all contributed to this development. In historical terms, purchase prices remained very high although the situation stabilized somewhat in 2013, with industrial metals actually easing. Personnel expenses increased by 1.3% to CHF 475.4 million or 20.7% of sales (previous year 21.5%). This is explained on one hand by the rise in staff numbers due to the – to some extent temporary – adjustment of capacities in the production plants, the start of operation at the new plant in India and continued development in various emerging markets. On the other hand, salary increases and greater expenditure on the further training and development of employees also played a part in the increase. While depreciation increased by 3.1% to CHF 76.6 million, amortization of intangible assets fell by 5.2% to CHF 5.5 million. Other operating expenses grew by 3.6% to CHF 334.5 million due to the effects of continued organic growth and higher costs for maintenance and freight triggered by the growth in volumes.

The improved financial result compared to the previous year (up by CHF 1.7 million to CHF -5.5 million) was due to lower interest payments made possible by debt repayments as per end of 2012 – partially compensated by currency losses. The tax expense increased by CHF 7.6 million to CHF 69.4 million, resulting in a tax rate of 13.7% (previous year 13.8%).

### Increase in free cashflow

The marked upturn in operating cashflow (EBITDA) led to an increase in net cashflow of 8.8% to CHF 548.7 million. Free cashflow grew by 13.6% to CHF 444.3 million. The higher growth posted in comparison to net cashflow resulted from the positive effects of the change in net working capital, which was compensated in part through higher investments in property, plant and equipment. Free cashflow was largely used to pay distributions of CHF 248.2 million to shareholders.

### Raw material price development

(Market price; index: December 2008 = 100)



<sup>1</sup> Source: Kunststoff Information Verlagsgesellschaft mbH

<sup>2</sup> Source: London Metal Exchange

# Financial structure

## Solid financial foundation with equity ratio of 75%

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy to be continued while also maintaining the extremely solid financial foundation of the Group.

Total assets increased from CHF 2,007.4 million to CHF 2,226.0 million, mainly as a result of the higher cash reserve.

As neither shares were bought back nor debts repaid in contrast to previous years, the cash reserve increased substantially. In addition to liquid funds and marketable securities of CHF 612.8 million (previous year CHF 423.1 million), the Group had access to an undrawn operating credit line of CHF 198.3 million. At CHF 11.7 million, debts were slightly under the previous year's value of CHF 14.7 million. This resulted in positive net cash of CHF 601.1 million at the end of 2013 (previous year CHF 408.4 million).

Net working capital decreased by CHF 6.5 million to CHF 127.9 million compared to the previous year. Property, plant and equipment strengthened from CHF 521.2 million to CHF 536.4 million, while goodwill and intangible assets increased from CHF 638.1 million to CHF 645.5 million.

The ratio of net cash to equity (gearing) increased from -28.5% in the previous year to -36.1%. The equity ratio further improved from a very solid 71.3% to 74.8%. Based on average equity, the return on equity (ROE) was 28.2% (previous year 27.7%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 1,366.0 million at the end of 2013 (previous year CHF 1,346.0 million). The return on invested operating capital (ROIC) was 32.1% (previous year 28.9%). For details on the gearing, ROE and ROIC calculations, please refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital](#).

The Geberit Group held 212,382 treasury shares on December 31, 2013, which equals 0.6% of the shares entered in the Commercial Register. These treasury shares are mostly earmarked for share participation plans. With regard to the share buyback program concluded prematurely in December 2012, the General Meeting of April 4, 2013 approved a capital reduction in the amount of the shares repurchased in 2012. The 1,022,578 shares were canceled with effect from June 2013 following expiry of a two-month deadline and the publication of three notices to creditors in the Swiss Official Gazette of Commerce. The total number of shares entered in the Commercial Register now stands at 37,798,427 shares. The shares repurchased in 2011 as part of the share buyback program had already been canceled in 2012 by resolution of the General Meeting of April 4, 2012.

## Debt (in CHF million; as of December 31)

|  | 2011  | 2012  | 2013  |
|--|-------|-------|-------|
| Long-term debt                         | 10.8  | 10.9  | 7.7   |
| Total debt                             | 75.6  | 14.7  | 11.7  |
| Liquid funds and marketable securities | 542.0 | 423.1 | 612.8 |
| Net cash                               | 466.4 | 408.4 | 601.1 |

# Investments

## Investment volume in line with medium-term goals

Investments in property, plant and equipment and intangible assets amounted to CHF 98.0 million in 2013 or CHF 12.0 million (+ 14.0%) more than in the previous year. Investment volume has thus reached around CHF 100 million, the level aimed for over the medium term in order to be prepared for expected growth. As a percentage of sales, the investment ratio was 4.3% (previous year 3.9%). All scheduled larger investment projects were carried out as planned.

In 2013, 30% of all investments or CHF 30.3 million was used for infrastructure expansion. Geberit used 18% or CHF 17.5 million to acquire tools and equipment for new product developments. 37% or CHF 35.6 million was invested in the modernization of property, plant and equipment, while 15% or CHF 14.6 million was used for rationalization measures relating to property, plant and equipment.

The bulk of investments went toward machinery, the procurement of tools and molds for new products as well as building conversions and new building projects. Among other things, projects for the building of new plants in Slovenia and India were continued and preparations were made for the expansion of the Italian plant. Additionally, investments were also made for the further optimization of production processes and important development projects.

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

|               | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------|------|------|------|------|------|
| In % of sales | 4.9  | 3.7  | 4.4  | 3.9  | 4.3  |

## Investments by purpose



- 1 Capacity expansion (30%)
- 2 Modernization (37%)
- 3 Rationalization (15%)
- 4 New products (18%)

# Employees

## More employees once again

At the end of 2013, the Geberit Group employed 6,226 people worldwide – 92 persons or 1.5% more than in the previous year. This increase is primarily due to the – to some extent temporary – adjustment of capacities in the production plants, the start of operation at the new plant in India and the development of various emerging markets. A reduction in capacity in the Chinese plants offsets this growth slightly.

Based on the average number of 6,219 employees, sales per employee amounted to TCHF 368.5 or 3.6% more than in the previous year.

In view of the increase in market activities, the number of employees in marketing and sales business processes rose from 29.1% to 29.6%. In contrast, the share of employees in production dropped from 54.8% to 54.0% as a result of the below-average share among new employees. The other employee categories did not see any material changes: At the end of 2013, 9.0% worked in administration, 3.6% in research and development and 3.8% were apprentices.

## Improving the profile as an attractive employer

First-rate employees are key to the sustained success of any company. Not only the best, but also the right employees are to be acquired and retained. The implementation of the employer branding concept was successfully continued in 2013 and the presence at job fairs intensified in particular. In doing so, Geberit sharpened its profile as a company with an open corporate culture that offers attractive international development opportunities at the interface between the craft, engineering and sales sectors.

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

In-depth employee surveys are used to evaluate their identification and satisfaction with the company. The most important findings from the 2011 survey revealed that employees identify with the company to a high degree and are very satisfied with their employment conditions. Areas from the survey with room for improvement such as personnel development have been tackled as part of a range of optimization measures. For example, the standardized global performance assessment, development and compensation process (PDC) started in 2012 was continued. The goal here is to reinforce the performance culture, increase transparency and better recognize and promote talent. Remuneration policies are based on standardized job assessments and salary levels for the relevant country. A central element of the process is that several supervisors assess the performance, development and salary of an employee together. The process is concluded with a feedback interview between the employee and their direct supervisor. The upper hierarchical levels – a total of around 1,000 employees or 15% of the entire workforce – are involved in this PDC process.

## International opportunities for apprentices and management development

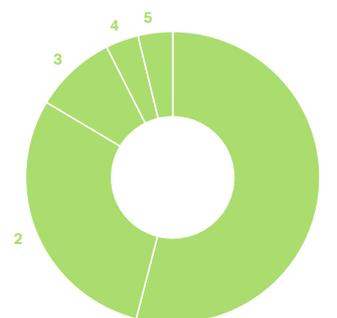
Geberit offers its employees attractive employment conditions. In 2013, salaries and social benefits amounted to CHF 475.4 million (previous year CHF 469.3 million), please also refer to the → [Notes to the Income Statement](#). The employees can also participate in share participation plans at attractive conditions, see → [Financial Statements of the Geberit Group, 18. Share Purchase Plans](#) as well as → [Corporate Governance, 5. Remuneration, Shareholdings and Loans](#) and the → [Remuneration Report](#).

Equal opportunities and equal pay for women and men are self-evident. The proportion of female employees at the end of 2013 was 31% (previous year 31%), and for senior management this figure was 7% (previous year 7%). As of 2013, the six-member Board of Directors no longer has any female members.

## Employees by countries (as of December 31)

|              | 2012         | Share in % | 2013         | Share in % |
|--------------|--------------|------------|--------------|------------|
| Germany      | 2,351        | 38         | 2,423        | 39         |
| Switzerland  | 1,259        | 21         | 1,255        | 20         |
| China        | 758          | 12         | 718          | 11         |
| Austria      | 491          | 8          | 503          | 8          |
| Slovenia     | 224          | 4          | 248          | 4          |
| USA          | 237          | 4          | 227          | 4          |
| Italy        | 113          | 2          | 113          | 2          |
| Others       | 701          | 11         | 739          | 12         |
| <b>Total</b> | <b>6,134</b> | <b>100</b> | <b>6,226</b> | <b>100</b> |

## Employees 2013 by business processes (as of December 31)



- 1 **Production (54.0%)**
- 2 **Marketing and Sales (29.6%)**
- 3 **Administration (9.0%)**
- 4 **Research and Development (3.6%)**
- 5 **Apprentices (3.8%)**

In 2013, regional minimum wages were defined in Switzerland as part of the revised collective employment contract. In doing so, differentiations were made between three regions according to their respective economic strength.

Investment in employees with regard to education and further training continues to be of central importance. In the reporting year, employees attended around 17 hours of internal and external training and further education courses on average (previous year 17 hours). Additionally, 234 apprentices (previous year 229) were employed. The transfer rate of apprentices to a permanent employment relationship was 59% (previous year 92%). The target is a rate of 75%. Generally speaking, all apprentices should work at several different locations during their apprenticeship. As a global company, Geberit promotes the internationalization of employees. Experience abroad and the transfer of expertise are an advantage for both employees and the company. Therefore, apprentices have the option of working abroad for a period of six months on completion of their apprenticeship. While the greatest demand for these young professionals comes from China, similar apprentice programs are also in place in India and the USA. The Group trainers have been made aware of the importance of internationalization.

The Potentials Management process was continued. The goal here is to identify talent within the company and support selected candidates on their way to middle or upper management, or to their first management, project management or specialist functions. These measures are intended to ensure that at least half of the open management positions can be filled by internal candidates. In 2013, it was even possible for 70% of all positions in Group management to be filled internally (previous year 54%).

The management training program at the International Institute for Management Development (IMD) in Lausanne was continued in 2013 for the 160 members of Group management worldwide. The course was tailored individually to Geberit's needs and included topics such as strategic management, leadership and finance. As of the end of 2013, 130 employees had completed this program.

#### **Systematic process for improving occupational safety**

Group-wide, the absenteeism rate was 4.1% for the reporting year (previous year 3.5%). Of this, 4.0% (previous year 3.4%) was due to sickness and 0.1% (previous year 0.1%) to occupational accidents.

The health and safety of employees has the highest priority. Geberit has formulated the vision of an "accident-free company". Currently, over 60% of occupational accidents are due to carelessness and account for just under 50% of the lost working time. Therefore, changes in behavior will focus on this area. To meet the Group's ambitious standards, the objective is to reduce the accident frequency rate (AFR) and accident severity rate (ASR) by 5% per year and thus by 50% between 2010 and 2020. For this purpose, a comprehensive master plan for occupational safety including a package of measures for the period 2013 to 2015 has been developed and adopted. This will be implemented and checked as part of the Geberit Safety System (GSS). Since 2013, occupational safety has also become part of the annual assessment for the responsible managers in the plants.

The implemented measures are proving effective – in 2013, the AFR decreased to 10.2 (previous year 11.7) and the ASR from 202.6 to 124.3.

The two Chinese production plants have been certified according to OHSAS 18001 since 2009, the sales company in the UK since 2010, the production plant in Givisiez (CH) since 2011 and the production plant in Pottenbrunn (AT) since 2013. By mid-2016, all plants including logistics are to be certified according to OHSAS 18001 in combination with ISO 9001/14001.

The largest Geberit Group site in Pfullendorf (DE) has set itself the target of creating a working environment that promotes health. For some years, employees have been able to take advantage of a range of offers focusing on health, nutrition and relaxation. In 2013, a comprehensive concept was developed based on the following essential pillars: Making each employee increasingly responsible for their health, training and raising the awareness of supervisors ("health-oriented management"), creating incentives for employees and providing broad internal communication. The concept will be implemented on a step-by-step basis.

#### **Integrity Line introduced**

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. In this regard, the Geberit Compass – which formulates the self-image of Geberit (what we do, what motivates us, what is responsible for our success, how we work together) – and the Code of Conduct for Employees serve as the applicable guidelines. Revision of the Code was started in 2013 and will be completed in 2014. The Code applies worldwide and is available on the

intranet in 14 languages. New employees were introduced to the most important topics at the Welcome events, such as bribery, sexual harassment, workplace bullying and IT misuse.

The Geberit Integrity Line (whistleblower hotline) has been available since the start of 2013 and allows all employees to anonymously report internal irregularities either by phone or online in their mother tongue (35 languages). This makes an important contribution to the maintenance of high → **Compliance Standards** within the Group. No major cases were reported through the Integrity Line in 2013. The few registered complaints were all dealt with and issues were settled swiftly.

# Customers

## Differentiated customer approach

In order to ensure the Group's long-term success, Geberit relies on sustainable organic growth. To do this, it needs to increase penetration in the existing markets and also develop new markets. The needs and requirements of the various target groups – whether they are wholesalers, plumbers, architects, end users or real estate investors – thus play a central role in all marketing activities.

At the forefront are around 500 technical advisors working in field service at the local sales companies, who are in daily contact with plumbers, planners and architects. Training is another important instrument in retaining customers. During the reporting year, around 30,000 customers were provided with education and further training on Geberit products and software tools in the 25 information centers in Europe and overseas. Additionally, external events provide a special setting for training courses offered in cooperation with partners. In this way, around 80,000 customers became more familiar with Geberit know-how and products in 2013. In order for these customer events and training courses to be successful, it is not just the content that has to be constantly updated. In addition to the traditional focus on those in the trade, the increasing orientation towards end users requires the sales arguments to be tailored as specifically as possible to the different requirements of the target groups.

Preparations for the marketing activities to mark the "50 years of concealed cisterns" anniversary in 2014 are already underway. With more than 60 million cisterns sold to date, this constantly evolving product is a real success story. The success of the concealed cistern triggered the development of prewall installation, which allowed bathrooms to be designed with unprecedented levels of freedom. A paradigm shift occurred in European bathrooms – the bathroom was no longer merely a functional room, but instead was transformed into an area of comfort with individual fittings.

## Internationally successful AquaClean campaign

Of particular importance in 2013 was the new cross-media AquaClean advertising campaign launched in a total of eleven markets – including → **Italy and Poland** for the first time. Water is the key element of the campaign. With slogans such as "natural freshness", "pure cleanliness" and "modern well-being", a dance performance evokes a sense of emotion and aesthetics. The Geberit AquaClean Sela – a shower toilet with a sophisticated technology concept – was also introduced at the start of the campaign. The design from Matteo Thun won the "iF product design award" and the "Interior Innovation Award", and also took home the "Design Plus powered by ISH 2013" award at the ISH in Frankfurt.

Brand tracking studies for end users were carried out in all eleven shower toilet markets in 2013. In addition to sociodemographic data, the studies also provided information on the respective awareness of the shower toilet product category, attitude and behavioral parameters, and also the perception of the Geberit AquaClean brand and the most important competitors. In all markets, the awareness of the product category and the perception of the Geberit AquaClean brand in particular have significantly increased – and the upward trend shows no signs of abating. The study reflects the success of market cultivation and the campaign in the individual markets.

## Positive reaction to events

Geberit's most important target group is and remains plumbers. The current, tried-and-tested market cultivation activities such as customer visits, training or the provision of technical documentation were continued, as were the → **"Geberit On Tour"** events and the → **"Geberit Challenge"** competition for plumbers. "Geberit On Tour" is a mobile exhibition that allowed plumbers to experience the advantages of Geberit products up close and personally at more than 1,150 events in 2013. Around 34,000 visitors were registered at these events in total. The "Geberit Challenge" took place in Switzerland, Finland and twice in the United Kingdom in 2013. Garnering much media attention, the best team of plumbers in each of these countries was chosen. The Challenge events were also awarded the "Xaver" in 2013, the Swiss event industry's most important award. The format won over the independent jury and stole the show from other high-profile competitors.

### **Further improvements in customer service**

Customer service and attractive information on new products are continuously improved and the range and use of communication tools further optimized. For example, since 2012 all Geberit technical advisors in Germany have been equipped with iPads. Using the sales app, the advisors can access all the relevant sales documentation online during sales discussions and then send it directly to the customer as required. As this new service has been met with a positive response from all participants, the sales app will now be made available to Geberit field service staff in a total of 20 markets. Also extremely popular among customers is the Geberit ProApp, which makes it easier to find and order spare parts. As Geberit guarantees the availability of spare parts for 25 years, the app is an extremely useful tool. This is also reflected in its popularity – since the launch of the Geberit ProApp at the ISH in March 2013, the app was downloaded 23,356 times and visited over 100,000 times by the end of the year. Additionally, the technical hotline – which has proven extremely successful in Germany for many years – will also be expanded to the Swiss market in 2014.

### **More emotion in customer communication**

In 2013, Geberit again found trade fairs to be a suitable platform for maintaining customer contact and demonstrating the company's innovative power. The most important trade fairs were the ISH in Frankfurt (DE), Batibouw in Brussels (BE), Mosbuild in Moscow (RU), Kitchen & Bath China in Shanghai (CN), Idéo Bain in Paris (FR) and the Kitchen & Bath Industry Show in Las Vegas (US). Architects and designers were addressed directly at the Fuori Salone – the international design meeting point – in Milan (IT). In contrast to plumbers and planners, it is less the technical facts than the emotional and design aspects that count in communication with end users, designers and architects. With these customers in mind, Geberit Germany welcomed a total of 1,700 customers at ten trend shows in 2013. At these events, the participants were able to find out what the bathroom of tomorrow must offer in order to meet the changed needs of the customer – and how Geberit is addressing this trend in terms of design and innovations. The starting point for this series of events was a trend study carried out by Zukunftsinstitut GmbH in Frankfurt (DE) entitled "Changes in Body Awareness and Hygiene". One of the findings from the study revealed that the bathroom will increasingly become a place of communication and also a home for innovative technologies and devices.

# Innovation

## Innovation as a central brand value

As innovation is a key factor in Geberit's position as market leader, substantial resources were once again invested in the development of new products and the improvement of existing products and technologies in 2013. In addition to features such as top-class quality, durability and ease of installation, the new products also use water and resources efficiently while guaranteeing the highest possible level of hygiene and optimized acoustic features.

The Group's innovative power, which is above average in a sector comparison, helps to ensure its sustained success. As successful research and development (R&D) is a prerequisite for success, the Group invested CHF 50.9 million (previous year CHF 49.8 million) or 2.2% of sales in upcoming products. Expenditures increased by 2.2% year-on-year. Additionally, as part of the → **investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for the production of newly developed products. The company applied for 20 patents in 2013, bringing the total for the last five years to 101.

All new product developments go through a structured innovation and development process, which ensures that the Group's creative potential is used to the optimum extent and that the development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here.

## Decisive know-how in technology and innovation

Design, comfort, drinking water hygiene, fire protection, sound insulation, ecology and sustainability – Geberit has professional answers to all these global topics and trends. Innovations are developed within the team and know-how is combined in all aspects of the product. To support its internationalization efforts, the Group maintains development competence centers of its own in China and the US.

Two examples show the extent of the expertise at Geberit:

- In the area of sound insulation, work is being carried out on minimizing acoustic disturbances with the help of innovative technologies. This expertise is in demand: The Deutsche Institut für Normung e.V. (DIN) has asked Geberit to make a statement on VDI 4100 – the most important standard for enhanced sound insulation in Germany – in order to offer targeted practical support for planners, architects, manufacturers of building products, consultant engineers and surveyors. With this statement, Geberit demonstrates a strong commitment to acoustically sustainable building, supports enhanced sound insulation and increases personal well-being and quality of life.
- Specific simulation programs have been developed in order to analyze the flow behavior as well as the pressure and velocity distribution of the water in individual components. In this way, products such as the → **Sovent fitting** have been optimized. In many cases, such simulations mean that real prototypes are no longer needed.

## New products for technicians and designers

Various new products were launched on the market in 2013:

- With its simple, modern lines and innovative technology, the new → **Geberit AquaClean Sela shower toilet** launched in April 2013 is a compelling product offering a high level of convenience. In adding this model, Geberit is supplementing its line of shower toilets with a complete solution that has been fundamentally redesigned and fits into nearly any style of bathroom. The spray functionality, which uses aerated water for cleaning, is the main feature of the new shower toilet. Enrichment with air not only gives a pleasant feeling of cleanliness, but also reduces water and energy consumption.
- The company's → **market position in China and Southeast Asia** was reinforced with new and innovative products and an expanded product range. The popular Monolith sanitary module launched in 2012 is now available in a range of new attractive colors and patterns. The Alpha concealed cistern, which was launched successfully in India in 2012 and is sold together with the WC ceramic appliance, was also launched in China and Southeast Asia. The cistern – an addition to the existing concealed models in China – has an environmentally compatible dual-flush mechanism that reduces water

## R&D expenditures (in CHF million)

|               | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------|------|------|------|------|------|
|               | 45.6 | 44.2 | 48.4 | 49.8 | 50.9 |
| In % of sales | 2.1  | 2.1  | 2.3  | 2.3  | 2.2  |

consumption. It is more efficient than traditional pressure flushing valve systems as it needs smaller pipe diameters and less water pressure.

- Following their optical and technical redesign, the → **actuator plates Sigma10 and Sigma50** were launched and are setting new design trends.
- The new → **sound insulation for the Pluvia roof outlet** solves the problem of irritating gurgling sounds in the roof outlet by removing the source of the noise. This adds a unique product to the globally successful Pluvia roof drainage system. This innovative product will cement the market position as an acoustic specialist.
- To ease the daily work of Geberit's most important customers – plumbers – the tried-and-tested → **welding machines for polyethylene pipes** were improved further. The result was a reduction in weight without sacrificing robustness, while functionality and operation were improved in many small details and the conversion of the machine from one pipe diameter to another was simplified.

For more details on new products in 2013, see the → **Product Magazine 2013**.

Several new product launches are planned for 2014:

- The new, flow-optimized → **Sovent fittings** facilitate an optimal layout of waste water discharge stacks in high-rises. The fitting ensures pressure compensation and increases the discharge rate by 40%, and also permits the use of relatively small-sized discharge stacks even in very high buildings.
- The → **flushing system Omega** features extra-small actuator plates and a cistern that is available in three installation heights for optimal flexibility. Depending on the room layout, the high-quality actuator plates can be mounted on the cistern either from the front or the top.
- The thin → **actuator plate Sigma70** floats a few millimeters in front of the wall and impresses with a refined elegance that has already won international design awards. Thanks to patented servo technology, a gentle press suffices to trigger the dual flush.
- The → **Monolith Plus** is a further development of the sanitary module for WCs that was successfully introduced in 2010. Extras such as an integrated odor extraction unit and a discreet, indirect LED light for orientation at night set new standards in both comfort and style.
- Another further development of a product already successfully introduced on the market is the attractive → **wall drain for showers**. This elegant solution can be installed virtually anywhere thanks to its extra-flat trap and is also ideally suited for renovations.
- Drainage pipes made of polyethylene can be connected to one another in a permanent and impermeable manner. This can be achieved using an electrofusion sleeve coupling or an electrofusion coupling with integrated thermal fuse, among others. New tools such as the → **electrofusion machine ESG3 and the pipe scraper** greatly facilitate the work on the building site or in the workshop.

For more details on new products in 2014, see the → **Product Magazine 2014**.

# Logistics and procurement

## Intelligent transport solutions

The area of logistics is viewed as one of Geberit's core competencies. Integrated logistics processes enable greater customer closeness and thus represent an important link to customers. They also contribute to reducing environmental impacts. As the interface between plants, markets and transport service providers, Transport Management coordinates the activities in question and facilitates intelligent transport solutions, for example, by enabling transport runs between plants to be linked with deliveries to customers. This reduces the number of empty kilometers and increases truck capacity utilization.

In 2013, the cooperation with six main transport service providers for land transport in Europe was continued. These service providers regularly report to Geberit on their quality and environmental management systems – among others including the reduction of energy consumption and emissions. Geberit also arranged with these service providers for all new truck purchases to meet the Euro 6 emission standard in advance of this standard coming into effect in 2014. The logistics calculator developed by Geberit records data on the composition of the vehicle fleet, transportation performance and the environmental impact of the transport service providers and prepares an eco-balance sheet. This enables greater comparability between the transport service providers and a more efficient tracking of the improvements that have been made. In 2013, the largest transport service providers handled 176.6 million ton-kilometers (previous year 169.7 million ton-kilometers; +4.1%), resulting in 27,483 metric tons of CO<sub>2</sub> emissions (previous year 26,883 metric tons; +2.2%), with a fleet consisting of 87% Euro 5 vehicles (previous year 84%) and already featuring 3% Euro 6 vehicles.

In the reporting period, mega-trailers were used for all transport runs between the Rapperswil-Jona (CH) site and the logistics center in Pfullendorf (DE) as well as between Pottenbrunn (AT) and Pfullendorf. These trucks allow more load volume to be transported. The use of mega-trailers as opposed to conventional vehicles resulted in 452 fewer transport runs being made in 2013. This translates into a reduction of 134,000 kilometers. Diesel consumption was reduced by 39,900 liters and CO<sub>2</sub> emissions were lowered by 164 metric tons. Geberit is also working on innovative solutions aimed at enabling a higher goods per truck ratio and further increasing capacity utilization.

Furthermore, the pilot project with an → **environmentally friendly, natural gas truck** running between Pfullendorf and Rapperswil-Jona commenced at the end of 2013. This pioneering project is being conducted in collaboration with a transport service provider and a truck manufacturer.

## Supplier management proves its worth

The centrally organized Purchasing department is responsible for procurement for all production plants worldwide. Geberit's business partners and suppliers are obligated to maintain comprehensive standards. This not only applies to quality, but also to socially responsible and healthy working conditions as well as environmental protection and the commitment to fair business practices. As a rule, the selection of new suppliers is required to include a quality audit covering clarification on environmental, health and safety issues. Where an audit reveals inconsistencies in the area of sustainability, an additional, in-depth audit is conducted. The basis for the cooperation is the → **Code of Conduct for Suppliers**, which was introduced in 2007. This Code is aligned with the principles of the United Nations Global Compact and is binding for every new supplier. Up to the end of 2013, 701 suppliers had signed this Code (previous year 671 suppliers). This equates to 95% of the total procurement value (previous year 95%). Among the top 200 suppliers, the proportion of companies that have signed is 99% (previous year 99%).

When evaluating suppliers, Geberit strives to achieve the greatest possible degree of transparency. All new and existing partners are thus assessed by means of standardized processes according to the same criteria: company as a whole, quality and sustainability, price, procurement chain and delivery reliability, production and technology. Comprehensive supplier management has proven its worth. Since 2013, data is now exchanged only digitally between suppliers and Geberit.

The risk management approach is based on the division into risk classes – depending on the production location (country) and production processes at the supplier. To ensure neutrality and the expertise required for the audits, Geberit works with an external partner. In China, for example, the carrying out of audits by independent experts has proven effective. Performing such audits makes an important contribution to enhancing credibility in supplier management. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedying the situation. For example, shortcomings were revealed at three Chinese suppliers in 2013, primarily in the areas of occupational safety, working hours and remuneration. Action plans were agreed upon with these three companies, the implementation of which will be checked and demanded during a re-audit in 2014.

# Sustainability

## Sustainable thinking and action as part of the Geberit culture

A sustainable corporate culture makes it possible to increase the value of the company over the long term and minimize risks for its future development. Geberit aims to be a role model and to set standards for customers, suppliers and other partners. This applies to water-saving, sustainable products; environmentally friendly and resource-efficient production; procurement and logistics with high environmental and ethical standards; and good, safe working conditions for the more than 6,000 committed and qualified employees worldwide. The corporate social responsibility is realized among other things within the scope of global social projects relating to the core competence of water and is intensified through partnerships such as that with Swiss WaterKiosk aimed at cleaning polluted drinking water in Bangladesh. There is also a long-term partnership with the Swiss development organization Helvetas.

The 50<sup>th</sup> birthday of the Geberit concealed cistern is a perfect example of how long-term business success is compatible with environmentally friendly action. This highly successful product, which has been sold over 60 million times, was a far-sighted strategic step on the journey from a sanitary unit to the bathroom of today in its modern form. Water saving through reduced flush volumes, reliable quality and comfort for end users as well as the 25-year guaranteed spare parts availability for plumbers are all convincing aspects of a sustainable product.

## Responsible handling of water

With its Millennium Development Goals from the year 2000, the United Nations aims to halve the number of people without access to clean drinking water and sanitary facilities by 2015. This demonstrates the great importance of the topic of water for world health, world nutrition and peacekeeping. The increase in the world's population, migration, urbanization, climate change and natural disasters can lead to regions that are currently well supplied with water becoming problem regions in the future. These global trends will have a significant impact on future sanitary technology: Water-saving and resource-efficient products are becoming even more important. The EU is increasingly putting water conservation on its political agenda and is developing ecolabels for efficient toilets, urinals, washbasins and showers. As an industry leader in the area of sustainability, Geberit imposes stricter standards on its products than those prescribed by the European ecolabels. In the → [product classification system WELL \(Water Efficiency Label\)](#) for water-saving and resource-saving products introduced by the industry in 2011, seven Geberit product groups are already represented in the highest classification class A.

The continuous reduction of the ecological footprint of Geberit products goes beyond water saving. The → [eco-design approach](#) has been implemented since 2007. This means that concepts are tested in their entirety during a product's early development phase in order to examine how water, energy and material consumption can be optimized. At the same time, production processes are often also simplified and cost savings made. Thanks to this pioneering work on the topic of eco-design, Geberit is well equipped in terms of possible requirements as envisaged as part of an EU ecodesign directive. The ability to think ahead and quickly implement measures in development can also be seen in the handling of the European Drinking Water Directive 98/93/EC, which is valid as of December 1, 2013 and defines a maximum allowable lead concentration in drinking water. All affected components made of copper materials – some 1,800 products – were adapted to the new requirements ahead of time.

## System provider of solutions in green building

Green building has long been more than just a trend. European standards in this area are becoming increasingly significant and new standards are setting out the basic rules for → [environmental declarations](#) for individual products and systems for buildings, for example. At the same time, more and more buildings are being constructed in accordance with voluntary sustainability standards such as DGNB, Minergie, BREEAM and LEED. Investors, project developers, owners and tenants are looking for system providers with holistic expertise regarding green building that can contribute to the respective desired standards being fulfilled in a targeted manner. This is opening up a future market with major potential in which Geberit is present and well positioned with water-saving, energy-saving, low-noise and durable products. The importance of the topic is also reflected in the increasing number of green building reference projects in which Geberit products are installed. The impressive shopping center → ["Emporia" in](#)

**Malmö** sets itself apart thanks to its striking architecture and is also a BREEAM-certified green building. The Mepla piping system and the Duofix installation systems from Geberit meet the stringent BREEAM requirements here. When constructing Shanghai Tower, the world's second tallest building, those responsible for the project opted for the Geberit Pluvia roof drainage System, which efficiently collects rainwater, enabling over 40% to be reused. Geberit Sigma concealed cisterns and PE piping systems are an integral part of green buildings in Milan's new skyline: → **UniCredit Tower and Bosco Verticale** are both nominated for LEED Gold certification.

### Sustainability strategy and reporting as a foundation

Geberit's positioning as a sustainable company is playing an increasingly important role in various stakeholder groups' expectations, as is reflected by a large number of awards. The consistent implementation of the sustainability strategy is an essential guideline for the development of all internal organizational units. The strategy focuses on individual sustainability modules. Among these are → **green procurement**, → **green logistics**, → **environmental management in production**, → **occupational safety** and → **eco-design in product development** as well as → **social engagement**. Each module contains a clear objective, derived measures and quantified key figures for effective monitoring. Overall, objectives were achieved to a great extent in 2013. For more information, see the → **sustainability strategy**.

## Sustainability strategy landscape



Geberit is committed to internationally recognized principles of sustainability and since 2008 has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalization more socially responsible and environmentally friendly. The → **Communication on Progress** regarding measures in the areas of human rights, labor practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local Swiss network of the UN Global Compact. The formal anchoring of the subject of sustainability is reinforced by the → **Code of Conduct for Employees** and the → **Code of Conduct for Suppliers**. Compliance with the directives is ensured by continuously improved → **compliance processes**. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Corporate Governance, 3. Board of Directors, Information and Control Instruments vis-à-vis the Group Executive Board**.

A sustainability performance review is published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). All aspects of the guidelines can be found in the → **Sustainability Performance Report for 2013**. As part of sustainability reporting for 2012, an external stakeholder panel was initiated and consulted for the first time. Its mandate consisted of providing feedback on the company's sustainability strategy and reporting, as well as reviewing whether the key topics were included in the sustainability reporting and whether the needs of the stakeholder groups were taken into consideration. The results are summarized in a → **panel statement**. These served as a basis for the further development of the sustainability strategy and reporting for 2013. The next stakeholder panel consultation is due to be carried out in 2014, where key sustainability topics shall also be identified. Focusing on the key issues in the respective company in the reporting is an essential part of the new GRI G4 guidelines published in summer 2013.

The information disclosed within the scope of this report fulfills the maximum transparency grade A set out in the currently applicable GRI G3 guidelines, as has been verified and confirmed by GRI (see → [GRI Statement](#)). The presentation of the Econ Award for corporate communication in Berlin demonstrates that the efforts being taken to create more transparent communication on the topic of sustainability are being recognized by others. The integrated sustainability reporting for 2012 received excellent feedback and the silver medal in the Online Reporting category.

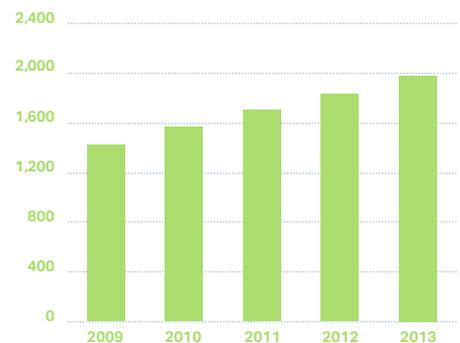
The efforts in terms of sustainable business management are also being rewarded by the capital market. At the end of 2013, more than 10% of Geberit stock was held by sustainability-conscious investors. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. For example, the Geberit share is represented in the Dow Jones Sustainability Index (DJSI) and part of the STOXX Europe Sustainability Index as well as the FTSE4Good Index (Europe/Global), where it is among the supersector leaders in Construction & Materials. In addition, renowned sustainability funds hold the shares in their portfolios. Geberit's objective is to continue to play a significant role in the future in the "Sustainability" and "Water" investment segments that are still gaining in importance.

### Saving water with Geberit products

Thanks to industry-leading research and development, Geberit products impress with their high environmental compatibility and recyclability. The company's greatest environmental achievement, however, is a result of its contribution to the sustainable use of water resources. The analysis of the entire value chain in the form of a water footprint shows that nearly 100% of the water consumption is attributable to the product usage phase. The savings are impressive: According to one model calculation, the entire dual-flush and flush-stop "fleet of cisterns" produced since 1998 has so far saved around 15,800 million cubic meters of water in comparison with traditional flushing systems. In 2013 alone, the water saved amounted to around 2,000 million cubic meters. This is more than half of the annual consumption of all German households.

### Water-saving through Geberit products 2009–2013

(in m<sup>3</sup> million)



### Water footprint throughout the value chain (2013)

#### Provision of raw materials

0.6% of the total amount of water is required in the manufacture of raw materials for Geberit products.



0.6%  
(14 million m<sup>3</sup>)

#### Manufacturing

A mere 0.01% of the water is used in the manufacturing of products at Geberit in 2013.



0.01%  
(0.14 million m<sup>3</sup>)

#### Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2013 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.4%  
(2,591 million m<sup>3</sup>)

#### Disposal

0.01% of the total amount of water is used for the disposal of Geberit products.



0.01%  
(0.25 million m<sup>3</sup>)

### **Sustainable products thanks to eco-design**

The basis for sustainable products is a systematic innovation and development process in which the most environmentally friendly materials possible are chosen, risks are minimized along the value chain and a high level of resource efficiency is targeted in the area of product design. Eco-design workshops, in which different disciplines cooperate and ensure that every new product outperforms its predecessor in environmental aspects, have been an integral part of product development since 2007. For example, thanks to innovative flow technology, the discharge rate of → **Sovent fittings** – a product which facilitates an optimal layout of waste water discharge stacks in high-rises – was increased by 40%. Since 2010, eco-design has also been included in product modifications and technology projects, thus ensuring that opportunities to reduce the ecological footprint are always utilized to their full potential.

Specially created product life cycle assessments are important decision-making aids for the development processes and provide arguments for the use of products that conserve resources. Detailed life cycle assessments have already been prepared for the following products: drainage/supply pipes, AquaClean 8000plus, electronic lavatory taps type 185/186, concealed cisterns and urinal flush controls. An Environmental Product Declaration (EPD) was issued in accordance with the new European standard EN 15804 for the first time in 2012. The EPD for lavatory taps provides relevant, comparable and verified information about the product's environmental performance. New ways of more efficiently creating product life cycle assessments and EPDs for other products are currently being sought. A pilot project for the systematic recording of environmental data at the product level was therefore started, which should greatly simplify a further processing to EPDs and ecological product information.

### **WELL label documents leading position in the area of water conservation**

In 2013, the European Commission formally agreed upon the criteria for an ecolabel aimed at reducing water consumption in European toilets. This label will be awarded to toilets that – in addition to fulfilling other requirements – use a maximum of five liters per toilet flush and therefore contribute to significantly reducing the average water consumption per toilet flush. An industry solution that was introduced in 2011 and supported by Geberit already provides incentives for exceeding these requirements. The WELL label (Water Efficiency Label) introduced by the European umbrella organization for faucet manufacturers (EUnited) takes its direction from the well-known and well-established energy labels for electrical household appliances and serves as an information and orientation aid. WELL provides consumers with information about a product's water efficiency at a glance. WELL uses a scale of A to D for products for home use and A to F for products for use in public areas. For example, WC flushing systems achieve the A class only if they use a maximum of between four and five liters per flush. As such, these requirements are more stringent than those for the EU Ecolabel. Of the eight Geberit product groups already certified, seven are represented in the A class and one in the B class. These product groups account for around 20% of Group sales. This water-efficiency label has been added to packaging and specified in the catalogs since 2013. The list of products certified in the A class also includes one of the most important products in the Geberit range, the Sigma concealed cistern.

### Production with high resource efficiency

All production sites – with the exception of the Indian site, which commenced operations only in the second half of 2013 – and logistics as a whole are subject to systematic, Group-wide environmental management and certified in accordance with → **ISO 9001 and ISO 14001**. Certification for the entire Group was renewed in 2012 and is valid until 2015. A comprehensive corporate eco-balance is prepared each year as the basis for targeted measures to improve environmental performance. In 2013, the roll-out of the integrated management system for quality, environment, energy and safety was continued at all plants. This includes the further implementation of the software program launched in 2012 for the Group-wide monitoring of the corporate eco-balance, the energy master plan and occupational safety. Among other things, this enables the energy balance to be checked on a monthly basis.

Although currency-adjusted Group sales rose by 3.6% in the reporting year (previous year +4.5%), the absolute environmental impact over the same period declined by 2.1% (previous year -5.1%). The consumption of energy in the form of electricity, combustibles and fuels represents the greatest environmental impact. The consumption of electricity fell in 2013 (111.7 GWh; previous year 113.4 GWh). In terms of combustibles, while the company consumed slightly more natural gas (39.9 GWh compared to 38.1 GWh in the previous year), it consumed considerably less heating oil (0.16 GWh compared to 0.24 GWh in the previous year). Fuel consumption increased slightly (18.2 GWh compared to 17.9 GWh in the previous year). The procurement of green electricity (21 GWh compared to 20 GWh in the previous year) and the use of 10.6 GWh of biogas (previous year 9.4 GWh) reduced the environmental impact and CO<sub>2</sub> emissions.

Numerous technical measures have helped increase energy efficiency. For example, the number of injection molding machines retrofitted with energy-efficient drive technology was increased in the reporting year as planned from 74 to 96, with the two Chinese production plants in Shanghai and Daishan benefiting particularly from this development. An analysis on site showed that a modified machine consumed an average of over 40% less energy. This measure enables the Chinese plants to save approximately 2 GWh of electricity per year, which corresponds to over 20% of total electricity consumption. At the site in Pfullendorf (DE), replacing an old blow molding machine with the latest machine technology and using the waste heat from the block heating station contributed to a reduction in energy consumption of around 1.2 GWh per year. The conducting of pre-audits at three German plants for the purpose of implementing the new ISO 50001 standard is further evidence of active energy management.

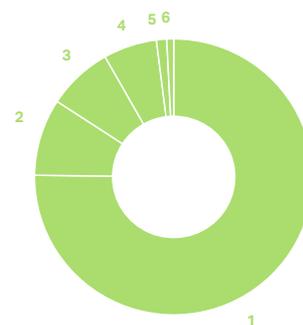
CO<sub>2</sub> emissions in 2013 amounted to 69,909 metric tons (previous year 71,853 metric tons). The ratio of CO<sub>2</sub> emissions to currency-adjusted sales was reduced by 6.1% (previous year -10.6%). This enabled the targets set out in the long-term → **CO<sub>2</sub>-strategy** to be met. The growing use of renewable energies plays a significant role here. In 2013, the consumption of additionally purchased green electricity amounted to 21 GWh (previous year 20 GWh). Renewable energy sources accounted for 31% of total electricity consumption (previous year 30%). This figure is to be increased to 60% by 2020. The amount of green electricity supplied to the largest production site in Pfullendorf (DE) was increased by an additional 2 GWh to 14 GWh. The Daishan site in China used around 2 GWh of wind power, which corresponds to approximately 60% of the plant's total energy consumption. At the plant in Givisiez (CH), a roof area of 3,050 m<sup>2</sup> was made available for the installation of solar panels. The photovoltaic system produces just under 0.5 GWh of electricity per year, which is equivalent to the amount of electricity consumed by two production lines at the plant. The share of renewable energies in combustibles is also to be gradually increased Group-wide, rising to 25% by 2020. The block heating station in Pfullendorf (DE), which was commissioned in 2012, is fed with 10.6 GWh of regionally generated biogas.

### Environmental impact 2007–2013

since launch of the CO<sub>2</sub> strategy  
(Index: 2006 = 100)



### Distribution environmental impact 2013



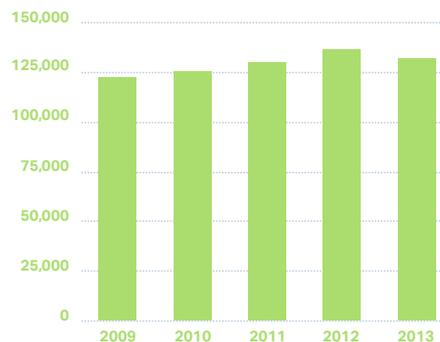
- 1 Electricity (75.2%)
- 2 Fuels (9.0%)
- 3 Combustibles (7.6%)
- 4 Disposal (6.2%)
- 5 Solvents (1.2%)
- 6 Water (0.8%)

Binding requirements for new vehicles help increase energy efficiency and reduce CO<sub>2</sub> emissions. Furthermore, CO<sub>2</sub> emissions caused by air travel amounted to 829 metric tons in the reporting year (previous year 769 metric tons). All the corresponding targets and measures are disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP). Successes were also achieved with respect to other environmental factors. Internal water consumption is at a very low level thanks to the exploitation of far-reaching savings potential. Targeted improvements contribute to the diligent handling of water: Examples include the reuse of water in laboratories and the optimization of fresh water test runs in development. Altogether, 131,938 cubic meters of water were consumed in the reporting year (previous year 136,669 cubic meters). The total amount of waste disposed of came to 12,118 metric tons (previous year 11,460 metric tons), with 84% (previous year 84%) sent to external recycling processes.

Geberit is investing in the infrastructure of tomorrow through the holistic planning and realization of new buildings and expansion projects. The use of rainwater, external shading and enhanced ventilation and cooling were implemented at the new production plant in India, which commenced operations in August 2013. Efficiency potentials are also being exploited as part of the expansion of the plant in Villadose (IT). By relocating the warehouses, the 12,000 m<sup>2</sup> area can be managed more efficiently in future and deadhead trips can be reduced to a minimum. The factory premises currently being built in → **Ruše (SI)** are already serving as a model for green production throughout Slovenia. The site's holistic energy concept includes the use of all waste heat from industrial processes as well as the complete absence of fossil fuels. The available ground water is used for cooling, while rainwater is collected and used both as fire fighting water and for watering the surrounding area.

### Water consumption of Geberit production sites 2009–2013

(in m<sup>3</sup>)



# Compliance

## Increasingly comprehensive compliance processes

The five topic areas "antitrust legislation", "corruption", "employee rights", "product liability" and "environmental protection" are at the forefront of efforts in the area of compliance. The relevant processes are continually optimized by the departments involved. Cartels of any kind and other competition-distorting activities are categorically rejected. Adherence to compliance in all organizational units is subject to binding controls each year as part of reporting on the Code of Conduct for Employees. In 2013, this survey, which has been implemented since 2009 and continuously expanded ever since, comprised around 50 questions on the five above-mentioned topic areas. In addition, on-site audits are performed by the Internal Audit department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Group Executive Board and are published in the → [Sustainability Performance Report](#) in accordance with the guidelines of the Global Reporting Initiative (GRI). No significant breaches of the Code of Conduct were identified in 2013.

To raise awareness on the topic of compliance, a "Corporate Compliance Info Letter" was sent to Group managers in 2013 for the first time. This letter contained information on the latest developments in case law, legislation and practice in the areas of antitrust legislation, product liability and corruption. Comprehensive training on antitrust legislation via an e-learning program was carried out as planned at the sites in China, India, South Africa, Southeast Asia, Australia and the USA. During this training, the respective members of management and the field service employees were brought up to the same level of knowledge and prepared for the market challenges. As in 2011, all sites in Europe will take part in the updated e-learning program in 2014.

As an active member of Transparency International, Geberit is committed to high standards in combating corruption, which it implements accordingly. Guidelines on donations that apply Group-wide are in place in this regard. A high level of awareness with respect to the correct practice regarding donations – which particularly plays a role during marketing campaigns – can be seen in the company. In cases of uncertainty, local business and marketing managers can have marketing concepts examined early on and consult the Group's Legal department. Awareness of compliance issues is also raised among sales partners at locations without Geberit representation, with a Code of Conduct for these partners currently in preparation.

The → [Geberit Code of Conduct](#), which is currently being revised, will be published in 2014 and demonstrates the company's ongoing commitment to further development. This includes the → [Geberit Integrity Line](#) for employees launched in 2013, the goals of which include identifying breaches of the Code and enabling the company to take the necessary measures. Overall, since the introduction of the Code of Conduct and the related training, employees' awareness of misconduct and their understanding of compliance topics have increased considerably, all of which contribute to risk minimization.

# Social engagement

## Social projects with focus on water

Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology. This is why it supports social projects in developing regions. What all social activities have in common is the topic of "water". When selecting projects, it is important that they exhibit a relationship to Geberit's core competencies and corporate culture. The social projects are also integrated into Geberit's training philosophy. Working on these projects provides apprentices with the opportunity to develop abilities and social skills that aid their personal development. At the same time, social commitment also contributes to the implementation of the Millennium Development Goal of the United Nations, which has the aim of providing people worldwide with access to clean drinking water and basic sanitation.

## Targeted aid throughout the world

In 2013, Geberit funded the installation of the sanitary facilities at a hospice in Bucharest (RO) that treats seriously ill patients, offering them day-care facilities and in-patient care. The organization "Hospice Casa Sperantei", which is responsible for the hospice, is dependent on donations. The materials for all sanitary facilities were provided free of charge. The Geberit team was made up of eight apprentices from Switzerland, Germany and Austria, as well as a technical advisor and a supervisor. Their first week in Bucharest was spent installing the sanitary technology. This was followed by a week of voluntary work which saw them mainly visit patients or look after the children of patients.

Geberit continued its support of Swiss WaterKiosk's pilot project aimed at cleaning polluted drinking water in Bangladesh. The goal of the project is to supply the population in several rural locations with clean water. The water available there is usually contaminated with arsenic and iron or has an excessive salt content. The water is treated using a solar water pasteurization system developed at the University of Applied Sciences in Rapperswil-Jona (CH). The long-term goal is for the locals to take over responsibility for the operation of the water treatment systems.

The partnership with the Swiss development organization Helvetas was continued, with the contract extended by three years. Geberit supports Helvetas in its commitment to providing people in the world's poorest regions with access to clean drinking water and basic sanitary facilities. 2013 was the United Nations "International Year of Water Cooperation". In this regard, the partnership between Geberit and Helvetas is a success story that highlights what can be achieved by two partners in pursuit of a joint vision.

The cooperation with the non-profit organization "Swiss Water Partnership" was also continued in the reporting year. The goal of this platform is to bring together all those involved in the topic of water supply (from academic, economic as well as public and private spheres) to collectively address future challenges in this area and promote the international dialog on water.

Donations and financial contributions – including product donations – totaling CHF 3.1 million were made during the reporting year (previous year CHF 2.7 million). In addition, employees contributed 1,340 hours of charitable work as part of social projects (previous year 2,335 hours). All donations and related commitments are neutral from a party political point of view. Geberit also supported facilities for disabled persons and long-term unemployed, where simple assembly and packaging work in the amount of around CHF 4.4 million was carried out in 2013 (previous year CHF 4.8 million). No donations were made to parties or politicians. As a rule, no political statements are made and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

# Changes in Group structure

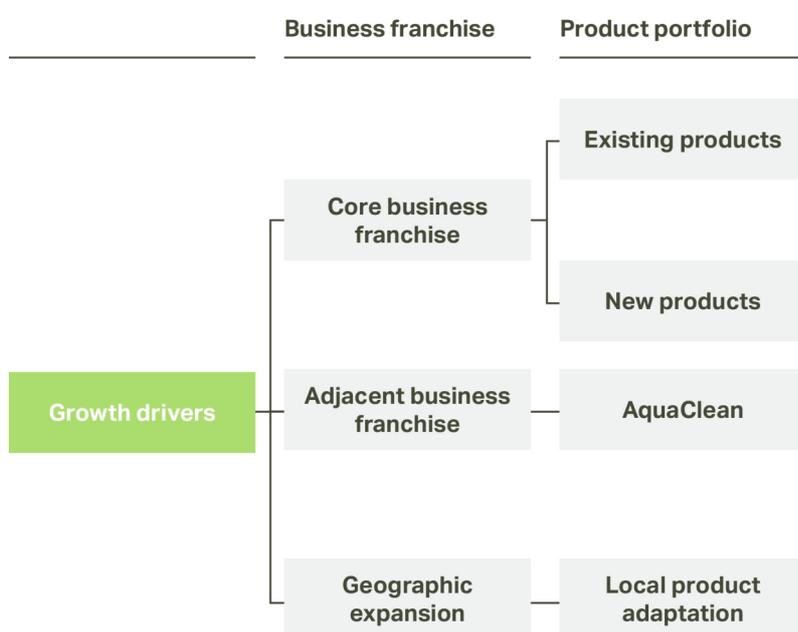
No significant changes in the Group structure took place during the reporting year.  
Please also refer to the → [Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group Organization](#).

# Targets and strategy

## Ambitious medium-term goals

Geberit has made the setting of standards in sanitary technology worldwide its goal and aims to entrench these standards in the long-term by acting sustainably. This approach is to be reflected among other things in sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. Additional growth through acquisitions has not been ruled out. However, any potential acquisition will have to satisfy strict strategic and financial criteria. In the medium term, average currency-adjusted sales growth of 4 to 6% and an operating cashflow margin of between 23 and 25% should be achieved annually.

## Source of growth contribution



Medium-term contributions to growth will come from products already launched on the market, new product launches, the AquaClean business and from local product adaptations. Overall, around one-third of growth should result from products that have been launched in the past three years and from the AquaClean business.

Having achieved the project objectives, the organic growth initiatives (OGIs) in sales launched over the past few years became an integral part of standard business once again in 2013 and will no longer be measured and disclosed separately. These initiatives are generating substantial contributions to growth, which shall pave the way for continued above-average growth and market share gains.

A concerted internationalization strategy for the AquaClean business has been pursued since the beginning of 2009 with the objectives of establishing shower toilets as a product category in Europe and strengthening Geberit's position as the market leader in this category.

In addition, further contributions to growth will be generated in the context of geographic expansion from products adapted to the specific local needs outside the core European markets.

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

## Strategy

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

- With regard to focusing on sanitary technology, Geberit centers on those business areas in the sanitary industry for which in-depth know-how and core competencies are available within the company. Essentially, these are sanitary systems and piping systems for the transport of water in buildings. Here, superior-quality, integrated, water-saving sanitary systems are offered.
- Continuously optimizing and extending the product range is crucial for future success. Innovation strength is founded on basic research in areas such as hydraulics, statics, fire protection, hygiene and acoustics. The insights gained are systematically applied in the development of products and systems for the benefit of customers.
- The accelerated penetration of markets such as France, the United Kingdom, the Nordic Countries, Eastern Europe and the Iberian Peninsula is an important factor for long-term success. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, Southeast Asia, Australia, the Gulf region and India. With the exception of North America and Australia, the company mainly engages in project business in these regions. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
- A further strategic focus relates to the permanent optimization of business processes. This is intended to ensure a leading, competitive cost structure in the long-term and is partly achieved through Group-wide projects and partly through employees identifying improvement potential in their day-to-day work, thus making a major contribution toward positive development.

## Strategic success factors

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

- a clear, long-term strategy,
- the focus on the sanitary industry,
- significant sustainable growth drivers (refer to graphic → **"Source of growth contribution"**),
- an attractive competitive position,
- an innovative product range, developed in accordance with customer needs,
- a proven push-and-pull business model,
- a stable management structure,
- a lean, high-performance organization with optimized processes.

## Value-oriented management

Value orientation aspects are considered in many areas of the company.

The remuneration model for Group management as a whole involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the return on operating capital. In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on operating capital. Details can be found in the → **Remuneration Report** and in the → **Corporate Governance section**.

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

In the interests of value-oriented management, Group-relevant projects are tracked over the long-term following project completion and the achievement of objectives is evaluated. To this end, a controlling report is discussed annually by the Group Executive Board.

# Outlook

## **Situation in global construction industry to remain challenging**

Despite moderate global economic growth being forecast for this period, the construction industry will remain challenging in 2014. The individual regions/markets and construction sectors will develop very differently.

In Europe, volumes in the construction industry are continuing to contract overall. Apart from a few markets such as Germany, Switzerland and the United Kingdom/Ireland that are performing positively, most other markets have been seeing a clear fall in demand for some time. Within the construction sector, non-residential construction is failing to recover, but this is at least partially being compensated by a flat to slightly positive trend for residential construction. Furthermore, the renovation sector is developing better than the new building sector.

In North America, the relevant indicators in public construction projects are pointing to an uncertain development that will significantly affect the Geberit business in this market. In contrast, robust growth with rising prices and substantial piling up of demand can be seen in residential construction.

In the Far East/Pacific region, mid-single-digit growth is forecast for China in both residential and commercial construction. Business in Australia is expected to be flat overall, while Southeast Asia is expected to see moderate growth – though with significant differences between regions. The outlook for the Middle East and South Africa is positive.

## **Considerably lower volatility in raw material prices**

The raw material markets relevant for Geberit eased during the reporting year. Flat to moderately increasing prices for plastics and flat to slightly declining prices for industrial metals are expected over the coming quarters. However, due to the uncertain economic environment, forecasts for 2014 as a whole are not possible.

## **Geberit**

Owing to the tense situation in the majority of the European construction markets, 2014 will once again be a demanding business year for the Geberit Group. The objective is, not only in the few markets that are healthy but also in the large number of markets that are shrinking, to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and on the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize business processes. The management is convinced that the company is very well equipped for upcoming tasks. With experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organization, an established cooperation based on trust with our market partners in both commerce and trade and – as a result of our industry leadership in terms of financial results in recent years – an extremely solid financial foundation, Geberit can look to the future with confidence.

# Corporate Governance

The → [Articles of Incorporation of Geberit AG](#) contained in the Corporate Governance chapter are available in two versions:

- The version that is currently in effect (version as of April 4, 2013).
- The draft Articles of Incorporation with the amendments as proposed by the Board of Directors for approval by the Annual General Meeting scheduled for April 3, 2014.

# 1. Group structure and shareholders

## Group structure

Operational Group structure is shown in the diagram → ["Management Structure"](#).

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

The Group's consolidated subsidiaries are listed in → [Note 33, Group companies as of December 31, 2013](#) to the Consolidated Financial Statements. Except for Geberit AG, the scope of consolidation does not include any listed companies.

## Significant shareholders

Shareholders acquiring or disposing of shares in a company listed in Switzerland and thereby reaching, exceeding or falling below certain thresholds of the share capital must be disclosed under the Federal Act governing the Swiss Stock Exchange.

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations (Schweizerisches Obligationenrecht) listed at right were entered in the share register on December 31, 2013, as holding more than 3% of share capital.

Disclosure notifications reported to Geberit during 2013 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at:

→ [www.six-exchange-regulation.com/obligations/disclosure/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html).

## Cross-shareholdings

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

### Significant shareholders (as of December 31, 2013)

---

Capital Group Companies, Inc., Los Angeles, USA

---

Black Rock, New York, USA

---

MFS Investment Management, Boston, USA

---

AKO Capital LLP, London, UK

---

## 2. Capital structure

### Capital

|                      |          |
|----------------------|----------|
| Ordinary capital:    | MCHF 3.8 |
| Conditional capital: | –        |
| Authorized capital:  | –        |

For more details, please refer to the following subchapters.

### Conditional and authorized capital details

As of December 31, 2013, the Geberit Group had no conditional or authorized capital.

### Changes in capital

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

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2013 (→ [consolidated statements of changes in equity and consolidated statements of comprehensive income](#) and → [Note 22, capital stock and treasury shares](#)), to the information in the → [Financial Statements of Geberit AG](#) as well as to the 2011 figures in the → [2012 Annual Report](#) (Geberit Group's Consolidated Financial Statements: → [consolidated statements of changes in equity and statements of comprehensive income](#), → [Note 22, capital stock and treasury shares](#); → [Financial Statements of Geberit AG](#)).

|                   | 31.12.2011 | 31.12.2012 | 31.12.2013 |
|-------------------|------------|------------|------------|
|                   | MCHF       | MCHF       | MCHF       |
| Share capital     | 4.0        | 3.9        | 3.8        |
| Reserves          | 947.1      | 918.4      | 765.1      |
| Retained earnings | 401.7      | 301.7      | 408.6      |

### Shares, participation and profit-sharing certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 3,779,842.70. It is divided into 37,798,427 registered shares with a par value of CHF 0.10 each. Each share registered in the share register of the Company with voting right carries one vote at the General Meeting.

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

### Limitations on transferability and nominee registrations

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

The Board of Directors has the power to delete entries in the share register retroactively as of the date of entry if the registration has been made on the basis of false information. It may give the concerned shareholder the opportunity to comment in advance. In any case, the concerned shareholder is informed without delay about the deletion.

Furthermore, the Articles of Incorporation do not contain any restrictions in terms of registration or voting rights.

### Convertible bonds and warrants/options

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees, reference is made to the → [Remuneration Report](#) and → [Note 18, participation plans](#) in the Consolidated Financial Statements of the Geberit Group.

## 3. Board of Directors

### Members of the Board of Directors

On December 31, 2013, the Board of Directors was composed of six members.

#### Albert M. Baehny (1952)

**Executive Chairman of the Board of Directors since 2011**  
Swiss citizen

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



#### Robert F. Spoerry (1955)

**Vice Chairman and Lead Director of the Board of Directors since 2011, non-executive, independent member of the Board of Directors since 2009**  
Swiss citizen

**Chairman of the Board of Directors Mettler-Toledo International Inc., Greifensee (CH); Chairman of the Board of Directors Sonova Holding AG, Stäfa (CH); member of the Board of Directors Conzeta AG, Zurich (CH)**

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



#### Felix R. Ehrat (1957)

**Non-executive, independent member of the Board of Directors since 2013**  
Swiss citizen

**Group General Counsel and member of the Executive Committee Novartis AG, Basel (CH); Chairman of the Board of Directors Globalance Bank AG, Zurich (CH); member of the Board of Directors Hyos Invest Holding AG, Zurich (CH)**

Felix R. Ehrat received his doctorate of law from the University of Zurich (CH) in 1990, where he previously also received his law degree in 1982. In 1986, he completed an LL.M. at the McGeorge School of Law in the USA. In 1985, he was admitted to the Zurich Bar Association. He has been Group General Counsel of Novartis since October 2011 and a member of the Executive Committee of the Novartis Group since January 1, 2012. Felix R. Ehrat is a leading practitioner of corporate, banking and mergers and acquisitions law, as well as an expert in corporate governance and arbitration. He started his career as an Associate with Bär & Karrer in Zurich (CH) in 1987, became Partner in 1992 and advanced to Senior Partner (2003–2011) and Executive Chairman of the Board of Directors (2007–2011) of the firm. Felix R. Ehrat is Chairman of the Board of Directors of Globalance Bank AG, Zurich (CH), and a member of the Board of Directors of



Hyos Invest Holding AG, Zurich (CH). Previously, he was, among other things, Chairman of the Board of Directors of Banca del Gottardo and a board member of Julius Bär Holding AG, Austriamicrosystems AG, Charles Vögele Holding AG and Carlo Gavazzi Holding AG. Felix R. Ehrat has had no significant business relations with the Geberit Group in the past five years.

#### **Hartmut Reuter (1957)**

**Non-executive, independent member of the Board of Directors since 2008**  
**German citizen**

**Member of the Shareholders Committee and Supervisory Board Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors Wilkhahn GmbH + Co KG, Bad Mündler (DE)**

After graduating in industrial engineering from Technical University Darmstadt (DE), Hartmut Reuter joined the Bosch Group in Stuttgart (DE) in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units, until finally becoming Director in the planning and controlling division at Bosch headquarters. From 1997–2009, Hartmut Reuter was member of the Group Executive Board of the Rieter Group in Winterthur (CH); for the last seven of those years he was CEO of the company. Since then, he has worked as a freelance management consultant and has held positions in various supervisory bodies. He has had no significant business relations with the Geberit Group in the past five years.



#### **Jeff Song (1946)**

**Non-executive, independent member of the Board of Directors since 2012**  
**US citizen**

Jeff Song earned a Master's degree in mechanical engineering at Jiaotong University in Shanghai (CN) and at the University of Toronto (CA). In 1988 he received his Ph.D. at the University of Utah (US). He was responsible for the China business of Ingersoll Rand from 2004 to January 2014 and reported directly to the CEO and Chairman of the Group. He also headed the management body of the Ingersoll Rand Division Heads of the Asia/Pacific region. From 1988–2004, Jeff Song was employed at Honeywell. In the Honeywell Group he held different positions as a development engineer, marketing and sales director as well as managing director, first in the USA and later in China. Jeff Song has had no significant business relations with the Geberit Group in the past five years.



#### **Jørgen Tang-Jensen (1956)**

**Non-executive, independent member of the Board of Directors since 2012**  
**Danish citizen**

**Member of the Board of Directors Coloplast A/S (DK); member of the Confederation of Danish Industry Business Political Committee**

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



## Elections and terms of office

As from January 1, 2014, pursuant to Art. 3 of the Ordinance Against Excessive Compensation for Listed Companies (OaEC), the term of office for a member of the Board of Directors ends at the closing of the following ordinary General Meeting. Members of the Board of Directors are elected on an individual basis. Re-election is possible.

Also as from January 1, 2014, the Chairman of the Board of Directors is elected by the General Meeting. Their term of office also ends at the closing of the following ordinary General Meeting. Re-election is possible. If the position of Chairman of the Board of Directors is vacant, the Board of Directors is to appoint a new Chairman of the Board of Directors from among its members for the remaining term of office. See Art. 4 OaEC.

Members of the Nomination and Compensation Committee are as from January 1, 2014 also elected annually and on an individual basis. Only members of the Board of Directors are eligible. Their term of office ends at the closing of the following ordinary General Meeting. Re-election is possible. See Art. 7 OaEC.

Jeff Song has decided to step down from the Board of Directors as of the next General Meeting in April 2014 for health reasons.

At the General Meeting 2014, the Chairman of the Board of Directors, the Vice Chairman and Lead Director, and the remaining members of the Board of Directors and the members of the Nomination and Compensation Committee are standing for re-election for a further year.

As of the General Meeting 2013, Susanne Ruoff decided to step down from the Board of Directors in order to concentrate fully on her new role as CEO of Swiss Post.

## Internal organizational structure

The organization of the Board of Directors is governed by law, the Company's → [Articles of Incorporation](#) and → ["Organization Regulations of the Board of Directors of Geberit AG"](#) (see also → ["Definition of areas of responsibility"](#)).

Upon the entry into force of the OaEC on January 1, 2014, the Chairman of the Board of Directors and the members of the Nomination and Compensation Committee are now to be elected annually by the General Meeting. After each ordinary General Meeting, the Board of Directors elects the Vice Chairman and Lead Director from among its members, as well as the Chairman of the Nomination and Compensation Committee and the Chairman and the members of the Audit Committee.

The reorganization in the Board of Directors, with Albert M. Baehny as Chairman of the Board of Directors while at the same time remaining in office as CEO, was communicated and explained in detail. This is an interim solution intended to aid in determining the best possible succession for the management positions in the company. Albert M. Baehny holds the position of Executive Chairman, Robert F. Spoerry that of Vice Chairman and Lead Director. The Lead Director is invested with additional authorities so that – despite the positions of Chairman of the Board of Directors and CEO being combined – exemplary corporate governance is guaranteed. For instance, the Lead Director can independently convene meetings of the independent members of the Board of Directors, and he chairs the Board of Directors in the event of conflicts of interest on the part of the Chairman or when resolutions regarding the compensation of the Chairman of the Board of Directors and CEO are to be passed. Robert F. Spoerry was elected an independent member of the Board of Directors of Geberit AG in 2009 and, because of his extensive experience in corporate management and on company boards, has the best credentials to carry out his responsibilities on Geberit's Board of Directors.

The Board of Directors meets whenever business so requires, usually six times a year for one day each (2013: six meetings). Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors.

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

The regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person. The participation rate in 2013 was 89%.

|                    | Mar 5 | Apr 4 | June 25 | Sept 5 | Oct 28 | Dec 10 |
|--------------------|-------|-------|---------|--------|--------|--------|
| Albert M. Baehny   | X     | X     | X       | X      | X      | X      |
| Robert F. Spoerry  | X     | X     | X       | X      | X      | X      |
| Felix R. Ehrat     | n/a   | n/a   | -       | X      | X      | X      |
| Hartmut Reuter     | X     | X     | X       | X      | X      | X      |
| Jeff Song          | -     | X     | X       | X      | X      | -      |
| Jørgen Tang-Jensen | X     | X     | X       | -      | X      | X      |
| Susanne Ruoff      | X     | X     | n/a     | n/a    | n/a    | n/a    |

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

#### **Nomination and Compensation Committee (NCC; formerly Personnel Committee)**

The compensation and nomination tasks and responsibilities are combined in this Committee. Detailed responsibilities are stipulated in the → [Organization Regulations of the Nomination and Compensation Committee](#)

The members of the Nomination and Compensation Committee are Robert F. Spoerry (Chairman), Hartmut Reuter (from October 2013) and Jørgen Tang-Jensen. The committee meets at least three times a year for a half day each (2013: four meetings).

|                    | Mar 5 | Apr 4 | Sept 6 | Dec 10 |
|--------------------|-------|-------|--------|--------|
| Robert F. Spoerry  | X     | X     | X      | X      |
| Jørgen Tang-Jensen | X     | X     | -      | X      |
| Hartmut Reuter     | n/a   | n/a   | n/a    | X      |

This corresponds to a participation rate of 89%.

The powers and duties of the Nomination and Compensation Committee are based on the following principles:

1. Preparation and periodical review of the Geberit Group's compensation policy and principles and personnel policy, performance criteria related to compensation and periodical review of their implementation, as well as submission of the respective proposals and recommendations to the Board of Directors.
2. Preparation of all relevant decisions of the Board of Directors in relation to the nomination and compensation of the members of the Board of Directors and of the Group Executive Board, as well as submission of the respective proposals and recommendations to the Board of Directors.

The Board of Directors may delegate further powers and duties to the Nomination and Compensation Committee in respect of nomination, compensation and related matters.

#### **Audit Committee**

The Audit Committee is composed of Hartmut Reuter (Chairman), Felix R. Ehrat (from the General Meeting 2013) and Robert F. Spoerry. The committee meets at least twice a year for a half day each (2013: three meetings).

|                   | Mar 4 | Sept 6 | Oct 30 |
|-------------------|-------|--------|--------|
| Hartmut Reuter    | X     | X      | X      |
| Felix R. Ehrat    | n/a   | X      | X      |
| Robert F. Spoerry | X     | X      | X      |

This corresponds to a participation rate of 100%.

The Audit Committee develops proposals to be submitted to the entire Board of Directors. The committee's responsibilities include, in particular, the supervision of the internal and external audit as well as the control of the financial reporting. It determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal and external auditors provide an all-inclusive report about all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. The committee also assesses the functionality of the internal control system, including risk management (refer to → ["Information and control instruments vis-à-vis the Group Executive Board"](#)). The CEO and CFO as well as the internal and external auditors attend the meetings if necessary. Furthermore, the committee is entitled to hold meetings exclusively with representatives of the external as well as the internal auditors. Both the external and internal auditors have access to the minutes of the meetings of the Board of Directors and Group Executive Board. The detailed responsibilities are stipulated in the → [organization regulations of the Audit Committee](#).

### Definition of areas of responsibility

Pursuant to Swiss Corporate Law and the Articles of Incorporation, the Board of Directors has the following non-transferable and irrevocable responsibilities:

- The ultimate management of the Company and the giving of the necessary directives
- The establishment of the organization
- The structuring of the accounting system and the financial controls as well as the financial planning
- The appointment and removal of the persons entrusted with the management and the representation
- The ultimate supervision of the persons entrusted with the management, in particular, in view of compliance with the law, Articles of Incorporation, regulations and directives
- The preparation of the annual report and of the compensation report (for the first time for the business year 2014) as well as the preparation of the General Meeting and the implementation of its resolutions
- The notification of the judge in case of overindebtedness

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

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

The Articles of Incorporation and the Organization Regulations of the Board of Directors regulate the duties and powers of the Board of Directors as a governing body, of the Chairman, the Vice Chairman and Lead Director and the committees. The Organization Regulations also define the rights and duties of the Group Executive Board that are set forth in more detail in the Internal Regulations for the Group Executive Board. The Organization Regulations of the → [Board of Directors](#), the → [Nomination and Compensation Committee](#) and the → [Audit Committee](#) can be viewed at [www.geberit.com/infocenter](http://www.geberit.com/infocenter).

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

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

Furthermore, the Vice Chairman and Lead Director of the Board of Directors and the Chief Executive Officer are in contact at regular intervals with respect to all major issues of corporate policy. Each member of the Board of Directors may individually demand information with respect to all matters of the Group or Group companies, as the case may be.

Based on the Organization Regulations of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks linked to the business activities. This process includes the risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for the controlling of the risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis. For information on the management of financial risks, refer to → [Notes to the Consolidated Financial](#)

**Statements, 4. "Risk assessment and management"**. In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimization proposals of previous audits.

## 4. Group Executive Board

### **Albert M. Baehny (1952)**

**Chief Executive Officer (CEO) since 2005**  
**Member of the Group Executive Board since 2003**  
**with Geberit since 2003**  
**Chairman of the Board of Directors since 2011**  
**Swiss citizen**

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



### **Roland Iff (1961)**

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

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



### **William J. Christensen (1973)**

**Member of the Group Executive Board since 2009**  
**with Geberit since 2004**  
**Head of Group Division Sales International**  
**Swiss citizen**

William J. Christensen graduated with a Bachelor of Arts (major: economics) from Rollins College (US). In 1995, he started his career as a project manager in Switzerland for Rieter Automotive Systems. He held subsequent positions in finance, sales and general management with Rieter Automotive both in Switzerland and in North America. He left Rieter in 2001 to pursue an MBA at the University of Chicago (US). Upon graduation in 2003, William J. Christensen joined J. P. Morgan Securities Inc. in New York (US) in the Mergers & Acquisitions department. In November 2004, he returned to Switzerland, joining Geberit as Head of Strategic Marketing. He relocated to Chicago in February 2006, to become President and CEO of Geberit's North American business. 2007, he became Head Group Marketing. William J. Christensen is Head of the Group Division Sales International, effective 2009, refer also to [→ Management Structure](#).



### **Michael Reinhard (1956)**

**Member of the Group Executive Board since 2005**

**with Geberit since 2004**

**Head of Group Division Products**

**German citizen**

**Member of the Board of Directors Reichle & De-Massari AG, Wetzikon (CH)**

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



### **Karl Spachmann (1958)**

**Member of the Group Executive Board since 2011**

**with Geberit since 1997**

**Head of Group Division Sales Europe**

**German citizen**

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



### **Management contracts**

The Group has not entered into any management contracts with third parties.

## 5. Compensations, shareholdings and loans

See → [Remuneration Report](#).

## 6. Participatory rights of the shareholders

### Voting rights and representation restrictions

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

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

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

With respect to the participation in the General Meeting, there are no regulations in the Articles of Incorporation that deviate from the law.

### Quorums required by the Articles of Incorporation

The rules relating to quorums set forth in the Articles of Incorporation correspond to the legal minimum requirements.

### Convocation of the General Meeting of shareholders/agenda

The General Meeting is convened by the Board of Directors at the latest 20 days before the date of the meeting. No resolutions may be passed on any subject not announced in this context. Applications to convene an extraordinary General Meeting or for the performance of a special audit are exempt from this rule. Shareholders representing shares with a par value of CHF 4,000 may demand inclusion of items on the agenda. Such requests must be made at least 45 days prior to the General Meeting in writing by stating the items of the agenda and the motions.

Furthermore, one or more shareholders representing together at least 10% of the share capital may jointly request that an extraordinary shareholders' meeting is called. This is made in writing by indicating the agenda items and the motions, and in the case of elections the name of the proposed candidates. The Board of Directors proposes to reduce this percentage from 10% to 3% at the upcoming General Meeting on April 3, 2014.

### Inscriptions into the share register

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

## 7. Changes of control and defense measures

There are no regulations in the Articles of Incorporation with respect to “opting-up” and “opting-out”. For agreements and plans in the event of a change of control, see the [→ Remuneration report](#).

## 8. Auditors

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

PricewaterhouseCoopers AG, Zurich, has been the auditor of the Geberit Group and Geberit AG since 1997. Lead auditor René Rausenberger has been in charge of the auditing mandate since 2008. His term of office will end with the approval of the Financial Statements and the Consolidated Financial Statements 2014.

### **Auditing fees**

In 2013, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,042 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

### **Additional fees**

For additional services PricewaterhouseCoopers invoiced TCHF 1,153 relating to tax consultancy and support as well as TCHF 523 for other services.

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

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

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and submits a proposal to the General Meeting for the appointment of the Group auditors. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses audit results with the external and internal auditors. For more details on the Audit Committee, see → [item 3, "Board of Directors, Internal organizational structure, Audit Committee"](#).

## 9. Information policy

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

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

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

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

For further details on the Geberit Group's information policy including a time schedule, please refer to the → ["Geberit share information"](#) chapter.

# 1. Introduction by the Chairman of the Nomination & Compensation Committee

Dear Shareholder

The public demand for greater transparency regarding the remuneration of the Board of Directors and the Group Executive Board, together with the results of the external benchmarking study conducted in 2012 and the weaker-than-expected result of last year's consultative vote on the Remuneration Report, has led Geberit to make a series of changes in the area of executive remuneration and its disclosure in order to meet the needs of the various stakeholders.

In terms of content, the following changes were made to the remuneration system:

- The remuneration of the Board of Directors consists exclusively of a fixed remuneration paid out in the form of non-discounted shares with a blocking period
- Implementation of a performance criterion in the Long-Term Incentive for the Group Executive Board
- Increased transparency of the performance-based compensation programs (Short-Term and Long-Term Incentives)
- Implementation of a claw-back policy and a change of control clause for the Group Executive Board
- Increased disclosure of compensation and employment terms and conditions of the Group Executive Board.

The Remuneration Report provides comprehensive information about the remuneration principles and programs applicable to the Board of Directors and the Group Executive Board. It also describes the governance of the determination of remuneration and provides details of remuneration related to the 2013 performance year. The report meets today's corporate governance standards and is written in accordance with Art. 663b and 663c of the Swiss Code of Obligations, the principles of the Swiss Code of Best Practice issued by *economiesuisse* and the Corporate Governance Directive of the SIX Swiss Exchange.

I hope you find this report informative; I am confident that the changes made to executive remuneration align well with the evolving environment in which the company operates.

Yours sincerely



Robert F. Spoerry  
Chairman of the Nomination & Compensation Committee

## 2. Remuneration policy and principles

In order to ensure the company's success and to maintain its position as market leader, it is critical to attract, develop and retain the right talent. Geberit's compensation programs are designed to support these fundamental objectives and are based on the following principles:

- Remuneration is competitive with that of other companies with which Geberit competes for talent
- Both company performance and individual contributions are recognized and rewarded
- Remuneration programs are balanced between the reward of short-term success and long-term value creation
- Shareholding programs foster the long-term commitment of executives and the alignment of their interests to those of shareholders
- Executives are protected against risks through appropriate pension and insurance programs

In order to ensure the independence of the Board of Directors in its supervisory function over the Group Executive Board, members of the Board of Directors receive a fixed remuneration in the form of non-discounted shares with a blocking period of four years. The remuneration system for the Board of Directors no longer contains any performance-related component.

The remuneration of the Group Executive Board is based on Geberit's value drivers, such as sales growth, earnings before interest and tax (EBIT), return on invested capital (ROIC) and earnings per share (EPS). The performance-related components are embedded in the annual target setting process within the performance management system, where both individual and financial performance objectives are defined and assessed.

Geberit's remuneration system is balanced between the reward of individual performance and the company's success, and the long-term retention of executives and the alignment of their interests to those of shareholders by means of an equity ownership plan.

## 3. Determination of remuneration

### 3.1. Process of determination of remuneration

The Nomination & Compensation Committee (NCC) supports the Board of Directors (BoD) in the fulfillment of its duties and responsibilities in the area of personnel policy, which include:

- Regular review of the remuneration system and benefits
- Yearly review of the individual remuneration of members of the Group Executive Board
- Yearly assessment of members of the Group Executive Board
- Personnel development of the Group Executive Board
- Succession planning and nomination for positions on the Group Executive Board
- Preparation of the selection of candidates for election or re-election to the Board of Directors

#### Approval and authority levels:

| Decision on   | CEO      | NCC      | BoD      |
|---|----------|----------|----------|
| Remuneration of members of the Board of Directors, Chairman of the Board of Directors/CEO           |          | proposes | approves |
| Fixed remuneration, members of the Group Executive Board (excl. CEO)                                | proposes | reviews  | approves |
| STI <sup>1</sup> , Chairman of the Board of Directors/CEO   |          | proposes | approves |
| STI <sup>1</sup> , members of the Group Executive Board (excl. CEO)                                 | proposes | reviews  | approves |
| LTI <sup>2</sup> grant, Chairman of the Board of Directors/CEO                                      |          | proposes | approves |
| LTI <sup>2</sup> grant, members of the Group Executive Board (excl. CEO) and other eligible parties | proposes | reviews  | approves |

<sup>1</sup> Short-Term Incentive

<sup>2</sup> Long-Term Incentive (long-term equity participation plan)

The Nomination & Compensation Committee consists exclusively of independent members of the Board of Directors, who will be, as of 2014 and in accordance with the Ordinance OaEC, proposed for election by the Annual General Meeting. For the period under review, the Nomination & Compensation Committee consisted of Robert F. Spoerry as Chairman and Jørgen Tang-Jensen and Hartmut Reuter as members (the latter as of October 2013). The Chairman of the Nomination & Compensation Committee can invite the Chairman of the Board of Directors/CEO and the Head Corporate Human Resources to join the meetings. However, the Chairman of the Board of Directors/CEO does not take part in the section of the meeting where his own remuneration is discussed.

After each meeting, the Chairman of the Nomination & Compensation Committee reports to the Board of Directors on its activities and recommendations. The minutes of the Nomination & Compensation Committee's meetings are available to the full Board of Directors.

### 3.2. Benchmarks and external consultants

Geberit regularly reviews the remuneration of its executives, including members of the Group Executive Board; this includes regular participation in benchmark studies on comparable functions in other industrial companies. In 2012, a detailed analysis of the remuneration of members of the Group Executive Board was carried out by an independent external compensation consulting firm, Towers Watson. This consulting firm has no other mandates from Geberit. The remuneration analysis was conducted on the basis of a peer group of industrial companies of comparable size and geographic scope, with their headquarters in Switzerland: Barry Callebaut, Bucher, Dätwyler, EMS-Chemie, Georg Fischer, Givaudan, Kaba, Lindt & Sprüngli, Logitech, Lonza, Mettler-Toledo, Nobel Biocare, Oerlikon, Sika, Sonova, Straumann, Sulzer and Zehnder. The study revealed that remuneration of the CEO and other members of the Group Executive Board was broadly in line with that of the peer group. However, it became apparent that the weighting of the different remuneration components deviated from that of the market; in particular, the proportion of the Long-Term Incentive as a percentage of the total remuneration at Geberit was below that of the peer group. The Board of Directors intends to rebalance the remuneration components in line with market practice over the coming years.

In regard to the remuneration of the Board of Directors, the remuneration of non-financial companies of the Swiss Market Index Mid (SMIM) and of the Swiss Market Index (SMI) is taken into consideration, as well as public surveys. The remuneration system (structure) is reviewed periodically by the Nomination & Compensation Committee. Such a review took place in 2012 and has led to a fundamental change: the elimination of any performance-related remuneration for the Board of Directors.

### **3.3. Shareholder involvement**

It is important for Geberit to receive feedback on the Remuneration Report through a consultative vote at the Annual General Meeting, and to make corrections where appropriate. The weaker-than-expected approval of the Remuneration Report at last year's General Meeting was one of the main reasons for the decision to critically examine areas of improvement. The company has made significant efforts to improve the compensation disclosure in terms of transparency and level of detail about the remuneration system. Further, the company has made changes to the remuneration programs as mentioned above. At the 2014 General Meeting, shareholders will have the opportunity to comment on those improvements in the course of the consultative vote on the 2013 Remuneration Report. Geberit is also in contact with shareholders and shareholders' representatives in order to explain and discuss its remuneration policy and programs.

## 4. Remuneration architecture

### 4.1. Board of Directors

Remuneration of the members of the Board of Directors is based on a fixed retainer and a compensation for their committee work. They also receive a lump sum to cover their expenses. The Vice Chairman/Lead Director receives a higher remuneration than other members of the Board of Directors. The remuneration of non-executive members of the Board of Directors is paid out in the form of shares, which are subject to a blocking period of four years. Only the expenses allowance is paid out in cash.

The remuneration of the Chairman of the Board of Directors is covered by his reported remuneration as CEO.

### 4.2. Group Executive Board

Remuneration of the Group Executive Board is defined in a regulation adopted by the Board of Directors and consists of the following elements:

- Base salary
- Variable cash remuneration (Short-Term Incentive (STI))
- Long-term equity participation plan (Long-Term Incentive (LTI))
- Additional employee benefits, such as pension benefits and perquisites

|                             | Program                          | Instrument  | Purpose  | Plan-/ performance period  |
|-----------------------------|----------------------------------|---|--|--|
| <b>Fixed base salary</b>    | Annual base salary               | Monthly cash payments   | Attract & Retain   |  |
| <b>Short-Term Incentive</b> | Short-Term Incentive, STI        | Annual variable cash  | Reward short-term performance  | 1-year performance period  |
|                             | Share Participation Program MSPP | In case of an investment of variable cash in shares<br>Matching share options | Align with interests of shareholders                                 | Shares:<br>- 3-year plan period<br>Share options:<br>- 4-year performance period<br>- 7-year plan period |
| <b>Long-Term Incentive</b>  | Share Option Plan MSOP           | Performance share options   | Reward long-term performance<br>Align with interests of shareholders | 4-year performance period<br>7-year plan period  |
| <b>Benefits</b>             | Pension                          | Gemeinschafts-stiftung Wohlfahrtsfond   | Cover retirement, survivors' and disability risks                    |  |
|                             | Perquisites                      | Company car policy, expense policy  | Attract & Retain   |  |

#### Base salary

The base salary is paid in cash on a monthly basis. It is determined on the basis of the scope and responsibilities of the position, the external value of the role and the qualifications and experience of the incumbent.

#### Variable cash remuneration / Short-Term Incentive (STI)

The variable cash remuneration / STI of the Group Executive Board and some 150 additional members of Group management depends on the achievement of annual financial business goals equally weighted (sales growth, EBIT growth, earnings per share and return on invested capital (ROIC)), and on the achievement of individual objectives agreed and evaluated during the annual performance management process. The transparency and consistency of the system over many years has conferred a high level of credibility and acceptance.

The base salary and the variable cash remuneration (assuming 100% achievement of objectives) form the target income. The base salary makes up 70% of the target income and the variable remuneration 30%, out of which 25% is driven by the achievement of business goals and 5% by the achievement of individual objectives.

### Functionality remuneration model

Every year, on the basis of a recommendation made by the Nomination & Compensation Committee, the Board of Directors determines the expected level of performance for each financial objective for the following year. The target level of performance is in line with the budget and leads to a payout level equivalent to the target incentive (25% of target income as defined above). In addition, a threshold level of performance, below which no variable remuneration is paid out, and a maximum level of performance, above which the variable remuneration is capped, are determined as well. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives shall not exceed 60% of target income.

The individual performance component is based on the achievement of individual objectives predefined at the beginning of the year between the CEO and individual members of the Group Executive Board, and for the CEO, between the Board of Directors and the CEO. The individual objectives can be qualitative and quantitative in nature. The individual performance component amounts to 5% of target income (as defined above) and the payout may range from 0% to 10% of target income. As a result, the total variable cash remuneration for members of the Group Executive Board is capped at 70% of the target income, which corresponds to the annual base salary.

Members of the Group Executive Board have the opportunity to invest part or all their variable cash remuneration in shares of the company through the Management Stock Purchase Plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable cash remuneration to be invested in shares. In order to encourage executives to participate in the program, a free share option is provided for each share purchased through the program. The shares are blocked for a period of three years. The options are subject to a performance-based 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. All the other elements are regulated equally according to the MSOP options (please refer to the section below).

### Long-Term Incentive (LTI)

The purpose of the Long-Term Incentive (Management Share Option Plan MSOP) is to ensure long-term value creation for the company, alignment of the interests of executives to those of shareholders and long-term retention of executives. The MSOP was revised, effective January 1, 2013, with the introduction of a performance-based vesting condition.

Every year, the Board of Directors determines the grant of share options. Based on a benchmark study conducted in 2012, the Board of Directors decided to increase the grant value for members of the Group Executive Board. The market value of options granted amounts to 40% of the target income for the CEO and to 20% of the target income for other members of the Group Executive Board. For some 60 additional participants of the Group management, the market value amounts to 10% of the target income.

The exercise price of the options corresponds to the fair market value at the time of grant. In order to respond to the demands of various stakeholders, the vesting schedule has been modified, so that the average vesting period now is three years. The options are subject to a vesting period over 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 vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested Operating Capital (ROIC) over the respective vesting period. A target level of performance is defined, for which the options will vest in full. A minimum level of performance (threshold) is defined, below which there is no vesting at all. The payout level between the threshold and the target is determined by linear interpolation. There is no over-achievement in the MSOP. The options have a term of seven years after which they expire. They can be exercised between the respective vesting date and the expiration date.

In the event of termination of employment, vested options from the MSOP and the MSPP program can be exercised within a 90-day period. Any options that have not been exercised lapse following the expiry of this 90-day period. Non-vested options from the MSOP program are forfeited on termination. Non-vested options from the MSPP program can be repurchased by Geberit. The repurchase price is calculated as the difference between the market price at termination date and the exercise price of the

### Functionality remuneration model



To find out how the long-term option program (MSOP) works, visit the interactive graphic in the online Annual Report at [www.geberit.com/annualreport](http://www.geberit.com/annualreport) > Business report > Remuneration report.

option, and is capped at 10% of the exercise price. If Geberit does not repurchase the options, those continue to vest normally and are exercisable over a 90-day period after the vesting.

In the event of termination of employment following a change of control, the restrictions on any options and shares granted as part of Geberit's participation plans lapse, so that shares are immediately free and options can be exercised.

#### **Benefits**

Members of the Group Executive Board participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to TCHF 146 per annum, with age-related contribution rates equally shared between the company and the individual, and a supplementary plan in which income in excess of TCHF 146 is insured (including variable cash remuneration). The company pays for the entire contribution in the supplementary plan.

Furthermore, each member of the Group Executive Board is entitled to a company car and a representation allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

#### **Employment terms and conditions**

All members of the Group Executive Board have permanent employment contracts with notice periods of a maximum of one year. Members of the Group Executive Board are not entitled to a severance payment.

In order to ensure good corporate governance, Geberit has implemented a claw-back policy on payments made under the Short-Term Incentive program over the last three years, which covers situations where the company is required to restate its accounts due to non-compliance with financial reporting requirements under the securities laws at the time of disclosure. In such cases, the Board of Directors is empowered to recalculate the STI payout, taking into account the restated financial results, and to seek reimbursement of any STI amount paid in excess of the variable cash remuneration.

## 5. Board of Directors: remuneration and share ownership

In 2013, members of the Board of Directors received a total remuneration of TCHF 1,183 (previous year TCHF 1,198). Compensation for regular board activities and committee assignments amounted to TCHF 1,063 (previous year TCHF 1,100). This is a reduction of approximately 3%. For 2013, the remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of non-discounted restricted shares.

Please refer to the following table for details pertaining to the remuneration of members of the Board of Directors:

|   | A. Baehny<br>Chairman <sup>4</sup><br>CHF | R. Spoerry<br>Vice Chairman<br>CHF | H. Reuter<br>CHF | F. Ehrat<br>CHF | J. Song<br>CHF | J. Tang-<br>Jensen<br>CHF | Total<br>CHF     |
|---|---|------------------------------------|------------------|-----------------|----------------|---------------------------|------------------|
| <b>2013</b>                                   |   |                                    |                  |                 |                |                           |                  |
| <b>Remuneration of the Board of Directors</b> |   |                                    |                  |                 |                |                           |                  |
| Accrued remuneration <sup>1</sup>             | -   | 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           |
| <b>Total</b>                                  | -   | <b>350,071</b>                     | <b>248,214</b>   | <b>168,688</b>  | <b>191,066</b> | <b>224,701</b>            | <b>1,182,740</b> |

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

|  | A. Baehny<br>Chairman <sup>4</sup><br>CHF | R. Spoerry<br>Vice Chairman<br>CHF | H. Reuter<br>CHF | S. Ruoff<br>CHF | J. Song<br>CHF | J. Tang-<br>Jensen<br>CHF | Total<br>CHF     |
|--|---|------------------------------------|------------------|-----------------|----------------|---------------------------|------------------|
| <b>2012</b>  |   |                                    |                  |                 |                |                           |                  |
| <b>Remuneration of the Board of Directors</b>      |   |                                    |                  |                 |                |                           |                  |
| <b>Remuneration</b>                                |   |                                    |                  |                 |                |                           |                  |
| - 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 <sup>2</sup>                    | -   | 350,043                            | 233,384          | 216,684         | 137,343        | 162,346                   | 1,099,800        |
| <i>thereof drawn in shares in 2013<sup>3</sup></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           |
| <b>Total</b>                                       | -   | <b>376,465</b>                     | <b>254,585</b>   | <b>237,138</b>  | <b>151,642</b> | <b>177,739</b>            | <b>1,197,569</b> |

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

As of the end of 2013 and 2012, the members of the Board of Directors held the following shares in the company:

|   | A. Baehny<br>Chairman        | R. Spoerry<br>Vice Chairman | H. Reuter | F. Ehrat | J. Song | J. Tang-<br>Jensen | Total  |
|---|------------------------------|-----------------------------|-----------|----------|---------|--------------------|--------|
| <b>2013</b>                             |                              |                             |           |          |         |                    |        |
| <b>Shareholdings Board of Directors</b> |                              |                             |           |          |         |                    |        |
| Shares                                  | see Group<br>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% |
| <b>2012</b>                             |                              |                             |           |          |         |                    |        |
| <b>Shareholdings Board of Directors</b> |                              |                             |           |          |         |                    |        |
| Shares                                  | see Group<br>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% |

As of December 31, 2013, there were no outstanding loans or credits between the company and the members of the Board of Directors.

## 6. Group Executive Board: remuneration and share/option ownership

The remuneration of the Group Executive Board amounted to TCHF 7,391 in 2013 (previous year TCHF 6,504). Remuneration of the CEO amounted to TCHF 2,597 in 2013 (previous year TCHF 2,358). Base salaries for the CEO and other members of the Group Executive Board remained unchanged. The increase of the overall compensation from 2012 to 2013 is the consequence of the strong results achieved in 2013. The majority of business goals were clearly overachieved. The amount of options granted under the MSOP (Long-Term Incentive) was increased from 30% to 40% of the target income for the CEO, and from 10% to 20% of the target income for other members of the Group Executive Board. As described in → [3.2 Determination of remuneration, "Benchmarks and external consultants"](#), these are necessary changes to rebalance the different remuneration components in order that the total compensation package is in line with market practice over the coming years. During this process, the base salaries of members of the Group Executive Board will remain unchanged. The MSPP options decreased compared to the previous year as a smaller part of the variable remuneration was drawn in shares. Contributions to company pension funds decreased for the CEO and other members of the Group Executive Board, as the 2012 figures included a one-time adjustment related to pension scheme modifications (reduction of pension conversion).

The following table shows details of remuneration for 2013 and 2012:

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

<sup>1</sup> 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.

<sup>2</sup> 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).

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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),

<sup>6</sup> 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.

<sup>7</sup> 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.

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

<sup>9</sup> 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.

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

<sup>11</sup> 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.

As of the end of 2013 and 2012, the Group Executive Board held the following shares in the company:

|  | Maturity | Average exercise price in CHF | A. Baehny CEO | R. Iff CFO | W. Christensen | M. Reinhard | K. Spachmann | Total  |
|--|----------|-------------------------------|---------------|------------|----------------|-------------|--------------|--------|
| <b>2013</b>                                |          |                               |               |            |                |             |              |        |
| <b>Shareholdings Group Executive Board</b> |          |                               |               |            |                |             |              |        |
| 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 <sup>1</sup>

| 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        |
| <b>Total options</b>                                |           |        | <b>47,107</b> | <b>14,907</b> | <b>8,788</b> | <b>14,152</b> | <b>11,090</b> | <b>96,044</b> |
| Percentage potential share of voting rights options |           |        | 0.12%         | < 0.1%        | < 0.1%       | < 0.1%        | < 0.1%        | 0.25%         |

<sup>1</sup> Purchase ratio 1 share for 1 option

|  | Maturity | Average exercise price in CHF | A. Baehny CEO | R. Iff CFO | W. Christensen | M. Reinhard | K. Spachmann | Total  |
|--|----------|-------------------------------|---------------|------------|----------------|-------------|--------------|--------|
| <b>2012</b>                                |          |                               |               |            |                |             |              |        |
| <b>Shareholdings Group Executive Board</b> |          |                               |               |            |                |             |              |        |
| 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 <sup>1</sup>

| 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        |
| <b>Total options</b>                                |           |        | <b>32,568</b> | <b>15,268</b> | <b>6,777</b> | <b>11,481</b> | <b>6,695</b> | <b>72,789</b> |
| Percentage potential share of voting rights options |           |        | < 0.1%        | < 0.1%        | < 0.1%       | < 0.1%        | < 0.1%       | 0.19%         |

<sup>1</sup> Purchase ratio 1 share for 1 option

As of December 31, 2013, there were no outstanding loans or credits between the company and the members of the Group Executive Board.

## 7. Summary of share and option plans 2013

In 2013 employees, management and the members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 18** of the consolidated financial statements. Under the three different **share plans**, the following numbers of shares were allocated.

|   | 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            |
| <b>Total</b>                            |                        |                        | <b>35,045</b>           |                   |

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

In 2013 Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under the two different option plans, the following numbers of options were allocated.

|   | 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             |
| <b>Total</b>                                  |                       |          |                        | <b>107,172</b>              |                    |

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 <sup>1</sup><br>CHF | Expected volatility<br>% | Expected Ø dividend yield<br>% | Contractual period<br>Years | Riskfree interest rate<br>% |
|--------------------------------------|------------------------------------|--------------------------|--------------------------------|-----------------------------|-----------------------------|
| 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                       |

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

Costs resulting from participation plans amounted to CHF 2.6 million in 2013 (prior year 3.7 million), those for option plans totaled 2.6 million (prior year 2.3 million).

## 8. Summary of shares and options held by employees and management as of December 31, 2013

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

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               |
| <b>Total</b>          |           | <b>263,894</b>                | <b>213.39</b>        | <b>263,894</b>                 | <b>213.39</b>        |

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 |
| <b>Outstanding January 1</b>   | <b>207,359</b>    | <b>185.93</b>        | <b>43,946</b>     | <b>183.49</b>        | <b>251,305</b>    | <b>185.51</b>        | <b>266,710</b>    | <b>175.17</b>        |
| 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               |
| <b>Outstanding December 31</b> | <b>233,291</b>    | <b>214.91</b>        | <b>30,603</b>     | <b>201.86</b>        | <b>263,894</b>    | <b>213.39</b>        | <b>251,305</b>    | <b>185.51</b>        |
| 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. As a basic principle, the Group hedges this exposure with treasury shares.

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