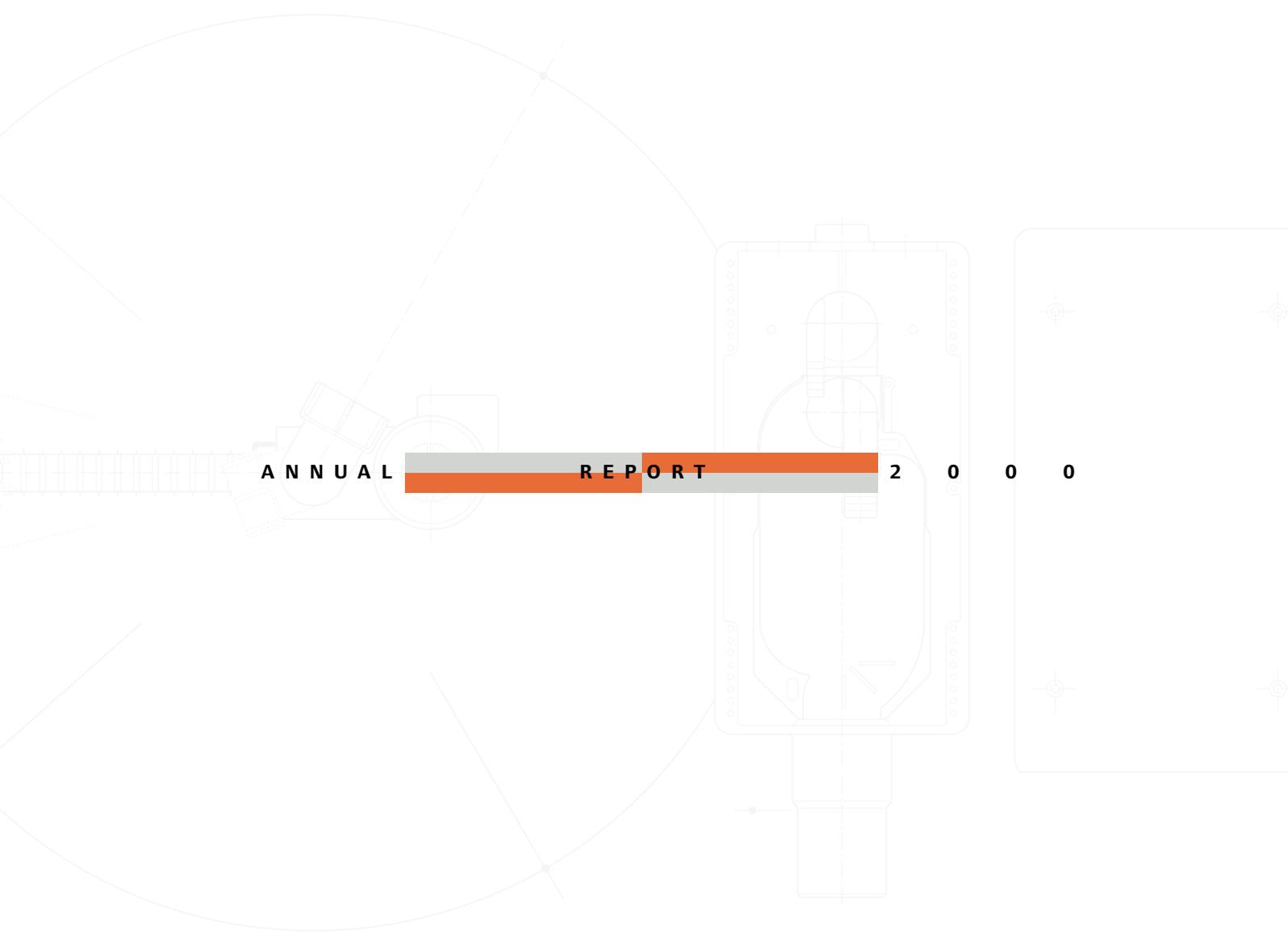


**A N N U A L**

**R E P O R T**

**2 0 0 0**



## Financial highlights

		1999	2000
<b>Sales</b>	MCHF	1190.7	1208.5
Increase to previous year	%	+15.4	+1.5
<b>Operating profit (EBIT)</b>	MCHF	176.4	189.7
Margin	%	14.8	15.7
<b>Net income</b>	MCHF	54.3	104.4
Margin	%	4.6	8.6
<b>Operating cashflow (EBITDA)</b>	MCHF	303.5	297.5
Margin	%	25.5	24.6
<b>Net cashflow</b>	MCHF	186.4	207.5
Margin	%	15.7	17.2
<b>Financial income (expenses), net</b>	MCHF	(37.9)	(37.4)
<b>Research and development expenses</b>	MCHF	29.1	30.5
in % of sales	%	2.4	2.5
<b>Earnings per share</b>	CHF	13.29	25.72
Earnings per share – adjusted	CHF	32.84	35.16
<b>Capital expenditure</b>	MCHF	78.1	66.9
<b>Number of employees</b>	31. 12.	4309	4240
Annual average		4258	4267
<b>Sales per capita</b>	TCHF	279.6	283.2
		<b>31.12.1999</b>	<b>31.12.2000</b>
<b>Total assets</b>	MCHF	1546.2	1444.7
<b>Cash and cash equivalents</b>	MCHF	126.3	64.4
<b>Net working capital</b>	MCHF	72.1	96.4
<b>Property, plant and equipment</b>	MCHF	516.9	490.7
<b>Intangible assets</b>	MCHF	581.0	546.3
<b>Corporate debt</b>	MCHF	642.8	560.1
<b>Shareholder's equity</b>	MCHF	492.2	492.5
Equity ratio	%	31.8	34.1
Gearing	%	104.9	100.6

The statements in this review relating to matters that are not historical facts are forward-looking statements that are not guarantees of future performance and involve risks and uncertainties, including but not limited to: future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors and other factors beyond the control of the company.

**“Innovation is the key to our future success.  
As market leader in sanitary technology, we  
go first and set the trends.”**

## **Content**

2	To our shareholders
4	Investor information
6	Board of Directors and Group Executive Board
8	Management structure
10	Business and financial review
10	Economic environment
11	Sales
12	Markets
13	Internationalisation
14	Product lines
15	Financials
19	Research and development
19	Ecology
20	Employees
23	Outlook
43	Consolidated financial statements of the Geberit Group
83	Financial statements of Geberit AG

## To our shareholders



Ladies and gentlemen,

All in all, the Geberit Group performed well in its first full fiscal year as a listed company. The company continued its growth and the results are on a high level.

The environment was, however, more difficult than expected. In the fiscal year 2000 consolidated sales rose by 1.5 percent to 1,208.5 million Swiss Francs. This figure as well as the 3.0 percent growth rate after currency adjustments were below the performance targets. From mid-year on, an unforeseen slow down in consumer sentiment and in the construction industry in the Group's sales-intensive core markets resulted in a sudden decline in sales growth.

However, local weakness in single markets was largely offset thanks to our successful internationalisation strategy. Outside Germany, its largest individual market, Geberit generated a sales growth after currency adjustments of 8.9 percent. A major contribution was attributable to the non-European markets with a 15 percent sales growth.

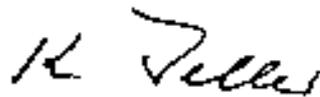
The positive development of earnings was significant. Despite a considerable rise in the cost of raw materials and the extremely weak Euro, the operating profit again increased at a faster pace than sales. This was the result of a continued optimisation in production, logistics and distribution as well as of the scheduled decline in amortisation of intangible assets. The operating profit of 189.7 million Swiss Francs rose by 7.5 percent against the prior year level. Net income increased by 92 percent to 104.4 million Swiss Francs. This rise was mainly due to the absence of non-recurrent financial expenses of the prior year and to a reduction in the tax burden.

Due to the satisfactory earnings position the equity ratio improved further to 34 percent. In view of this situation the Board of Directors will propose to the general meeting to increase the dividend by 25 percent to 10.– Swiss Francs per share.

In the year under review the Geberit Group again proved its ability to generate excellent results, even under unfavourable market conditions. With comprehensive and high-quality system solutions for all areas of sanitary engineering, a regular and professional support of market partners as well as a consistent pricing policy, the Geberit Group expanded its market position. Once again the company generated one third of its sales with products introduced during the last three years. This illustrates the major importance of our internal research and development activities which are well above the industry average.

The high stability and strength of the Geberit Group are primarily attributable to the extraordinary commitment and competence of all our employees. We would like to take this opportunity to express our thanks for their dedication. We would also like to thank our clients and shareholders for their valuable support and great trust in our company.

For the current fiscal year we expect a solid organic growth and again a significant increase in results. The company will systematically proceed with its internationalisation pursuing an active but prudent acquisition policy. Thanks to the large number of new products and its sound financial condition the Geberit Group has a strong basis for the achievement of its medium-term growth targets.



Kurt E. Feller  
Chairman of the Board



Günter F. Kelm  
President and CEO

## Investor information

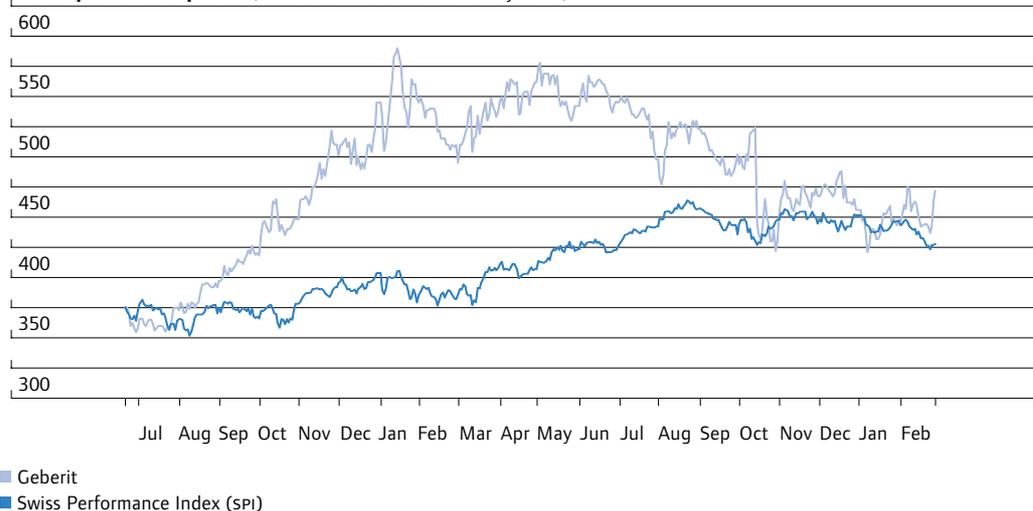
### The Geberit share

The capital stock of Geberit AG, the parent company of the Geberit Group, remained unchanged at MCHF 83.2 and is divided into 4.16 million registered shares with a par value of CHF 20.– each. There are no limitations as to ownership or voting rights. The Geberit shares are listed on the Swiss Exchange (swx) but may also be traded in the over-the-counter market on Xetra at the Frankfurt Stock Exchange.

### Share price development

The price of the Geberit share has increased rapidly from its first quotation in June 1999 until January 2000. On this date the share price reached its highest level at CHF 597.–. Over the following months there was a first price adjustment, while in May the share price rose again to CHF 570.– after good results for the first quarter 2000 had been published. Following the publication of sales figures for the second and third quarters 2000, which were below expectations, the share price declined and amounted to CHF 456.– at the year end which corresponds to a 38% rise over the issue price.

**Share price development** (22 June 1999 until 28 February 2001)



Source: Datastream

### Changes in ownership structure

On 30 March 2000 the investor Doughty Hanson & Co. sold its remaining interest in Geberit AG. The 620,275 registered shares were placed off-floor. A portion of these shares, i. e. 100,000 registered shares, were repurchased by Geberit AG. This block corresponds to 2.4% of capital stock or voting rights and is to be held in treasury, together with another 56,027 shares, for possible acquisitions as well as future employee and management participation programmes.

## Time schedule

2001	
Annual general meeting	26 April
Interim report 1 <sup>st</sup> quarter 2001	26 April
Dividend payment	2 May
Half-year results 2001	7 August
Interim report 3 <sup>rd</sup> quarter 2001	30 October

2002	
First information regarding fiscal year 2001	15 January
Annual media and analysts' conference	21 March
Annual general meeting	25 April
Interim report 1 <sup>st</sup> quarter 2002	25 April
Dividend payment	30 April

(subject to minor changes)

## Shareholders required to report holdings

Under the stock exchange act, shareholders holding more than 5% of the shares are required to report their participations. To our knowledge, the following shareholders are subject to this reporting requirement:

– Klaus Gebert heirs 7.9%

## Sustainability funds

The inclusion of the Geberit shares in various domestic and international sustainability funds proves that the company not only successfully combined its day-to-day operations with ecological ideas and actions, but also consistently complies with the principles of sustainability.

## Investor relations have top priority

At Geberit, frequent and open communications with shareholders, investors and financial analysts have top priority. Therefore, Günter F. Kelm (President and CEO) and Dr. Rudolf Huber (CFO) are the main links connecting Geberit and the financial community. Geberit corresponds to the capital markets' need for comprehensive information with regular press information, analysts' conferences and financial presentations in many European countries, the U.S. and the Far East.

Via the Internet ([www.geberit.com](http://www.geberit.com)) the Group simultaneously provides comprehensive information to all market participants and interested parties. Detlef Janssen ([investor.relations@geberit.com](mailto:investor.relations@geberit.com)) is the direct contact for the co-ordination of the Group's investor relations activities.

## Key data of the Geberit share

Registered shareholders as of 31 December 2000	12,137
Capital stock (CHF)	83,200,000
Number of registered shares of CHF 20.– each	4,160,000
Registered shares as of 31 December 2000	2,955,026
Treasury stock	156,027
Stock exchange	swx, Zürich
Swiss securities identification number	803822
Telekurs	GEBN
Reuters	gebz
German stock index number	922734

## Key figures (CHF per share)

	1999	2000
Net income	13.29	25.72
Adjusted net income *	32.84	35.16
Net cash flow	44.81	51.12
Shareholders' equity	118.32	118.39
Proposed dividend	8.00	10.00

\* Adjusted by amortisations and debt extinguishment costs

## Board of Directors and Group Executive Board

### Board of Directors

The Board of Directors of Geberit AG consists of five members. The term of office for each member is three years, and the statutory age limit has been established at 70 years.

Upon the sale of the remaining shareholding of Doughty Hanson, Patrick Smulders (partner of Doughty Hanson & Co. Ltd.) retired from office in March 2000.

At the General Meeting of 18 May 2000 Rudolf Maag was appointed a member of the Group Executive Board.

In the past fiscal year the Board of Directors met five times in order to be informed in depth by the Group Executive Board on the corporate strategy as well as the situation of the Geberit Group. In addition, Chairman and president communicated on a regular basis with respect to major issues of corporate business.

### **Kurt E. Feller (1937), Chairman**

Swiss citizen, resident in Wollerau, CH  
Chairman of Rieter Holding AG, Winterthur, CH

### **Günter F. Kelm (1940), President**

German citizen, resident in Jona, CH  
CEO of the Geberit Group, Jona, CH

### **Dr. Horst Heidsieck (1947)**

German citizen, resident in Büdingen, DE  
CEO of Heraeus Holding GmbH, Hanau, DE

### **Rudolf Maag (1946)**

Swiss citizen, resident in Binningen, CH  
Until 2000 Deputy Chairman of Synthes-Stratec Inc., Basel, CH

### **Klaus Weisshaar (1938)**

German citizen, resident in Frankfurt a. M., DE

### **Independent auditors**

PricewaterhouseCoopers AG, Zurich, CH

## **Group Executive Board**

Executive Board of Geberit Group:  
Dr. Thomas Raible, Dr. Rudolf Huber,  
Hans-Rudolf Völkin, Günter F. Kelm,  
Paul Witschi, Randolph Hanslin



### **Günter F. Kelm (1940)**

Chief Executive since 1991, member of the Group Executive Board since 1986, with Geberit since 1986  
Group functions: Corporate Communications, Human Resources, Coach Division 1

### **Randolf Hanslin (1942)**

Member of the Group Executive Board since 1979, with Geberit since 1977  
Group functions: Quality Management, Environmental Management, Coach Division 2

### **Paul Witschi (1943)**

Member of the Group Executive Board since 1989, with Geberit since 1989  
Group functions: Market Development, Coach Division 3

### **Hans-Rudolf Völkin (1952)**

Member of the Group Executive Board since 1993, with Geberit since 1990  
Group functions: Group Product Management, Brand Development, OEM, Coach Division 4

### **Dr. Rudolf Huber (1955)**

Member of the Group Executive Board since 1992, with Geberit since 1992  
Group functions: Controlling, Finance, Information Technology, Internal Audit and  
Corporate Development, Legal Matters, Coach Division 5

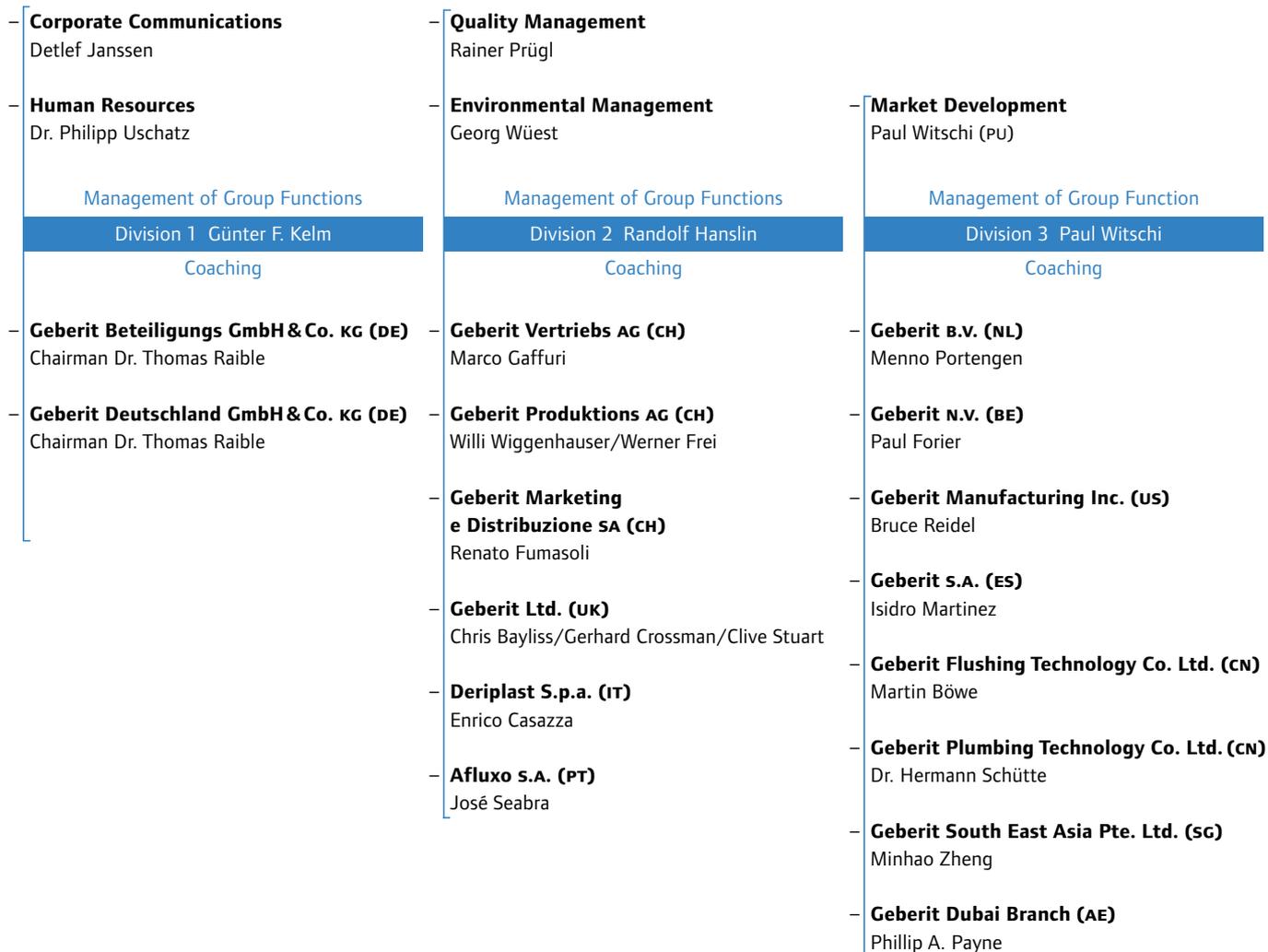
### **Dr. Thomas Raible (1951)**

Member of the Group Executive Board since 1998, with Geberit since 1985  
Group functions: Group Supply Management and Logistics, Coach Division 6

# Management structure

(1.2.2001)

Board of Directors
Geberit AG
President and CEO
Geberit Group



– **GPM\* Sanitary Systems**  
Heinz Rutishauser

– **GPM\* Piping Systems**  
Thomas Kehl

– **OEM**  
Marco Steg

– **Brand Development**  
Udo Pauly

Management of Group Functions

Division 4 Hans-Rudolf Völkin

Coaching

– **Geberit Technik AG (CH)**  
René Bregenzer/René Dolder

– **Geberit Fabrication SA (CH)**  
Martin Ziegler

– **Balena AG (CH)**  
Reto Vincenz

– **Büchler AG (CH)**  
Max Minikus

– **Prosan GmbH (LU)**  
Udo Pauly

– **Prosan d.o.o. (SI)**  
Marjan Urbancic

– **Finance**  
Roland Iff

– **Controlling**  
Roman Sidler

– **Internal Audit, Corporate Development**  
Dr. Rudolf Huber (PU)

– **Information Technology**  
Peter Hartmann

– **Legal Services**  
Dr. Albrecht Riebel

Management of Group Functions

Division 5 Dr. Rudolf Huber

Coaching

– **Geberit Verwaltungs AG (CH)**  
Peter Hartmann/Roland Iff

– **Geberit Vertriebs GmbH (AT)**  
Dietmar Riedel

– **Geberit Produktions GmbH (AT)**  
Ernst Thun/Ulrich Wagner

– **Geberit S.à r.l. (FR)**  
Peter Kothe

– **Hansgrohe Geberit S.A.S. (FR)**  
Henri Gruter/Peter Kothe

– **Geberit Kft (HU)**  
András Denk

– **Supply Chain Management**  
Dr. Adriaan 't Gilde

Management of Group Function

Division 6 Dr. Thomas Raible

Coaching

– **Geberit GmbH & Co. KG (DE)**  
Karl Spachmann/Jörg M. Henkel/Josef Diermann

– **Geberit Produktions GmbH & Co. KG (DE)**  
Holger Kirsch/Jürgen Haas

– **Geberit Lichtenstein GmbH (DE)**  
Thomas Schweikart/Hartmut Müller

– **Sanbloc GmbH (DE)**  
Dr. Thomas Raible (PU)

– **Gemax GmbH (DE)**  
Karl-Heinz Horsmann

– **Geberit A/S (DK)**  
Brian Andersen

– **Geberit Sp.z.o.o. (PL)**  
Andrzej Dobrut

– **Geberit spol.s.r.o. (CZ)**  
Jindrich Hornicek

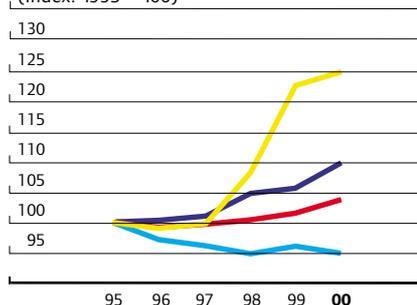
– **Geberit spol.s.r.o. (SK)**  
Dietmar Riedel (PU)

\* GPM = Group Product Management

## Business and financial review

### Construction output and Geberit sales in eight core markets 2000\*

(Index: 1995 = 100)



- Geberit sales in eight core markets\*
- Total Construction volume
- New Residential Construction
- Renovation and Modernisation

(Source: Euroconstruct, Paris, December 2000)

\*Germany, Italy, Switzerland, United Kingdom, Austria, Netherlands, France, Belgium

In the past fiscal year the long-term growth policy of the Geberit Group was challenged unexpectedly by changes in market conditions. There was a marked decline in sales in Germany, the company's most important sales market, and a weaker growth in other core markets. Nevertheless, the Group achieved a moderate increase in sales in the fiscal year 2000, which was mainly attributable to two factors: on the one hand, the fast-paced internationalisation strategy led to a strong growth outside the core markets, while on the other hand the introduction of new system solutions and products again contributed to the Geberit Group's ability to maintain its leading market position in Europe.

### General economic environment

In Europe the year 2000 was characterised by sound economic growth. However, already in the middle of the first half there were first signs of a slow down. A strong increase in the prices of oil and raw materials, higher interest rates as well as a continued weakness of the Euro caused significant uncertainty in consumer and investment behaviour on the part of private households as well as in the economy.

This development also had an impact on the construction industry. The market for renovation and modernisation in Western Europe grew, while there was a decline in residential construction. In the Eastern European countries the development was the other way round: with a slower growth in the renovation and modernisation sector, a substantial upswing was recorded in residential construction.

All in all, the European construction volume grew by just under 3% corresponding to a slight decrease against the previous year.

### Construction volume by sector in Western Europe 1998–2000

(%-changes compared to previous year)

	1998	1999	2000
New Residential Construction	0.7	2.8	1.2
New non Residential Construction	2.1	4.9	3.1
<b>Total New Construction</b>	<b>1.3</b>	<b>3.8</b>	<b>2.0</b>
Renovation and Modernisation (residential)	2.7	2.3	3.7
Renovation and Modernisation (non residential)	2.6	2.2	3.9
<b>Total Renovation and Modernisation</b>	<b>2.7</b>	<b>2.2</b>	<b>3.8</b>
<b>Total Construction volume (incl. civil engineering)</b>	<b>1.9</b>	<b>3.1</b>	<b>2.8</b>

(Source: Euroconstruct, Paris, December 2000)

## High-tech WCs for the USA

Saving water is now also an important issue in the USA. To this end, in 1994 the American government ordered a reduction of water consumption in toilets to six litres per flush.

“We recognised that this decree presented us with a unique opportunity to utilise our expertise in the area of flushing technology,” noted Bruce Reidel, Managing Director of Geberit Manufacturing Inc. in Michigan.

In co-operation with an American ceramics manufacturer, R&D engineers at Geberit developed a complete system tailor-made to conform with U.S. standards with three co-ordinated components: a concealed cistern with mounting frame, a hydraulically optimised wall hung WC bowl, and a plastic siphon action trap which is the real gem of the entire system. Thanks to an ingenious design, the hydraulic properties have been optimised to such an extent that a strong suction with an efficient cleaning effect is created in the bowl during the flushing process. “Our six-litre system is protected by two patents. In laboratory conditions we are able to guarantee perfect toilet flushing with less than two litres,” explained Mario von Ballmoos, Division Manager at Geberit Technik AG.

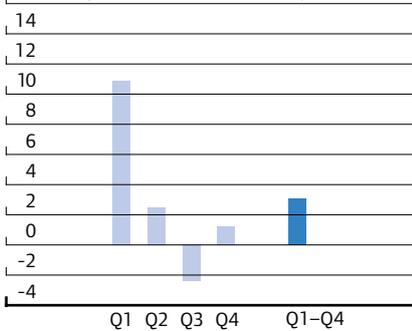
Our new system is called “Tessera”. It was launched in the U.S. market in October 2000 and has aroused strong interest.

For several years the development of Geberit sales in the eight core markets has outperformed the relevant construction indices. Despite the slow down in the year 2000, the scene remains positive.

According to Geberit’s own calculations, the European sanitary market has a volume of approx. EUR 25 billion whereof approx. 45% account for sanitary technology. As a result, Geberit is active in a market with a total volume of approx. EUR 11 billion in Western Europe alone.

### Quarterly Sales 2000

(%-changes compared to previous year)



Currency adjusted

### Moderate sales growth

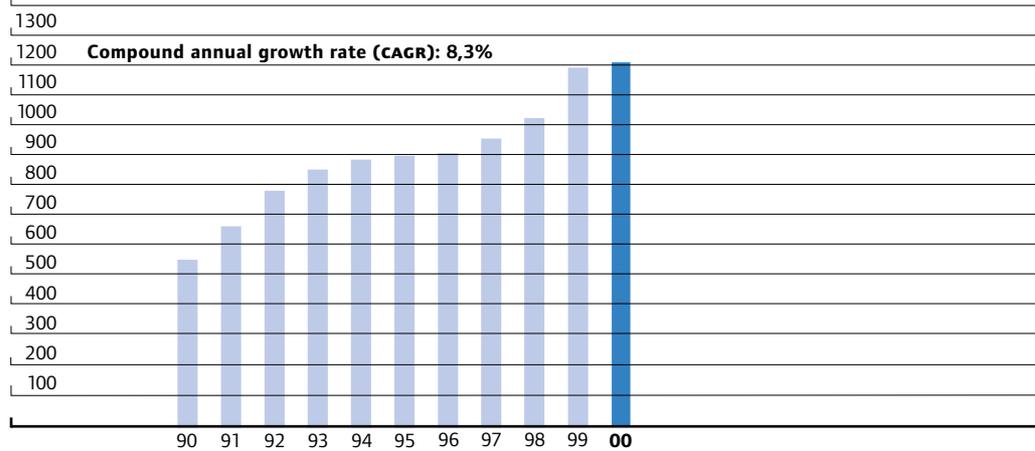
With an excellent start in the first quarter, Geberit clearly outperformed the results of the prior year period. This increase was in line with most economic forecasts for the year 2000 and promised a very good year. However, already in the second quarter growth slowed down due to a significant decline in sales in Germany so that expectations became more moderate. However, in the third quarter not only the German market experienced a disillusionment. Sales in other countries declined as well. In the fourth quarter this tendency came to a halt, and in local currencies a slight rise in sales was recorded.

For the fiscal year 2000 the Group recorded consolidated sales of MCHF 1,208.5, an increase of 1.5% against the prior year (MCHF 1,190.7); after currency adjustments the rise in sales amounted to 3.0%.

### Sales development 1990–2000 (%-Growth)

1990:	543 MCHF	
1991:	665 MCHF	+22.5
1992:	785 MCHF	+18.0
1993:	845 MCHF	+7.6
1994:	890 MCHF	+5.3
1995:	899 MCHF	+1.0
1996:	905 MCHF	+0.7
1997:	957 MCHF	+5.7
1998:	1032 MCHF	+7.8
1999:	1191 MCHF	+15.4
2000:	1209 MCHF	+1.5

### Group sales development 1990–2000 (in MCHF)



### Varied developments of core markets\*

Following a temporary peak in the second half of the prior year and a sound first quarter, there was an abrupt deterioration of the domestic economic environment in Germany from April 2000 onwards. Consumer behaviour mainly suffered from rising energy prices. The construction industry experienced a decline, especially in the new Federal States. Economic institutes anticipate that residential construction all over Germany declined by just under 7% in the year 2000, that the volume of structural engineering decreased by approx. 5% and that renovation activities stagnated. Together these factors resulted in a decline of Geberit sales in Germany by 4.9%. In the new Federal States this decline was particularly strong at 19.6%, while in the old Federal States sales decreased by only 1.9%. The contribution of the German market to Group sales was reduced further and amounted to 38.8% in the year under review after 42.5% in the prior year.

In Italy, the business development was very satisfactory with a rise by 13.7% to MCHF 187.4. This increase was primarily driven by two-digit growth rates in sales of installation and drainage systems. In Switzerland the construction industry in general experienced a good year. Geberit was able to achieve a growth in line with the market and to further improve its sales by 2.3% to MCHF 148.1, with substantial growth mainly in the area of installation systems.

\* All percentage changes in sales in the relevant markets are calculated on the basis of constant exchange rates.

In the United Kingdom Geberit Ltd., acquired in early 1999, achieved an excellent growth. On the one hand, the established drainage system business recorded very good progress due to higher prices; on the other hand, the introduction of numerous Geberit products in this market started to have a positive impact. With MCHF 73.5, sales in this core market rose by 18.0% over the prior year.

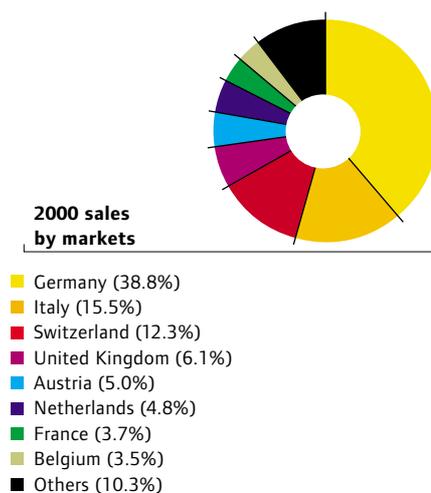
With a moderate growth in the building industry in Austria, Geberit achieved a 5.9% rise in sales to MCHF 60.7. Here growth was clearly driven by drainage and water supply systems. In the Netherlands Geberit sales increased by 5.5% to MCHF 58.2, which was above the general market trend. A significant contribution was made by the product line water supply systems which was recently launched in this market.

In France sales recorded a moderate 1.1% growth to MCHF 44.7, in spite a satisfactory growth in the construction industry. A decline in sales of flushing systems was offset by a strong rise in sales of installation systems and the introduction of new products.

In Belgium sales progressed in line with the market, and Geberit generated a 3.0% growth to MCHF 42.4, which was attributable to satisfactory growth in the installation systems business.

### Good progress in the internationalisation process

Outside the eight core markets sales rose strongly by 15.5% to MCHF 125.0. A significant contribution to this satisfactory result was made by the Northern American markets with a sales growth, after currency adjustments, of 8.1%; due to the strong U.S. dollar this resulted in a growth of 21.4% expressed in CHF. In Eastern Europe a sound growth of 9.7% was recorded. With 33.5% the Asian markets achieved the highest sales growth. As a result of the take-over of a smaller distribution company in Northern Ireland the Group was able to establish itself also in this rapidly growing market and to generate positive results.



In the international project business Geberit was awarded a number of large contracts for hotels and airports in the Middle East, India, South Africa and Korea. Such orders often serve as a reference and thus are very helpful with respect to further market development.

### Business development by product lines

Among the five product lines, drainage systems and water supply systems recorded the best progress. Installation systems and flushing systems were slightly below the prior year level. The growth in the area of shower toilets was above average compared to the previous year.

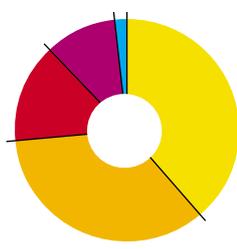
With sales of MCHF 420.4 the highest growth rate of 7.1% was generated in the product line drainage systems. This was mainly due to the extremely strong increase in sales of piping systems of the Geberit companies in Italy and the United Kingdom. Furthermore, the low-noise drainage system Silent/db20 also significantly contributed to the successful performance of this product line.

In the year under review water supply systems, with sales of MCHF 123.9, grew by 4.3%. In terms of volume, there was again a two-digit growth rate. This development was due to the continued market success of the easy-to-install and less expensive Mepla plastic fittings gradually substituting metal fittings.

Sales of installation systems decreased by 2.3% to MCHF 466.9. This decline is almost exclusively the result of the weak business in Germany where approx. two thirds of sales of this product line are generated. In Italy and Eastern Europe installation systems achieved a two-digit growth.

Sales of flushing systems amounted to MCHF 175.0, which corresponds to a 3.1% decline against the prior year. This development is equally the result of a decrease in the French OEM business, the negative market development in Germany and the targeted substitution of visible cisterns by concealed flushing systems.

In addition, the development of sales of water supply, installation and flushing systems was particularly affected by the weak Euro.



2000 sales  
by product lines

- Installation systems (38.6%)
- Drainage systems (34.9%)
- Flushing systems (14.5%)
- Water supply systems (10.2%)
- Shower toilets (1.8%)

## A valve for all occasions

No one takes any notice of fill valves in cisterns until they stop working. So that no one need ever worry about fill valves in future, Geberit has developed a new model which can do more, is even more reliable and costs less than all its predecessors.

The list of requirements for the new valve was challenging: compact design, usable anywhere in the world, fully automatic production in large quantities, use of ecologically safe materials. The result of intensive basic tests and the examination of a wide range of prototypes in fatigue tests is Unifill; millions of these valves have already left the assembly line at the Pfullendorf site.

Unifill fits through large and small inspection openings in concealed cisterns and can be set to different filling volumes. All cisterns produced by Geberit in the last 25 years can be retrofitted with this valve. Even in unusual installation situations, the plumber does not require any special tools for proper assembly. The versatility of the valve is not restricted to own produced cisterns, however. Geberit supplies the product to manufacturers of ceramic cisterns world-wide for initial fitting or in the spare parts market. "We have tested Unifill rigorously everywhere in the world. It functions perfectly in difficult conditions, such as at very low water pressure, in contaminated water or in water with a very high lime content," explained Eckart Ohmann, the responsible project manager at Geberit Technik AG.

Sales of shower toilets rose by 6.5% to MCHF 22.3, which was mainly attributable to the successful marketing activities in Switzerland and Austria.

### High earnings potential

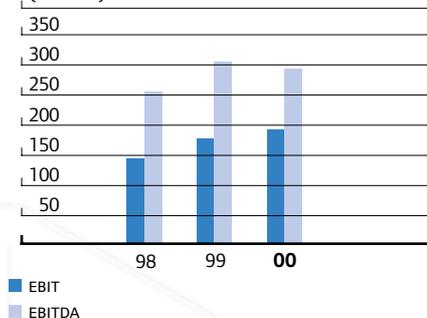
Over the last ten years the Geberit Group has achieved an average sales growth of 8.3%. At the same time, operating cashflows (EBITDA) grew stronger than sales at a rate of 12.7%.

In the fiscal year 2000 Geberit nearly maintained the record level of the operative cashflow (EBITDA) reached in 1999 and achieved a strong increase in net income. The EBITDA margin was 24.6% (prior year: 25.5%). The operating profit (EBIT) rose by 7.5% to MCHF 189.7 corresponding to a 15.7% margin which is above the prior year level of 14.8%. Net income amounted to MCHF 104.4 and almost doubled against the prior year. Thus the Geberit Group enjoys an earnings potential far above the industry average.

### Operating expenses remained stable

Sales deductions, mainly including freight charges as well as discounts to clients and rebates, at MCHF 146.2 recorded a slight increase (prior year: MCHF 143.7). This was mainly the result of a faster growth in forwarding and freight charges. Cost of materials increased against the prior year by 7.0% to MCHF 355.2 and amounted to 29.4% of Group sales (prior year: 27.9%). This rise was due, on the one hand, to the progressive increase in sales of the material-intensive product lines drainage and water supply systems and, on the other hand, to the strong increase in prices of plastic raw materials since mid 1999. The impact of price increases on cost of materials was approx. MCHF 16.5 over the prior year. Since November 2000 the prices for important raw materials, such as PVC, have declined again so that a reduction in cost of materials may be anticipated for the current year.

Operating results  
(EBIT, EBITDA) 1998–2000  
(in MCHF)

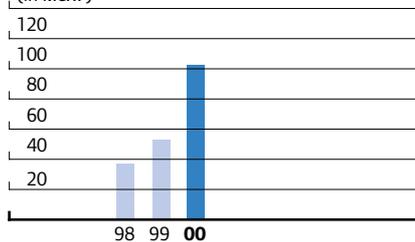


At MCHF 291.5 personnel expenses remained nearly unchanged against the prior year. Their share in Group sales declined to 24.1% (prior year: 24.5%). This is mainly the result of a Group-wide optimisation of logistics and an improvement of economies of scale by the production companies. In addition, bonus payments to management will be reduced against the previous year due to the moderate sales growth.

At MCHF 67.2 depreciation recorded an above average increase of 9.6% against the prior year. On the one hand, this was due to the rising investment volume over the past years and, on the other hand, to two acquisitions during the previous year as well as to special depreciation arising from the implementation of the production strategy. In addition, the consequences of the purchase accounting in connection with the leveraged buy-out of the Geberit Group in 1997 resulted in a shift in the depreciation curve and thus in an increase in depreciation charges in the year under review. Other operating expenses remained below the prior year level (MCHF 119.7) at MCHF 118.1. Repair and maintenance expenses as well as other operating and administrative expenses declined, while there was a slight increase in marketing expenses.

Markedly reduced amortisation of goodwill and intangible assets against the prior year of MCHF 40.6 (prior year: MCHF 65.8) significantly contributed to the improvement of the relative operating result. Such amortisation is almost exclusively attributable to the leveraged buy-out of the Geberit Group. In the current year this amortisation will be further reduced.

**Net income 1998–2000**  
(in MCHF)



### Net income almost doubled

In the year under review Geberit generated net income of MCHF 104.4 (prior year: MCHF 54.3) corresponding to a 92% increase. The return on net sales was 8.6%.

Net financial expenses declined by 1.3% to MCHF 37.4. The strong decrease in net interest expenses by MCHF 9.3 or 27% to MCHF 25.7 (prior year: MCHF 35.0) was almost offset by currency losses of MCHF 5.0 (prior year: gains of MCHF 4.4). The currency losses were mainly the result of inter-company loans. These currency losses are offset in the consolidation process against currency translation gains, which are directly credited to shareholders' equity.

An important reason for the strong rise in net income is the absence of non-recurrent expenses of MCHF 25.5, net, charged to the 1999 annual result due to the refinancing of Group debt in connection with the stock exchange listing.

Compared to the profit before income tax expenses, income tax expenses clearly rose at a slower pace. With income tax expenses of MCHF 47.6 (prior

year: MCHF 47.7) the tax rate was 31.3% (prior year: 46.5%). It should be noted that amortisation of goodwill of MCHF 28.3 is non-deductible for tax purposes. The reason for the minor increase in income tax expenses was mainly the result of a shift in the contributions to income of the various countries, a reversal of provisions for taxes amounting to MCHF 5.4 due to the tax reform in Germany as well as of tax optimised corporate structures.

#### Rise in net cash flow

In the year under review net cash flow rose to MCHF 207.5 (prior year: MCHF 186.4) corresponding to a 11.3% increase. After deduction of investments in property, plant and equipment and intangible assets, net, of MCHF 61.2 and due to the temporary rise in net working capital the free cash flow amounted to MCHF 117.2 (prior year: MCHF 108.0). From the free cash flow as well as partially from the cash and cash equivalents, dividends of MCHF 32.4 were distributed, debt in the amount of MCHF 82.7 was redeemed and shares in the net amount of MCHF 78.3 were repurchased.

#### Further improvement of equity base and balance sheet structure

Thanks to the consistently high free cash flow, financial debt was reduced from MCHF 642.8 at the end of 1999 by MCHF 82.7 to MCHF 560.1 at the end of 2000, while net debt decreased from MCHF 516.5 by MCHF 20.8 to MCHF 495.7.

#### Debt and Equity base 1998–2000 (in MCHF)

	12/98	12/99	12/00
Long-term debt	751	574	494
Total debt	802	643	560
Cash and cash equivalents	99	126	64
<b>Net debt</b>	<b>703</b>	<b>517</b>	<b>496</b>
Equity ratio	18.7%	31.8%	34.1%

Since December 1999 the equity ratio rose from 31.8% to 34.1%. On the basis of the average shareholders' equity the Group generated a return on equity of 21.2% during the year under review. The ratio of net financial debt to shareholders' equity (gearing) improved from 105% as of 31 December 1999 to 101% as of 31 December 2000 and thus, before the dividend distribution ex 2000, equals our medium-term target of 100%.

The Group liquidity situation is good. In addition to year-end cash and cash equivalents of MCHF 64.4, the Group has access to operating credit lines of MCHF 117.1 of which only MCHF 0.6 were drawn as of 31 December 2000.

As of 31 December 2000 the Geberit Group held 156,027 (prior year: 5,021) of its own shares in treasury. In the year 2000 net 151,006 shares were repurchased in the market. They were directly deducted from shareholders' equity in accordance with the International Accounting Standards (IAS) and are intended primarily for acquisitions, future employee and management participation programmes as well as for general business purposes.

In the year under review total assets decreased by 6.6% to MCHF 1,444.7 (prior year: MCHF 1,546.2). Net working capital rose from MCHF 72.1 to MCHF 96.4, while property, plant and equipment decreased from MCHF 516.9 to MCHF 490.7. Intangible assets declined from MCHF 581.0 to MCHF 546.3.

Invested operating capital, consisting of net working capital, property, plant and equipment and intangible assets, amounted to MCHF 1,133.4 at year-end 2000 (prior year: MCHF 1,170.0). Return on operating assets as a ratio of operating profit before amortisations (EBITA) to average invested operating capital amounted to 20.0% in the year under review.

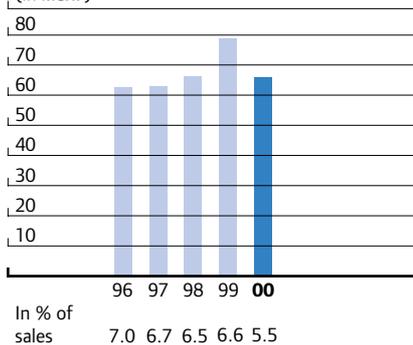
### High level of investments

Capital expenditure in property, plant and equipment and intangible assets amounted to MCHF 66.9 for 2000, MCHF 11.2 below the comparable prior year figure. As a percentage of sales, the volume of capital expenditure declined slightly to 5.5%. As in previous years, the bulk of the funds was required for continuous replacement of production facilities and procurement of tools and equipment for new or improved products. Finally, substantial amounts were invested in market development, expansion of the sales organisation as well as in the construction of new sales and training centres.

### New information centre at the Group's head office

In August 2000 the new Geberit information centre in Jona was opened. This building houses state-of-the-art training and practice rooms, a hydraulic demonstration tower as well as a large lecture hall. Every year approx. 4,000 plumbers, designers, architects, wholesalers and students at vocational schools attend training courses at this information centre. Group-wide Geberit hosts more than 12,000 guests per year at its twenty information centres.

**Investments 1996–2000**  
(in MCHF)



## Italian-style Kombifix

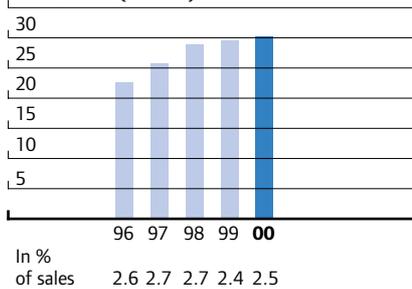
Kombifix, a ready-to-install concealed cistern with a mounting frame, has been a huge sales success for wall hung WCs for many years. So far the product could not be installed in Italy, as internal house walls in this country are too thin.

Therefore, the engineers at Geberit decided to develop an "Italian-style" Kombifix. "We decided to test and optimise the product under the most realistic conditions possible in the building physics laboratory," explained Rosario DiMartino, Product Manager of Geberit Marketing e Distribuzione SA. A few Italian masons and a lorry loaded with Italian bricks, mortar and tools made their way to Jona.

The Geberit engineers studied and filmed the working methods of these masons over several days. Subsequently, a number of fine adjustments were made to the new Kombifix element. However, not until the building mechanics had loaded the Kombifix testing device with 800 kg and the 8 cm wall did not shake had the moment arrived to launch the product.

Meanwhile, series production has started and the Italian Kombifix is in great demand. "Sometimes unconventional methods have to be used to adapt a product exactly to the needs of a market," remarked Anton Egli, Head Design Office at Geberit Technik AG.

Research and development expenditure 1996–2000 (in MCHF)



## Future-oriented research and development

Future growth is largely based on innovations, also in sanitary technology. Therefore, in the year 2000 Geberit invested MCHF 30.5 in research and development (R&D) activities, which corresponds to 2.5% of sales, an above average percentage in the industry.

The Group's R&D activities are centralised at Geberit Technik AG in Jona. All projects are subject to a clearly structured and defined development process ensuring an efficient co-operation of R&D with product management, production and distribution companies.

With its 135 engineers and technicians Geberit Technik AG recorded 26 patent registrations, 27 product launches, 15 product approvals in 10 countries and 24 completed development projects. The products introduced to the market during the year under review include a new installation system with simplified mounting framework, the Unifill servo fill valve, electronic faucets for wash-basins in the public sector, a complete toilet system customised for the U.S. market, numerous new components for the low-noise drainage system Silent/db20 as well as for the Mepla water supply system. In addition, the activities in China were supported by the development of a market-specific product range as well as an active technology transfer.

The Group's innovation rate amounted to 31%. This means that just under one third of total sales were generated with new or improved products launched during the last three years.

## Continuous improvement of ecological profile

The Geberit Group is committed to the continuous improvement of its environmental activities and strives to maintain its top position, in terms of ecological behaviour, among European industrial companies.

In the year 2000 the locations Jona (Switzerland), Pottenbrunn (Austria) and Weilheim (Germany) were for the second time successfully certified in accordance with EMAS and ISO 14001, while the Lichtenstein location in Germany was certified for the first time. All these locations have published an environmental declaration according to EMAS disclosing the degree of achievement of environmental targets during the last three years. More than 80%, in some

cases 100%, of these targets were reached since 1997. There are many examples for such improvements: almost 100% of plastic waste material in production is recycled. At the Pottenbrunn plant 65% of the heating and hot water required is produced from “surplus” production energy. At the Pfullendorf plant all the rain water is used for sanitary flushing and irrigation. At the production site Weilheim the volume of waste, noise and emissions of dust were substantially reduced by using new machinery. Together with the Pfullendorf location, already re-certified in the previous year, 80% of the value-added at Geberit is generated at production sites with an environmental certification.

The largest potential for the long-term improvement of all environmental activities is in product development. Therefore, Geberit increasingly prepares product eco-efficiency balances in connection with its R&D activities. For their calculation the environmental burden during the whole product life – from the production of raw materials to waste disposal – is determined. Although the preparation of such eco-efficiency balances is time-consuming, they give an overall and objective view and are an important basis for a comparison between various alternatives in product development.

### Slight decrease in workforce

At the end of 2000 the Geberit Group had 4,240 employees worldwide. This represents a decrease of 69 persons or 1.6% against the prior year. The number of staff decreased mainly at the production companies in Germany, Austria and Switzerland. These adjustments were the result of the successful implementation of the production strategy in the previous year and improved logistics. Average sales per employee rose by 1.3% and amounted to CHF 283.2.

New jobs were created in Poland in connection with the expansion of the sales organisation, in Italy as a result of a marked rise in business volume and in China to strengthen the local quality and process management. The number of employees also slightly rose in new Geberit markets.

### Employees by country (as of 31.12.)

	Percentage		Percentage	
	1999	share	2000	share
Germany	1653	38	1582	37
Switzerland	1079	25	1021	24
Austria	460	11	435	10
China	286	7	315	7
United Kingdom	275	6	279	7
Italy	146	3	162	4
Slovenia	147	3	144	4
Others	263	7	302	7
<b>Total</b>	<b>4309</b>	<b>100</b>	<b>4240</b>	<b>100</b>

## Silent pipes

Architectural acoustics play an increasingly important role. There is a growing market need for low-noise sanitary installations.

Expansion of the Silent/db20 system, made of mineral-reinforced plastic and launched three years ago, soon became necessary in order to be able to offer a system with complete compatibility everywhere in Europe, also for complex large projects. "We used this task as an opportunity to optimise the entire Silent/db20 range, improve production procedures, extend the ranges of dimensions and further simplify assembly," explained Thomas Kehl, Head of Group Product Management of piping systems. In addition, documentations and facilities were also provided to ensure that planning engineers, architects and plumbers are well informed in issues related to acoustics.

Thanks to the close co-operation of mechanical engineers, hydraulic and materials specialists and sanitary engineers, the range was expanded with a large number of fittings, new joining technologies and fastening components within a very short period of time. Moreover, the Silent/db20 system is now also offered for diameter DN 125. As before, almost all system components are made from the same easily recyclable plastic.

"The side effect of our intensive exploration of acoustics and new joining technologies is that we now have a large pool of potential innovative solutions which in the near future we will convert to marketable products," declared Alexander Schuster, a Project Manager at Geberit Technik AG.

### New Human Resources Division

As of 1 August 2000 the human resources division was reorganised. Thus the human resources aspect on Group level will be given a significantly more important status. The task of the new head of division will be to support the progressing internationalisation by targeted measures in the human resources area. Major responsibilities relate to the expansion of executive training activities and promotion of junior staff, the facilitation of transfers beyond national borders and entities as well as the creation of a uniform and binding personnel policy for the Group.

### Performance-related salary and bonus scheme for Group executives

An attractive remuneration scheme was created for all senior Group managers, which equally takes into account the interests of management, of the company and of shareholders. The most important feature of this new scheme is a higher variable salary share (bonus) calculated on the basis of the relevant economic key figures. The focus lies in Group results. The new salary and bonus scheme was introduced as of 1 January 2001. Together with the management and employee participation programmes, they offer a substantial incentive to support the achievement of strategic and operative goals.

### Substantial interest in participation programmes

Due to the substantial interest during the two prior years the management and employee participation programmes will be continued. Under the employee participation programme 2001, employees will again be granted an opportunity to purchase a certain number of shares (lock-up period 2 years) at a discount. Under the management participation programme, an option is granted to receive the annual bonus, in whole or in part, in the form of shares (lock-up period 3 years). Upon the purchase of shares an additional incentive is offered in the form of free stock options. There is an additional option scheme for the Group's executives (approx. 50 persons) under which the participants, as part of their remuneration, receive options the exercise of which depends on a positive development of the share price.

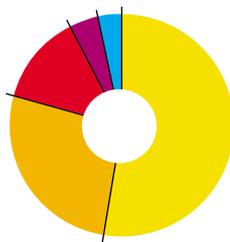
As of 31 December 2000, 2,129 active executives and employees were shareholders of Geberit AG holding an aggregate number of 484,357 shares corresponding to 11.6% of the total share capital.

### Good understanding between the social partners

The Europa Forum, which was established in 1996 in collaboration with employee representatives, proved its value again in the reporting year. This pan-European information and consulting organ consists of 11 members representing the interests of employees from Geberit companies in Germany, Austria, the United Kingdom and Switzerland as well as three delegates representing the employer.

Important topics addressed during the reporting year were the economic development of the Geberit Group, continuation of the employee participation programme, the on-going internationalisation of the Group, the implementation of the logistics concept as well as the launch of new products and the effects of E-commerce on the Geberit Group. In addition, the contents of the "Geberit identity" were discussed, which is the guideline for the actions of all Geberit employees. All meetings had a constructive atmosphere and promoted mutual understanding and trust.

**2000 headcount by business process**  
(as of 31.12.)



- Production (52.6%)
- Marketing, Sales (26.7%)
- Administration (13.1%)
- Apprentices (4.2%)
- Research and Development (3.4%)

## **Outlook**

The Geberit strategy remains growth-oriented. The further development from a European market leader to a global provider is our declared goal. Market development, innovation and optimisation of business processes are the three foundation stones of our strategy.

The major purposes of market development are to exploit the potential of core markets, geographic expansion as well as to pursue and implement attractive acquisition opportunities.

In the internationalisation of our activities we are selective. In Europe we strive for increased growth in Spain and Portugal as well as in Central and Eastern Europe. Outside Europe we focus on the USA, the Middle East as well as on South East Asia and China.

Geographic expansion also means reduced dependence on core markets. In the last ten years sales outside our core markets grew at a 26% rate, which is significantly above the Group average. In order to further promote this process we need market-specific products and human resources on-site.

It is the purpose of innovation and optimisation of business processes to secure market leadership and to maintain results at a high level.

Thanks to its sound equity base and ability to generate high operating cash flows, the Geberit Group is in a position to expand its market presence by means of acquisitions, should suitable opportunities occur.

In the fiscal year 2001 the economic environment will remain difficult, in particular in Germany. Nevertheless, we anticipate a sound organic growth. It is our goal to maintain operating margins at a high level. In view of the further decline in amortisation of intangible assets, an improved financial result and a lower tax rate, we expect a progressive improvement of net income and earnings per share.



## Geberit: **Work Ahead**

In summer 2000, Daniel Gerber, a photographer from Zurich, gathered impressions of building sites in various European countries on which Geberit products were being processed and installed. The essay below, compiled by Fritz Gottschalk and Daniel Allemann, shows a selection of his work.



**Place**  
Runcorn, Cheshire (UK)

---

**Object**  
British Telecom Call Centre

---

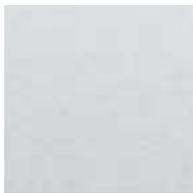
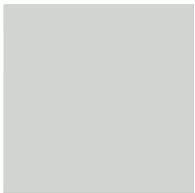
**Work**  
New Building; Heating System







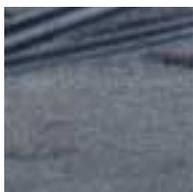
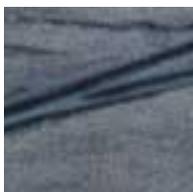
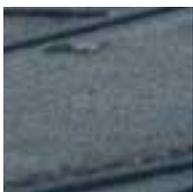
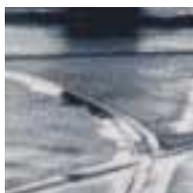
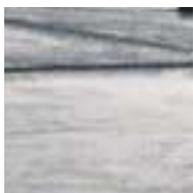
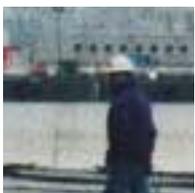
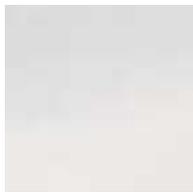
Place Birkenhead, Merseyside (UK)



Object Shipyard «Cammel Lairds»



Work Shipbuilding; Soil and Waste System



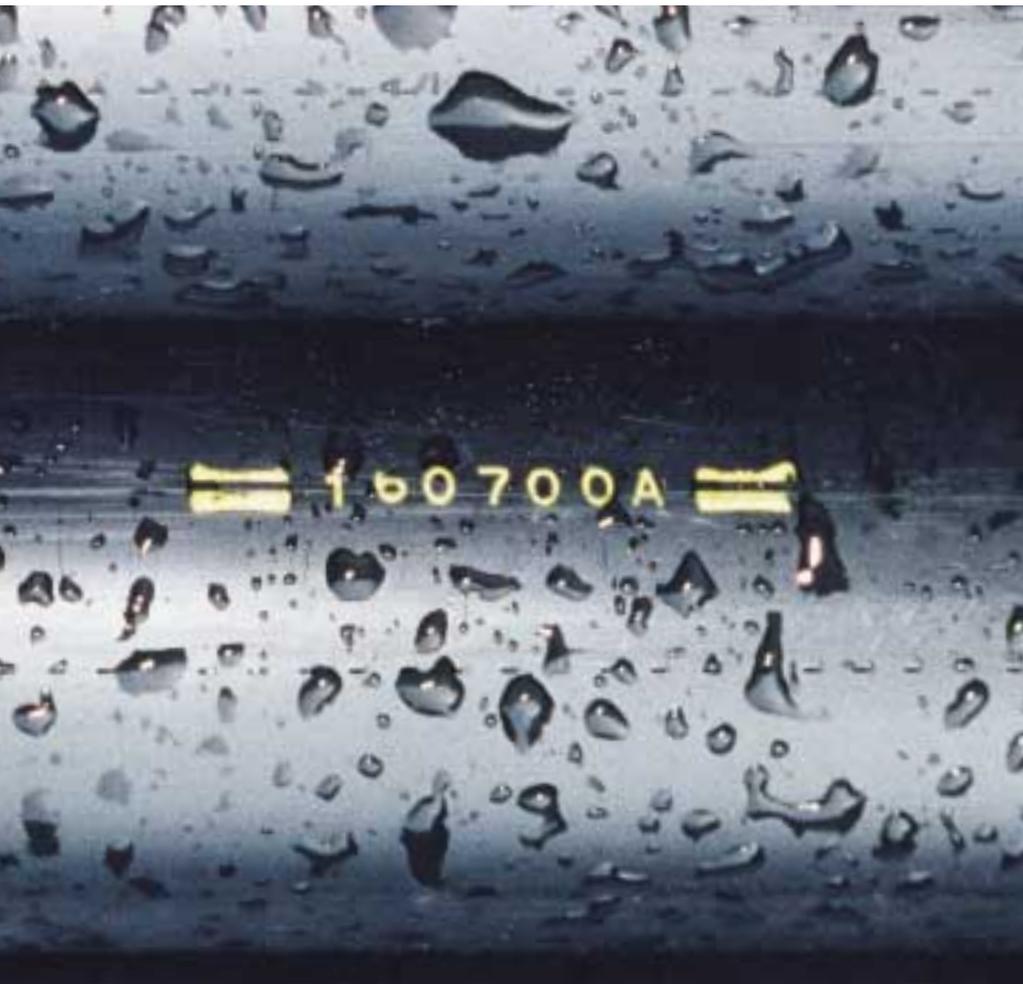


■ 63x3.0 PE 80 ■ (C) ■

Place  
Basle (CH)

Object  
Elderly Peoples Home "St. Jakob Park"

Work  
New Building; Sanitary, Soil and Waste and Roof Drainage Systems



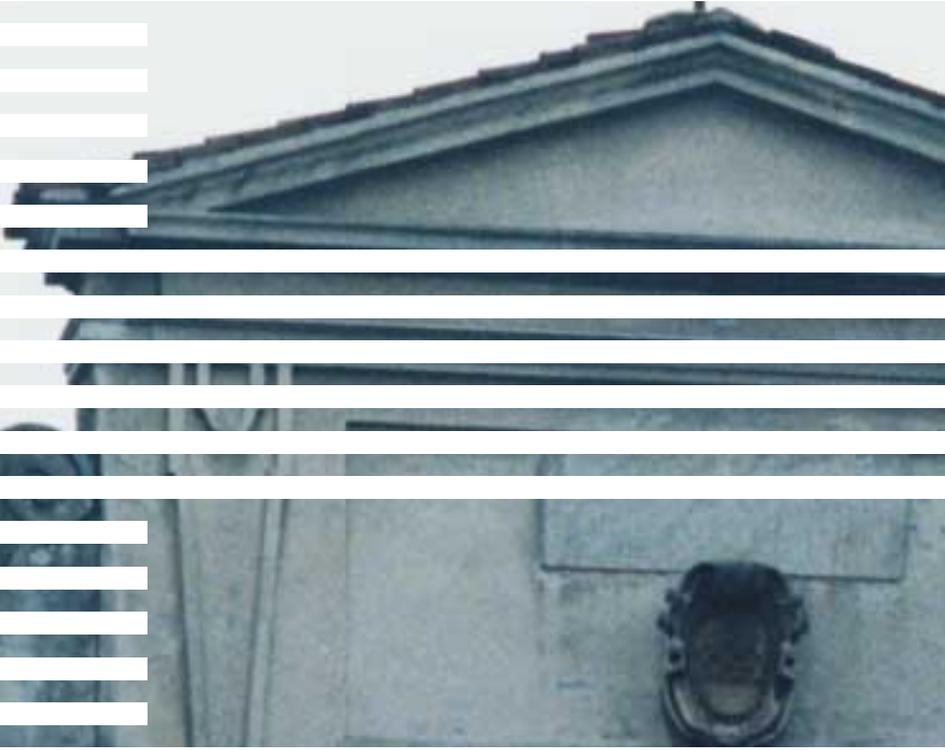
Place  
Barcelona (ES)

Object  
Trade Fair Building "Fira III"

Work  
New Building; Roof Drainage System







Place

Milan (IT)

Object

Hotel "La Torretta"

Work

Renovation; Piping and Installation Systems







Place

Zürich (CH)

Object

Culture Centre "Schiffsbauhalle"

Work

Renovation; Sanitary and Roof Drainage Systems







Place

Barcelona (ES)

Object

Trade Fair Building "Fira III"

Work

New Building; Roof Drainage System





GEBER



Place  
Zurich (CH)

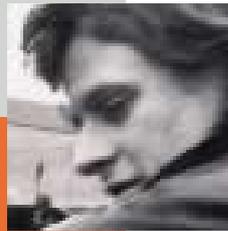
Object  
Culture Centre "Schiffsbauhalle"

Work  
Renovation; Sanitary and  
Roof Drainage Systems



### Daniel Gerber

Daniel Gerber, 42, has travelled the world. For about 12 years he has been working as a freelance photographer and he lives with his family in Zurich. His photo reports and portraits have been published in international magazines, and his studio works are undoubtedly in strong demand among renowned advertising agencies



# Consolidated Financial Statements

## Geberit Group

### Content

44	<a href="#">Balance Sheets</a>
45	<a href="#">Income Statements</a>
46	<a href="#">Statements of Shareholders' Equity</a>
47	<a href="#">Statements of Cashflows</a>
48	<a href="#">Notes to the Financial Statements</a>
82	<a href="#">Report of the Group Auditors</a>

## Consolidated Balance Sheets

**Note** 31.12.1999 31.12.2000  
MCHF MCHF

### Assets

Current assets			
Cash and cash equivalents		126.3	64.4
Trade accounts receivable	4	69.1	82.2
Other accounts receivable and prepaid expenses	5	29.2	46.9
Inventories	6	110.7	103.3
<b>Total current assets</b>		<b>335.3</b>	<b>296.8</b>
Non-current assets			
Property, plant and equipment	7	516.9	490.7
Financial assets and other non-current assets	8	113.0	110.9
Goodwill and intangible assets	9	581.0	546.3
<b>Total non-current assets</b>		<b>1210.9</b>	<b>1147.9</b>
<b>Total assets</b>		<b>1546.2</b>	<b>1444.7</b>

### Liabilities and Shareholders' Equity

Current liabilities			
Short-term borrowings	10/12	69.1	66.6
Trade accounts payable		70.4	62.9
Tax liabilities and tax provisions		41.2	44.2
Other current provisions and liabilities	11	66.5	73.1
<b>Total current liabilities</b>		<b>247.2</b>	<b>246.8</b>
Non-current liabilities			
Long-term debt	12	573.7	493.5
Accrued pension obligation	14	82.6	82.7
Deferred tax liabilities	16	129.8	113.5
Other non-current provisions and liabilities	17	14.3	9.1
<b>Total non-current liabilities</b>		<b>800.4</b>	<b>698.8</b>
Minority interest		6.4	6.6
Shareholders' equity			
Capital stock		83.2	83.2
Treasury shares		(2.5)	(80.8)
Capital in excess of par		418.9	421.0
Retained earnings		54.7	126.7
Distribution in excess of predecessor basis		(88.3)	(88.3)
Cumulative translation adjustments		26.2	30.7
<b>Total shareholders' equity</b>	19	<b>492.2</b>	<b>492.5</b>
<b>Total liabilities and shareholders' equity</b>		<b>1546.2</b>	<b>1444.7</b>

The accompanying notes on pages 48 to 81 are an integral part of the consolidated financial statements.

# Consolidated Income Statements

	Note	1999 MCHF	2000 MCHF
<b>Sales</b>		<b>1190.7</b>	<b>1208.5</b>
Sales deductions	21	143.7	146.2
Net sales		1047.0	1062.3
Cost of materials		331.9	355.2
Personnel expenses		291.9	291.5
Depreciation expense	7	61.3	67.2
Amortisation of goodwill and intangibles	9	65.8	40.6
Other operating expenses, net	22	119.7	118.1
Total operating expenses, net		870.6	872.6
<b>Operating profit (EBIT)</b>		<b>176.4</b>	<b>189.7</b>
Financial income and (expenses), net	23	(37.9)	(37.4)
Debt extinguishment costs	12/23	36.0	
Other non-operating income, net			(0.2)
Profit before income tax expenses and minority interest		102.5	152.1
Income tax expenses	24	47.7	47.6
Net income before minority interest		54.8	104.5
Minority interest, net of tax		0.5	0.1
<b>Net income</b>		<b>54.3</b>	<b>104.4</b>
<b>Other financial figures</b>			
Earnings per share (CHF)	20	13.29	25.72
Earnings per share diluted (CHF)	20	13.26	25.53
Earnings per share adjusted (CHF)	20	32.84	35.16
Research and development expenses	3	29.1	30.5
Interest expenses, net	23	(35.0)	(25.7)
Operating cashflow (EBITDA)		303.5	297.5
Net cashflow	25	186.4	207.5
Free cashflow	25	108.0	117.2

The accompanying notes on pages 48 to 81 are an integral part of the consolidated financial statements.

## Consolidated Statements of Shareholders' Equity

	Ordinary shares	Treasury shares	Prefer- ence shares	Capital in excess of par	Retained earnings	Distr. in excess of predeces- sor basis	Cum. translation adjust- ments	<b>Total share- holders' equity</b>
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Balance at 1 January 1999</b>	<b>54.6</b>		<b>54.5</b>	<b>190.9</b>	<b>35.7</b>	<b>(88.3)</b>	<b>26.9</b>	<b>274.3</b>
Retirement of ordinary shares	(54.6)							(54.6)
Issuance of new shares, net	83.2			418.9				502.1
Repurchase of preference shares			(54.5)	(190.9)				(245.4)
Dividends paid on preference shares					(35.3)			(35.3)
Net income					54.3			54.3
(Purchase)/sale of treasury shares		(2.5)						(2.5)
Foreign currency items							(0.7)	(0.7)
<b>Balance at 31 December 1999</b>	<b>83.2</b>	<b>(2.5)</b>		<b>418.9</b>	<b>54.7</b>	<b>(88.3)</b>	<b>26.2</b>	<b>492.2</b>
Dividends paid on ordinary shares					(32.4)			(32.4)
Net income					104.4			104.4
(Purchase)/sale of treasury shares		(78.3)		2.1				(76.2)
Foreign currency items							4.5	4.5
<b>Balance at 31 December 2000</b>	<b>83.2</b>	<b>(80.8)</b>		<b>421.0</b>	<b>126.7</b>	<b>(88.3)</b>	<b>30.7</b>	<b>492.5</b>

The accompanying notes on pages 48 to 81 are an integral part of the consolidated financial statements.

# Consolidated Statements of Cashflows

	Note	1999 MCHF	2000 MCHF
Cash provided by operating activities			
Net income		54.3	104.4
Adjustments to cashflow from operating activities			
Depreciation and amortisation	7/9	127.1	107.8
Financial expenses, net	23	73.9	37.4
Income tax expenses	24	47.7	47.6
Other		3.1	1.7
<b>Operating cashflow before changes in net working capital and taxes</b>		<b>306.1</b>	<b>298.9</b>
Cash used in investing activities			
Income taxes paid		(50.6)	(64.4)
Changes in net working capital	25	(5.3)	(29.1)
<b>Net cash provided by operating activities</b>		<b>250.2</b>	<b>205.4</b>
Cash used in investing activities			
Acquisitions, net		(69.3)	(3.9)
Purchase of property, plant & equipment and intangible assets	7/9	(78.1)	(66.9)
Proceeds from sale of property, plant & equipment and intangible assets	7/9	5.0	5.7
Other, net		2.5	4.0
<b>Net cash used in investing activities</b>		<b>(139.9)</b>	<b>(61.1)</b>
Cash used in financing activities			
Proceeds from short-term borrowings	10	58.3	41.0
Repayments of short-term borrowings	10	(68.0)	(41.7)
Proceeds from long-term borrowings	12	660.0	0.2
Repayments of long-term borrowings	12	(797.8)	(70.2)
Interest paid	23	(66.2)	(22.2)
Debt extinguishment costs paid	23	(21.7)	
Proceeds from issuance of shares	19	442.3	
Repurchase of preference shares	19	(245.4)	
Dividends paid	19	(35.3)	(32.4)
(Purchase)/sale of treasury shares		(2.5)	(76.2)
Other, net		(7.8)	(3.5)
<b>Net cash used in financing activities</b>		<b>(84.1)</b>	<b>(205.0)</b>
Effects of exchange rates on cash			
		1.1	(1.2)
<b>Net increase (decrease) in cash</b>		<b>27.3</b>	<b>(61.9)</b>
Cash and cash equivalents at beginning of year			
		99.0	126.3
<b>Cash and cash equivalents at end of year</b>		<b>126.3</b>	<b>64.4</b>

The accompanying notes on pages 48 to 81 are an integral part of the consolidated financial statements.

# Notes to the Consolidated Financial Statements

---

## 1. Basis of presentation

The Geberit Group is a leading European supplier of sanitary plumbing systems for the residential and commercial new construction and renovation markets. The products of the Group consist principally of sanitary installation systems, drainage systems, flushing systems and water supply systems which are sold to plumbers and installers through wholesalers.

The consolidated financial statements include Geberit AG (or its predecessor Geberit International SA) and the companies which it controls ("the Group"). Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting power of a company. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheets and consolidated income statements, respectively. The Group eliminates intra-group transactions, intra-group balances and unrealised profits as part of the Group consolidation process. Until 21 June 1999, Geberit International SA ("GISA") was the parent company of the Group (Note 2).

The consolidated financial statements of the Group comply with International Accounting Standards ("IAS"), and are prepared using the historical cost convention. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates. Because of the adoption of new accounting standards and to conform with changes in presentation in the current year, certain re-classifications have been made to the 1999 figures.

These financial statements have been approved by the board of directors on 5 March 2001.

The term "MCHF" in these consolidated financial statements refers to millions of Swiss francs, "MDEM" refers to millions of Deutsche mark, "MEUR" refers to millions of Euro and "MGBP" refers to millions of Great Britain pounds sterling.

---

## 2. Changes in Group organisation

### 2000

As at 30 November 2000 certain northern and eastern European subsidiaries were concentrated underneath Geberit Beteiligungs GmbH & Co. KG, Pfullendorf (former Geberit Verwaltungs GmbH). At the same time all existing German subsidiaries were concentrated underneath Geberit Deutschland GmbH & Co. KG, Pfullendorf (former Pretec Sanitär- und Bauelemente Vertrieb GmbH). The creation of this new structure also included the transformation of various German limited liability companies (GmbH) into limited partnerships (KG) and the incorporation of a German management company (Geberit Management GmbH, Pfullendorf).

As at 24 November 2000, the Group incorporated Geberit Finance Ltd., Jersey. This company will perform certain internal financing functions, which were previously performed by Geberit Holding AG.

On 20 June 2000 the Group purchased the remaining 0.5% minority interests in two German companies. The purchase price was MCHF 3.6. Out of this transaction a goodwill of MCHF 3.2 was recorded, which is amortised over the remaining useful life of the goodwill from the Leveraged-buyout.

### 1999

Geberit AG, a Swiss company, was incorporated on 26 April 1999. On 21 June 1999 the shareholders of GISA contributed all ordinary shares of GISA to Geberit AG for 2,730,000 ordinary shares of CHF 20 par value each of Geberit AG ("the Exchange"). In addition, the shares of Geberit UK Ltd., the holding company of Geberit Ltd., were contributed to Geberit AG in exchange for six Geberit AG shares. As a result of the Exchange, Geberit AG was established as the ultimate holding company of the Group, with 2,735,006 shares outstanding, without a change in control of the Group. On 22 June 1999, Geberit AG completed an initial public offering of 2,846,825 shares of Geberit AG, of which 1,424,994 shares were offered through a capital increase by Geberit AG and 1,421,831 shares (including over-allotment option) were offered by certain existing shareholders of Geberit AG ("the IPO"), (Note 19).

Effective 1 February 1999, the Group (through an affiliate) acquired 100% of Caradon Terrain Ltd. (today Geberit Ltd.), a subsidiary of the UK-based Caradon Plc for MGBP 26.3 (MCHF 61.3), including the repayment of Geberit Ltd.'s outstanding debt to Caradon Plc of MGBP 18.2 (MCHF 42.4). The acquisition of Geberit Ltd. was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the fair values of assets and liabilities acquired, with the residual amount of MCHF 17.2 recorded as goodwill. Management believes that the acquired operations will complement existing operations and enhance performance for the foreseeable future and therefore has elected to amortise the goodwill over 20 years. For the eleven months ended 31 December 1999, Geberit Ltd. contributed MCHF 67.4 and MCHF 2.4 to Group total sales and operating profit, respectively.

Effective 30 June 1999, the Group increased its ownership of FAE Fluid Air Energy SA, a producer of water supply pipes located in Givisiez, Switzerland ("FAE") from 40% to 70% for a total consideration of MCHF 11.1. Accordingly, the Group consolidates FAE from 30 June 1999 onwards, and has recorded the acquired assets and liabilities of FAE at their fair values, as well as goodwill of MCHF 7.4, which is being amortised over 5 years. During 1999, FAE contributed MCHF 0.4 and MCHF 1.0 to Group total sales and operating profit, respectively.

### 1997

Effective 3 March 1997, the Group entered into a stock purchase agreement ("the Agreement") with members of the Gebert family ("Predecessor Shareholders"). Pursuant the Agreement, the Group was sold to Doughty Hanson Partnerships and certain co-investors to Doughty Hanson Partnerships ("Co-Investors") in a leveraged-buyout transaction ("Leveraged-buyout").

### 3. Summary of significant accounting policies

#### Foreign currency translation

The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Most of the subsidiaries within the European monetary union adopted the Euro as their functional currency as of the beginning of 1999. Assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates for the period. Translation gains or losses are accumulated as a separate component of equity within cumulative translation adjustments.

---

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates the actual rate at the date of the transaction. At the end of the accounting period, the unsettled balances in foreign currency receivables and liabilities are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to income. Exchange rate differences related to intra-group loans of a long-term investment nature are recorded as a separate component of equity within cumulative translation adjustments.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks and liquid short-term investments with maturities of three months or less on their acquisition date.

**Receivables**

Trade and other receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

**Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost of raw materials and goods purchased for resale are valued on a weighted average basis. Provision is made for obsolete and slow-moving inventories.

**Property, plant and equipment**

Property, plant and equipment are carried at purchase or manufacturing cost less accumulated depreciation. Betterments that increase the useful lives of the assets, improve the quality of the output or enable a substantial reduction in operating costs are capitalised and depreciated over the remaining useful lives. Depreciation on property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (20–50 years), production machinery and assembly lines (8–15 years), moulds (8 years), equipment (5–20 years) and vehicles (4–8 years). Repairs and maintenance are charged to income as incurred.

**Intangible assets and goodwill**

The excess of the purchase price over the fair value of net assets acquired is recorded as goodwill. Goodwill and intangibles such as patents, know-how, trademarks and software acquired from third parties are stated at cost less accumulated amortisation. The amortisation of goodwill and intangible assets is calculated using the straight-line method based upon the following useful lives: goodwill (5–20 years), patents (3 years), trademarks (20 years), know-how (3 years) and software (4 years).

**Valuation of property, plant and equipment and intangible assets**

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

**Deferred financing fees**

Financing fees, including net premiums paid on hedge agreements, are deferred and amortised over the expected life of the related debt instrument, on a straight-line basis, or if the debt instrument has scheduled principal repayments, using the bond outstanding method.

The amortisation of deferred financing fees is included in financial income and expenses.

**Associated companies and joint ventures**

The Group's share of profits and losses of associated companies (generally voting rights between 20% and 50%) and joint ventures is included in the consolidated income statements in accordance with the equity method of accounting. All other investments are stated at cost, with adequate provision for diminution in value of a permanent nature.

**Provisions**

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

**Sales and sales deductions**

Sales include the invoiced net amounts after deduction of rebates and are recognised upon shipment of products to customers. Credit notes issued subsequently are deducted.

Sales deductions are recognised when the sales are recorded.

---

### **Marketing expenses**

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

### **Taxes**

The consolidated financial statements include direct taxes that are based on the results of the Group companies and are calculated according to local tax rules. Deferred taxes are recorded on temporary differences between the value of assets and liabilities for tax purposes and their corresponding values in the consolidated financial statements using the comprehensive liability method. Deferred taxes are calculated using the tax rate expected to apply in the period in which these differences reverse, based on currently enacted tax rates. If the realisation of future tax savings related to tax loss carry-forwards and other deferred tax assets is not probable, valuation allowances have to be recorded. Provision is made for incremental taxes on only those available earnings of foreign subsidiaries which are intended to be remitted.

### **Research and development expenditures**

Research and development expenditures are expensed as incurred. These costs are included in personnel expenses, depreciation expense and other operating expenses, net.

### **Retirement benefit plans**

The Group companies have various defined benefit and defined contribution pension schemes which comply with applicable laws and customs in the respective countries in which the Group operates. For defined benefit plans, the projected benefit obligations are calculated annually by independent actuarial experts using the projected unit credit method based on the service life, projected salary and pension benefit development and expected return on pension fund investments. Annual net pension costs are charged to income in the period incurred. Experience adjustments and the effects of changes in actuarial assumptions are amortised over the estimated average remaining service life of plan participants. Payments to defined contribution plans are based on fixed percentages of participant salaries as defined in the respective plan documents and are charged to income as incurred.

**Stock ownership plans**

Differences between the fair market value of shares issued and proceeds received from employees under the Group's stock ownership plans are recorded within shareholders' equity. Options issued to employees under the stock ownership plans are generally issued using market values on the date of grant.

**Earnings per share**

Diluted earnings per share is calculated using the weighted average number of ordinary shares issued and outstanding, adjusted for the number of shares that could have been acquired at market price (determined as the average annual share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding dilutive share options. These theoretical "unpurchased" shares are added to the weighted average ordinary shares outstanding by which attributable net income is divided to calculate diluted earnings per share.

**Financial instruments and risk management**

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. The fair values of derivative financial instruments were estimated based on quotes obtained from brokers for similar instruments. Long-term debts are generally recorded at amortised cost.

When necessary under its risk management policies, the Group uses financial instruments, primarily collars and options, to reduce exposures to market risks resulting from fluctuations in interest rates and foreign exchange rates, principally on the Group's floating-rate long-term debt, of which a significant component is denominated in Euro. These instruments are described in Note 13 and are accounted for as a hedge of the related asset, liability or firm commitment when designated and effective as a hedge of such items. Interest expenses under the interest rate risk management agreements, and the respective debt instruments they hedge, are recorded as interest expenses at the effective interest rate of the hedged transactions. Net gains and losses on the revaluation of the Group's foreign currency exchange rate risk management instruments are recorded in equity. Excess portions of instruments which are designated and otherwise effective as hedges are recorded in the balance sheet at their pro rata fair value, with the related charge included in financial income and expenses.

The counterparts to these agreements are major financial institutions and the Group does not have significant exposure to anyone counterpart. Management believes that the risk of loss from these contracts is remote. The

---

Group does not enter into financial instruments for trading or speculative purposes.

The Group invests its cash in both deposits with major banks throughout the world and other high quality short-term liquid money market investments (commercial papers, government and government agency notes and bills, etc.). The Group has a policy of making investments only with major credit-worthy commercial institutions. These investments generally mature within three to six months and the Group has not incurred any related losses.

The Group sells a broad range of products in the sanitary engineering field throughout the world, but primarily within continental Europe. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base. Ongoing credit evaluations of customers' financial conditions are performed and, generally, no collateral is required. The Group maintains its provisions for potential credit losses. Such losses, in the aggregate, have not exceeded management's expectations.

#### **New accounting standards**

For the consolidated financial statements for 2000, the Group introduced revised or new International Accounting Standards in respect of Property, plant and equipment, Impairment of assets, Provisions, contingent liabilities and contingent assets, Intangible assets and Business combinations. These introductions did not have any material effects on the Group.

The standard on Financial instruments (IAS 39), effective beginning of 2001, defines the use of hedging instruments and requires fair value treatment of those instruments in the financial statements, regardless of the hedge nature. Additionally the standard on Investment properties (IAS 40) will be effective beginning of 2001. The Group has studied the potential effects of these standards and has come to the conclusion that the adoption will not have a material impact on the Group.

**4. Trade accounts receivable**

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
Trade accounts receivable	75.8	87.3
Allowance	(6.7)	(5.1)
<b>Total trade accounts receivable</b>	<b>69.1</b>	<b>82.2</b>

Of trade accounts receivable, MCHF 5.5 was denominated in CHF (1999: MCHF 5.6), MCHF 51.5 was denominated in Euro-currencies (1999: MCHF 47.4) and MCHF 15.9 was denominated in GBP (1999: MCHF 9.3).

**5. Other accounts receivable and prepaid expenses**

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
Income tax refunds receivable	2.0	8.4
Other tax receivables	17.3	24.7
Other receivables	1.8	2.6
Prepaid expenses and other current assets	8.1	11.2
<b>Total other accounts receivable and prepaid expenses</b>	<b>29.2</b>	<b>46.9</b>

**6. Inventories**

Inventories, net of allowances for excess and obsolete items of MCHF 10.1 as of 31 December 2000 (1999: MCHF 11.6) were as follows:

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
Raw materials, supplies and other inventories	27.4	25.3
Work in progress	18.5	16.2
Finished goods	50.9	50.9
Goods purchased for resale	12.0	10.0
Prepayments to suppliers	1.9	0.9
<b>Total inventories</b>	<b>110.7</b>	<b>103.3</b>

## 7. Property, plant and equipment

	1999 Total	Movements in 2000				2000 Total
		Land and buildings	Machinery and equipment	Office equipment	Assets un- der constr. + advanced payments	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Cost at beginning of year</b>	<b>526.1</b>	<b>232.1</b>	<b>354.9</b>	<b>32.1</b>	<b>9.4</b>	<b>628.5</b>
Changes in Group organisation (Note 2)	51.2					
Additions	74.6	4.7	38.5	10.5	10.4	64.1
Disposals	(26.7)	(1.0)	(19.9)	(7.9)		(28.8)
Transfers		2.8	4.6	0.3	(7.7)	
Translation differences	3.3	(9.9)	(18.3)	(2.3)	(0.8)	(31.3)
<b>Cost at end of year</b>	<b>628.5</b>	<b>228.7</b>	<b>359.8</b>	<b>32.7</b>	<b>11.3</b>	<b>632.5</b>
<b>Accumulated depreciation at beginning of year</b>	<b>69.9</b>	<b>18.5</b>	<b>86.7</b>	<b>6.4</b>		<b>111.6</b>
Additions	61.3	7.1	52.3	7.8		67.2
Disposals	(20.2)	(0.2)	(18.6)	(5.7)		(24.5)
Translation differences	0.6	(1.3)	(10.1)	(1.1)		(12.5)
<b>Accumulated depreciation at end of year</b>	<b>111.6</b>	<b>24.1</b>	<b>110.3</b>	<b>7.4</b>		<b>141.8</b>
<b>Net carrying amounts at end of year</b>	<b>516.9</b>	<b>204.6</b>	<b>249.5</b>	<b>25.3</b>	<b>11.3</b>	<b>490.7</b>

As of 31 December 2000 buildings were insured at MCHF 384.7 (1999: MCHF 422.4) and equipment at MCHF 568.2 (1999: MCHF 559.1), which amounts to a total insurance value for property, plant and equipment of MCHF 952.9 (1999: MCHF 981.5).

## 8. Financial assets and other non-current assets

	1999	2000
	MCHF	MCHF
Prepaid pension asset (Note 14)	79.3	82.4
Deferred financing fees, net	11.8	8.6
Deferred tax assets	10.9	9.5
Investments in associated companies	0.9	0.8
Deposits	5.8	6.1
Other	4.3	3.5
<b>Total financial assets and other non-current assets</b>	<b>113.0</b>	<b>110.9</b>

Deferred financing fees included among others a premium of MCHF 2.8 the Group paid for an interest hedge which is valid from 28 February 2001 onwards. The interest collars existing as of 31 December 2000 expire at 1 March 2001.

**9. Goodwill and intangible assets**

	1999 Total	Movements in 2000			2000 Total
		Goodwill	Patents and know-how	Trademarks and other intangible assets	
	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Cost at beginning of year</b>	<b>736.9</b>	<b>527.6</b>	<b>95.1</b>	<b>142.5</b>	<b>765.2</b>
Changes in Group organisation (Note 2)	0.3	3.6			3.6
Additions	28.5			2.8	2.8
Disposals	(0.1)				
Translation differences	(0.4)			(0.5)	(0.5)
<b>Cost at end of year</b>	<b>765.2</b>	<b>531.2</b>	<b>95.1</b>	<b>144.8</b>	<b>771.1</b>
<b>Accumulated amortisation at beginning of year</b>	<b>118.3</b>	<b>74.6</b>	<b>89.8</b>	<b>19.8</b>	<b>184.2</b>
Additions	65.8	28.3	5.3	7.0	40.6
Disposals	(0.1)				
Translation differences	0.2				
<b>Accumulated amortisation at end of year</b>	<b>184.2</b>	<b>102.9</b>	<b>95.1</b>	<b>26.8</b>	<b>224.8</b>
<b>Net carrying amounts at end of year</b>	<b>581.0</b>	<b>428.3</b>		<b>118.0</b>	<b>546.3</b>

MCHF 403.3 of total goodwill, net, as of 31 December 2000 resulted from the Leveraged-buyout. The amortisation period is twenty years.

Of the total of MCHF 40.6 of amortisation for the period (1999: MCHF 65.8), MCHF 37.4 related to the Leveraged-buyout. After tax the total figure amounted to MCHF 38.3 (1999: MCHF 56.8).

**10. Short-term borrowings**

Under the Working Capital Facility, the Group maintains an overdraft credit line to fund corporate working capital requirements totalling MCHF 50.0 of available credit. In addition it maintains several credit lines with various lenders which together amount to MCHF 67.1 ("the Local Facilities"). The Group considers borrowing under the Working Capital Facility and the Local Facilities to be short-term in nature, and accordingly, includes these borrowings in short-term borrowings.

The Working Capital Facility bears interest at LIBOR plus an interest margin of 0.875% per annum. Interest is payable at the maturity of a revolving advance, which can have terms of one, two, three or six months or such other period as the lender may agree to. Furthermore, a commitment fee is paid equal to one-half of the applicable margin, which was 0.4375% as of 31 December 2000, on the unused portion of such facility.

At 31 December 2000 and 1999 there were short-term borrowings outstanding of MCHF 0.6. The weighted average annual interest rates on these borrowings during the year ended 31 December 2000 and 1999 were 10.03% and 9.04%, respectively.

## 11. Other current provisions and liabilities

	1999	2000
	MCHF	MCHF
Compensation related liabilities and provisions	32.5	29.9
Accrued interest	0.4	7.4
Customer related liabilities	20.6	26.0
Other	13.0	9.8
<b>Total other current provisions and liabilities</b>	<b>66.5</b>	<b>73.1</b>

## 12. Long-term debt

	1999	2000
	MCHF	MCHF
<b>Senior Facilities</b>		
Term A Loan	477.1	414.6
Term B Loan	96.7	84.2
Term C Loan	44.7	38.8
10.125% Senior Subordinated Notes	7.8	7.0
Other long-term debt	15.9	14.9
<b>Total</b>	<b>642.2</b>	<b>559.5</b>
Short-term portion of long-term debt	(68.5)	(66.0)
<b>Total long-term debt</b>	<b>573.7</b>	<b>493.5</b>

### 2000

The Senior Facilities of MCHF 500.0 (Term A), MEUR 65.0 (Term B) and MEUR 30.0 (Term C) were repaid as scheduled (30 June and 31 December). The repayments in 2000 were MCHF 49.4 for Term A, MEUR 6.5 for Term B and MEUR 3.0 for Term C. The Group did not make any voluntary repayments in 2000. During 2000, the effective interest rate on the Senior Facilities was 4.44%.

At 31 December 2000, the Group has outstanding MCHF 14.9 of other interest-bearing long-term debt (1999: MCHF 15.9). These borrowings incur interest at a weighted average rate of 5.10% (1999: 4.76%).

Scheduled maturities of the long-term debt for the next five years are as follows:

	MCHF
2001	66.0
2002	65.4
2003	64.5
2004	355.7
2005 and thereafter	7.9
<b>Total</b>	<b>559.5</b>

At 31 December 2000, the fair value of the total debts of the Group was MCHF 560.2 (1999: MCHF 643.3). Of the financial debt outstanding as of 31 December 2000, approximately MCHF 363.6 was denominated in Euro (1999: MCHF 423.0).

### 1999

In connection with the planning for the IPO (Note 19) the Group entered into a senior facility agreement, dated 18 May 1999, with underwriting banks named therein. The facilities consist of (i) a MCHF 500.0, five year amortising loan (Term A), (ii) a MEUR 65.0, five year amortising loan (Term B), (iii) a MEUR 30.0, five year amortising loan (Term C) (together referred to as the "Senior Facilities") and (iv) a MCHF 50.0, five year revolving credit facility ("the Working Capital Facility", Note 10). The Senior Facilities were borrowed in Swiss francs and Euro, and the Working Capital Facility is available in such freely convertible currencies as the banks may agree. 45% of the Senior Facilities are payable in semi-annual payments on 30 June and 31 December, the remaining 55% at final maturity on May 2004. The first payment was made on 30 December 1999. They bear interest at one, two, three or six-month EURIBOR for Euro advances or LIBOR for any other currency plus an initial interest margin of 1.0% per annum. Commencing 30 July 1999, the interest margin was reduced to 0.875% per annum. During 1999, the effective interest rate on the Senior Facilities was 3.87%.

The Senior Facilities were used to refinance the Old Senior Facilities at a total amount of MCHF 496.2, including all outstanding interest and fees, and together with the proceeds from the IPO, to repurchase the MDEM 160.0, 8.0% junior notes due 2007 ("the Junior Notes"), to redeem 93.2% of the 10.125% senior notes due 2007 ("the Senior Notes") tendered as at 29 June 1999 and to repurchase the preference shares of GISA (Note 19). The purchase consideration for the Senior Notes was calculated at a blended price of 116.8% ("the Blended Price") which was calculated under the terms of the Senior Notes indenture plus accrued and unpaid interest. Included in the Blended Price were DEM 30 per DEM 1,000 principal which was paid to each

---

note holder who responded affirmatively to the consent solicitation on or prior to 1 June 1999. Between 30 June 1999 and 31 December 1999, the Group purchased in cash another MDEM 1.14 principal of the Senior Notes at a blended price of 113.7%. The Junior Notes, which were issued to members of the Gebert family in connection with the Leveraged-buyout, were purchased at par plus accrued interest at a total amount of MDEM 191.1 (MCHF 156.9). Costs associated with the refinancing of the Old Senior Facilities, the redemption of the Senior Notes and the repurchase of the Junior Notes, including premiums paid, tender costs and other fees of MCHF 21.7, and the write-off of the remaining deferred financing fees attributable to the refinanced or repaid debt of MCHF 14.3 are recorded as debt extinguishment costs in the consolidated income statement.

Borrowings under the Senior Facilities are secured by guarantees from Geberit AG, Geberit Holding AG and Geberit Beteiligungs GmbH & Co. KG, and contain a number of covenants and conditions typical to senior financing, including among others the achievement of certain financial targets and ratios.

### **13. Financial instruments**

Where necessary under the risk management policy, the Group enters into derivative financial instruments to hedge its exposure to foreign currency exchange rate risk and interest rate risk. The risk management policy and the accounting policies for the Group's derivative financial instruments are disclosed in Note 3. At 31 December 2000 and 1999, the following derivative financial instruments were outstanding:

#### **Foreign currency exchange rate instruments**

The Group hedges a portion of the foreign currency exchange rate risk associated with its long-term debt denominated in Euro principally with purchased foreign currency options (in Deutsche mark). No net premium was paid or received in connection with these options. The options are designed to (i) lock-in a portion of unrealised currency translation gains earned through 31 December 1997 and (ii) to collar future exchange rate movements on the debt within designated exchange rate bands. The options expire in February 2002, but can be sold by the Group at fair market value at an earlier date.

These instruments are summarised as follows:

	1999			2000		
	Strike price	Contract amount	Estimated fair value	Strike price	Contract amount	Estimated fair value
		Buy (Sell)			Buy (Sell)	
		MDEM	MCHF		MDEM	MCHF
Deutsche mark call/Swiss franc put	0.7960	200	2.7	0.7960	200	0.9
Deutsche mark call/Swiss franc put	0.7930	100	1.3	0.7930	100	0.4
Deutsche mark put/Swiss franc call	0.7200	(300)	(0.5)	0.7200	(300)	(1.6)
Deutsche mark put/Swiss franc call	0.6565	300	0.1	0.6565	300	0.2

These deferred gains and losses on foreign currency exchange rate instruments offset the related translation losses and gains on the Euro denominated financial debt being hedged. The net impact of the transactions is reflected in cumulative translation adjustments within equity. With the implementation of IAS 39 (Financial Instruments) as per 1 January 2001 these hedging instruments will be measured at fair value. From 2001 onwards, the net impact of these transactions will be recorded in the financial result rather than in cumulative translation adjustments within equity.

### Interest rate instruments

The Group hedges interest rate risk on its floating rate debt (Note 12) with two purchased interest rate collars, which expire on 1 March 2001. The collars serve to limit the Group's interest rate exposure by reducing the possible impact of movements in interest rates. The contract amount of the collars is reduced by scheduled repayments on the underlying floating-rate debt. The instruments included in the collars are summarised as follows:

	1999			2000		
	Interest rate in %	Contract amount net of repayments	Estimated fair value	Interest rate in %	Contract amount net of repayments	Estimated fair value
			MCHF			MCHF
Interest rate cap	3.00	MCHF 337.2	0.6	3.00	MCHF 304.7	0.4
Interest rate floor	2.00	MCHF 337.2	(0.7)	2.00	MCHF 304.7	
Interest rate cap	4.50	MDEM 326.8	0.3	4.50	MDEM 300.7	0.3
Interest rate floor	3.75	MDEM 326.8	(0.5)	3.75	MDEM 300.7	

Interest expenses under these agreements, and the respective debt instruments that they hedge, are recorded at the net effective interest rate of the hedged transactions in financial income and expenses.

With the implementation of IAS 39 (Financial Instruments) as per 1 January 2001, the interest hedge will be measured at fair value (cashflow-hedge). The change in intrinsic value will be recorded directly in equity, whereas the change in time value will be booked in the financial result over the useful life of the hedging instrument.

The interest collars, expiring on 1 March 2001, will be replaced by the following new hedge instruments as per 28 February 2001 (premium paid see Note 8):

	2000		Estimated fair value MCHF
	Interest rate in %	Contract amount	
Collar:			
Interest rate cap	4.00	MCHF 100.0	
Interest rate floor	3.25	MCHF 100.0	(0.3)•
Cap spread:			
Interest rate cap (bought)	5.25	MEUR 115.0	
Interest rate cap (sold)	7.00	MEUR 115.0	0.9 •
•Net value			

## 14. Retirement benefit plans

The Group sponsors defined benefit and defined contribution plans for its employees in certain countries, of which the most significant plans are in Switzerland and Germany. Most of the plans have to be accounted for according to the rules of defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds, and are principally invested in marketable securities and real estate. For its significant defined benefit pension schemes, net periodic pension cost included in the net income for the years 1999 and 2000 includes the following components:

	1999	2000
	MCHF	MCHF
Service cost	12.0	11.7
Interest on projected benefit obligation	12.2	12.4
Expected return on plan assets	(14.1)	(14.7)
Net amortisation and deferral	0.8	1.3
Contributions of plan participants	(4.4)	(4.5)
<b>Net periodic pension cost</b>	<b>6.5</b>	<b>6.2</b>

The following table sets forth the status of the significant defined benefit pension plans and the amounts recognised in the Group's consolidated balance sheets at 31 December 1999 and 2000:

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
<b>Benefit obligation</b>		
At beginning of year	262.1	266.9
Service cost on benefits earned	12.0	11.7
Interest cost on projected benefit obligation	12.2	12.4
Actuarial (gains) / losses	(7.5)	2.9
Foreign currency translation	0.2	(4.5)
Impact of Austrian plan changes	(0.8)	
Benefits paid	(11.3)	(10.7)
Benefit obligation at end of year	266.9	278.7
<b>Plan assets at fair value</b>		
At beginning of year	255.5	267.5
Actual return on plan assets	13.4	21.6
Contributions of plan participants	4.4	4.5
Benefits paid	(5.8)	(5.9)
Plan assets at fair value at end of year	267.5	287.7
<b>Funded status at end of year</b>		
	<b>0.6</b>	<b>9.0</b>
Unrecognised transition obligation	5.7	4.1
Unrecognised net gains	(6.9)	(10.8)
<b>(Accrued)/prepaid pension cost</b>	<b>(0.6)</b>	<b>2.3</b>
<b>(Accrued)/prepaid pension cost is comprised of</b>		
Prepaid pension asset	79.3	82.4
Accrued pension obligation	79.9	80.1
<b>(Accrued)/prepaid pension cost</b>	<b>(0.6)</b>	<b>2.3</b>

Pension assets and obligations are predominately non-current. Prepaid pension assets include the overfunded part of the Swiss pension plans, adjusted for unrecognised prior service cost as well as unrecognised net gains and losses. The legal context relating to pension plans in Switzerland limits the company's control of the surplus in the pension fund.

The Group has unfunded defined benefit plans. The most significant of these plans are included and analysed above. The projected benefit obligation of these and other, minor unfunded plans is MCHF 81.6 at 31 December 2000 and MCHF 83.0 at 31 December 1999, and is included, net of unrecognised items, in the accrued pension obligation in the consolidated balance sheets.

Weighted average assumptions are as follows (in %):

	1999	2000
Discount rate used in determining present values	4.0–6.0	4.0–6.0
Annual rate of increase in future compensation levels	2.0–3.0	2.0–3.0
Expected rate of future increases in pension benefits	0.0–3.0	0.0–2.5
Expected long-term rate of return on plan assets	5.5	5.5

## 15. Stock ownership plans

The Group has introduced various stock ownership plans since the IPO in 1999.

### **Stock ownership plans for employees and the management**

In connection with the IPO, employees and management could purchase shares of Geberit AG at a discount of 15% on the public offering price up to 20% of their annual salary. If, at the end of the two-year blocking period, the market price of the shares is less than the price per share (less the discount) paid by the plan participants, the Group will pay an amount equal to this difference so as to guarantee up to a maximum of CHF 10,000 of each employee's cash investment ("the Security Payment").

At the end of the two-year blocking period, the participants still employed by the Group will be entitled to a cash bonus. At the share price as of 31 December 2000, the cash bonus would amount to MCHF 4.3 including social security charges. This amount is equal to the maximum cash bonus. The consolidated financial statements 2000 do not contain any provision for this cash bonus.

Also, in connection with the IPO, the management could purchase shares of Geberit AG at the public offering price for an amount of up to one annual salary ("Management stock ownership plan 1999"). These shares are subject to a blocking period of five years. Each of these shares provided the participants with additional options (see part 2 : "Option plans for the management").

In 2000 the Group introduced two additional stock ownership plans. The employees could purchase a limited number of shares at a discount of 25% to the market price ("Employee stock ownership plan 2000"). The plan for the management ("Management stock ownership plan 2000") entitled the participants to draw the previous year's bonus partly or wholly in shares at the market price. Each of these shares provided the participants with one additional option (see part 2 : "Option plans for the management"). All stock ownership plans are subject to blocking periods which are valid beyond the period of employment.

The stock ownership plans introduced in 2000 are summarised below:

	End of blocking period	Number of partici- pants	Number of shares issued	Issuing price  CHF
Employee stock ownership plan 2000	2002	886	5 107	416.25
Management stock ownership plan 2000	2003	69	3 559	555.00

The 8 666 shares required for these plans were held by the Group as treasury shares.

As of 31 December 2000, active managers and employees together owned 484,357 shares, i.e. 11.6% of the share capital of Geberit AG.

### **Option plans for the management**

Each of the shares purchased in connection with the Management stock ownership plan 1999 provided the participants with three options to purchase additional shares at 100%, 105% and 110% of the public offering price respectively. The options are subject to blocking periods of two, three and four years from the grant date and will lapse if not exercised by June 2004 or if a participant leaves the Group within the blocking period.

Each of the shares purchased in connection with the Management stock ownership plan 2000 provided the participants with one option to purchase an additional share. The options can be exercised after a blocking period of two years at the price at which the underlying shares were allocated. They lapse if not exercised after five years from grant date.

In connection with an additional option plan ("Option plan 2000"), the top-management of the Group was entitled to additional options. The exercise of these options is subject to knock-in clauses that must be fulfilled at the end of the blocking period. The options will lapse if the conditions of the knock-in clauses are not fulfilled.

The following is a summary of the options allocated and outstanding in 2000:

	End of blocking period	Maturity	Number of participants	Number of options outstanding	Exercise price	
Management stock ownership plan 2000	2002	2005	69	3 359	CHF 555	
Option plan 2000 type A	2002	2005	49	6 445	568	Knock-In: 595
Option plan 2000 type B	2004	2005	49	6 445	595	Knock-In: 649
<b>Total</b>				<b>16 249</b>		

The following table summarises all option plans in place as of 31 December 2000:

End of blocking period	Maturity	Number of options outstanding	Average exercise price	Number of options in the money*	Average exercise price
			CHF		CHF
2001	2004	31 905	330.0	31 905	330.0
2002	2004–2005	41 709	398.0	31 905	346.5
2003	2004	31 905	363.0	31 905	363.0
2004	2005	6 445	595.0		
<b>Total</b>		<b>111 964</b>	<b>380.0</b>	<b>95 715</b>	<b>346.5</b>

\* Considering knock-in clauses

## 16. Deferred tax assets and liabilities

Deferred income tax assets and liabilities and the deferred income tax charges and credits are attributable to the following items:

	1998	Movements in 1999			1999	Movements in 2000			2000
	Total	(Charged)/ credited to income	Trans- lation differences	Other (Note 2)	Total	(Charged)/ credited to income	Trans- lation differences	Other (Note 2)	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>Deferred tax assets</b>									
Loss carry-forwards	2.4	(1.0)			1.4	0.9			2.3
Accrued pension obligation	2.5	(0.1)			2.4	(0.6)			1.8
Other	5.5	(1.1)		2.7	7.1	(1.5)	(0.2)		5.4
<b>Total deferred tax assets</b>	<b>10.4</b>	<b>(2.2)</b>		<b>2.7</b>	<b>10.9</b>	<b>(1.2)</b>	<b>(0.2)</b>		<b>9.5</b>
<b>Deferred tax liabilities</b>									
Inventories	(4.1)	0.3			(3.8)	1.3	0.1		(2.4)
Property, plant and equipment	(73.1)	(0.7)	0.1	(3.2)	(76.9)	6.2	1.4	3.2	(66.1)
Prepaid pension assets	(20.1)	0.2			(19.9)	(0.8)	0.5		(20.2)
Intangible assets	(21.9)	9.3			(12.6)	2.5	0.2		(9.9)
Provisions, reserves and other	(21.3)	5.1	0.1	(0.5)	(16.6)	1.4	0.3		(14.9)
<b>Total deferred tax liabilities</b>	<b>(140.5)</b>	<b>14.2</b>	<b>0.2</b>	<b>(3.7)</b>	<b>(129.8)</b>	<b>10.6</b>	<b>2.5</b>	<b>3.2</b>	<b>(113.5)</b>

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently not anticipated to be remitted to the parent. These unremitted earnings totalled MCHF 2.8 at 31 December 2000 (1999: MCHF 3.8).

Loss carry-forwards for which no deferred tax assets were recognised amounted to MCHF 17.8 (1999: MCHF 20.8).

As a result of the tax reform in Germany, effective as per 1 January 2001, the Group released deferred tax provisions of MCHF 5.4 to the income statement in 2000. Furthermore, as a result of the reorganisation in Germany (see Note 2), deferred tax provisions on property, plant and equipment of MCHF 3.2 were credited to the income statement.

## 17. Other non-current provisions and liabilities

	1999	2000
	MCHF	MCHF
Provisions for operating risks	9.9	7.4
Accrued grant payments	1.5	1.6
Other	2.9	0.1
<b>Total other non-current provisions and liabilities</b>	<b>14.3</b>	<b>9.1</b>

Provisions for operating risks mainly include provisions for warranties.

## 18. Commitments and contingencies

The Group has entered into firm commitments for capital expenditures of MCHF 4.1 at 31 December 2000 (1999: MCHF 7.5).

The Group is involved in certain legal proceedings arising in the normal course of business. The Group believes that none of these proceedings either individually or in the aggregate are likely to have a material adverse effect on the Group's financial position or results of operations. The Group has established insurance policies to cover certain product liabilities and it provides for potential product warranty claims.

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

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

## 19. Shareholders' equity

### 2000

In 2000, there was a net purchase of treasury shares of 151,006. The purchase price, net, was MCHF 78.3. Treasury shares are recorded at cost within shareholders' equity. As per 31 December 2000, the Group holds a total of 156,027 treasury shares with a value of MCHF 80.8. As per 7 August 2000, the Group agreed a covered warrant debt for 50,000 shares (expiring date 18 June 2001). The net proceeds of the covered warrant premium of MCHF 2.5 are recorded within equity. For transactions in connection with the stock ownership plans see Note 15.

### 1999

In connection with the IPO, Geberit AG, the new parent company of the Group, was incorporated on 26 April 1999 with an initial share capital of MCHF 0.1 (2,000 shares with a par value of CHF 50 each). These shares were subsequently split into 5,000 fully paid-in registered shares with a par value of CHF 20 each. As part of the reorganisation in connection with the IPO, Geberit AG increased its share capital by issuing 2,730,006 fully paid-in registered shares with a par value of CHF 20 each. In consideration for these newly issued shares, Geberit AG received by way of contribution in kind all ordinary shares of CHF 10 par value each of Geberit International SA, the previous parent company, and all shares of Geberit UK Ltd. (the parent of Geberit Ltd.). At an extraordinary general shareholders' meeting of Geberit AG at 21 June 1999 ("the Shareholders' Meeting"), the share capital of Geberit AG was increased by 1,424,994 shares to a total of 4,160,000 shares with a par value of CHF 20 each, of which 1,424,994 shares were sold by the Group in the IPO. The net proceeds from these newly issued shares were MCHF 446.5, net of offering costs of MCHF 23.8, net of tax. The newly issued shares were entitled to dividends in respect of the entire fiscal year 1999. Furthermore the Shareholders' Meeting resolved a share capital increase by conditional capital in the amount of up to CHF 3,328,000 divided into 166,400 shares of par value CHF 20 each. These shares are expected to be issued in future years in connection with the Group's current and planned stock ownership plans.

The proceeds from the IPO were used together with the borrowings under the Senior Facilities (Note 12), to repurchase the 5,453,334 GISA-preference shares (with a par value of CHF 10 each) from their holders at a total price of MCHF 280.7 (including accumulated dividends previously undeclared of MCHF 35.3). Furthermore, Geberit AG purchased the 8.0% Junior Subordinated Notes due 2007 of MDEM 191.1 (including accrued interest) and redeemed all but as per 31 December 2000 MEUR 4.6 of the 10.125% Senior Subordinated Notes due 2007.

In conjunction with the Leveraged-buyout, certain of the predecessor shareholders acquired a 10.1% voting power of the Group. In performing the allocation of the purchase price, the Group recorded the assets and the liabilities at fair value, less a factor for the share of the continuing predecessor shareholders in the net assets of the Group which continues to be recorded at its historical basis. Accordingly, this adjustment, which is permanent in nature, has been recorded to decrease equity as a distribution in excess of predecessor basis.

### Shares

As of 31 December 2000, the following table shows shareholders, holding in excess of 5% of the share capital.

Owner	% of registered shares
Klaus Gebert Heirs	7.89

	Ordinary shares GISA	Preference shares GISA	Registered shares Geberit AG	Treasury shares Geberit AG
Number of shares issued (thousands)				
At 1 January 1999	5 460	5 453		
Issue of shares (adjusted for split)			2 735	
Contribution of shares	(5 460)			
Issue of shares to third parties			1 425	
Repurchase of preference shares		(5 453)		
Purchase of own ordinary shares				5
<b>At 31 December 1999</b>			<b>4 160</b>	<b>5</b>
Purchase/(sale) of treasury shares				151
<b>At 31 December 2000</b>			<b>4 160</b>	<b>156</b>

Each share carries one vote at a shareholders' meeting of the Group. Voting power may be exercised only after a shareholder has been registered in the share register of Geberit AG as a shareholder with voting power. Treasury shares do not have voting rights.

## 20. Earnings per share

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

	1999	2000
Net income according to income statement (MCHF)	54.3	104.4
Dividends on preference shares (MCHF)	(8.0)	
Net income attributable to shareholders (MCHF)	46.3	104.4
Weighted average number of ordinary shares in issue (thousands)	3 483	4 059
<b>Earnings per share (CHF)</b>	<b>13.29</b>	<b>25.72</b>

For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares (Note 3). The Group has share options granted to employees which qualify as potentially dilutive ordinary shares.

	1999	2000
Net income attributable to shareholders used to determine diluted earnings per share (MCHF)	46.3	104.4
Weighted average number of ordinary shares in issue (thousands)	3 483	4 059
Adjustments for share options (thousands)	10	31
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3 493	4 090
<b>Diluted earnings per share (CHF)</b>	<b>13.26</b>	<b>25.53</b>

For the calculation of adjusted earnings per share total amortisation of goodwill and intangible assets, net of tax, debt extinguishment costs, net of tax, and dividend payments on preference shares for the related period are not included in the net profit attributable to shareholders. The number of shares for 1999 is based on the post-IPO status, for 2000 on the weighted average numbers of shares outstanding.

	1999	2000
Net income according to income statement (MCHF)	54.3	104.4
Total amortisation, net of tax (MCHF)	56.8	38.3
Debt extinguishment cost, net of tax (MCHF)	25.5	
Net income attributable to shareholders (MCHF)	136.6	142.7
Weighted average number of ordinary shares in issue (thousands)	4 160	4 059
<b>Adjusted earnings per share (CHF)</b>	<b>32.84</b>	<b>35.16</b>

## 21. Sales deductions

	1999	2000
	MCHF	MCHF
Early payment discounts	37.2	37.5
Outbound freight costs	31.0	35.0
Customer volume discounts	64.9	64.5
Other	10.6	9.2
<b>Total sales deductions</b>	<b>143.7</b>	<b>146.2</b>

## 22. Other operating expenses, net

Total other operating expenses, net, include other operating expenses less other operating income. Other operating expenses, net, consisted of the following:

	1999	2000
	MCHF	MCHF
Energy and maintenance expenses	42.0	40.5
Marketing expenses	32.3	33.6
Administration expenses	37.1	36.5
Other operating expenses	27.8	26.2
Other operating income	(19.5)	(18.7)
<b>Total other operating expenses, net</b>	<b>119.7</b>	<b>118.1</b>

Other operating income includes, among others, compensation for postage and packaging, rental income, reversal of provisions, non-periodic income and catering revenues.

In 2000 costs of MCHF 14.2 (1999: MCHF 10.8) were capitalised as property, plant and equipment, including in particular tools and assembly lines which are part of the production process. The amount was deducted from personnel expenses, cost of materials and other operating expenses, net.

## 23. Financial income and expenses, net

	1999	2000
	MCHF	MCHF
Interest income	2.2	3.7
Interest expenses	(37.2)	(29.4)
Amortisation of deferred financing fees	(6.6)	(5.6)
Exchange gains/(losses), net	4.4	(5.0)
Other financial income	0.5	0.3
Other financial expenses	(1.2)	(1.4)
<b>Total financial income and (expenses), net</b>	<b>(37.9)</b>	<b>(37.4)</b>

Debt extinguishment costs of MCHF 36.0 (net of tax benefits: MCHF 25.5) in connection with the refinancing process of the IPO in 1999 are shown outside of financial income and (expenses) as a separate line item within the consolidated income statement for 1999.

## 24. Income tax expenses

The components of income tax expenses were as follows:

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
Current taxes	59.7	60.2
Deferred taxes	(12.0)	(12.6)
<b>Total income tax expenses</b>	<b>47.7</b>	<b>47.6</b>

The differences between income tax expenses computed at the weighted average applicable rate of the Group of 31.2% (1999: 35.2%) and income tax expenses provided on earnings were as follows:

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
Income tax expenses, at applicable rate	36.5	47.1
Utilisation of loss carry-forwards	(1.6)	(0.9)
Operating losses with no current tax benefit	1.3	1.6
Changes in tax rates	(3.2)	(6.4)
Non-deductible expenses including goodwill amortisation	13.6	11.3
Other	1.1	(5.1)
<b>Total income tax expenses</b>	<b>47.7</b>	<b>47.6</b>

In 2000, the position "Other" includes effects of the reorganisation in Germany which leads to an elimination of taxable temporary differences on property, plant and equipment (see Note 2 and 16).

The Group has loss carry-forwards available for future tax periods. Loss carry-forwards amounted to MCHF 24.1 at 31 December 2000 (1999: MCHF 24.5). Of this amount, MCHF 17.7 (1999: MCHF 19.2) expire over the next six years.

## 25. Cashflow figures

Net cashflow is calculated as follows:

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
Net income	54.3	104.4
Depreciation expense	61.3	67.2
Amortisation of goodwill and other intangible assets	65.8	40.6
Changes in long-term provisions	(13.6)	(7.5)
Changes in other long-term assets	18.6	2.8
<b>Net cashflow</b>	<b>186.4</b>	<b>207.5</b>

The position changes in long-term provisions includes the changes in tax provisions, provisions for operating risks and accrued pension costs, charged or credited to net income. The position changes in other long-term assets includes the changes in prepaid pension assets and deferred financing fees, charged or credited to net income.

Free cashflow is calculated as follows:

	<b>1999</b>	<b>2000</b>
	MCHF	MCHF
Net cashflow	186.4	207.5
(Purchase of)/proceeds from property, plant & equipment and intangible assets	(73.1)	(61.2)
Changes in net working capital	(5.3)	(29.1)
<b>Free cashflow</b>	<b>108.0</b>	<b>117.2</b>

The term "Free cashflow" is using the Group's definition which excludes the impact of divestment or acquisition of subsidiaries, the purchase and sale of treasury shares and dividend payments.

Changes in net working capital comprise the changes in the aggregate of trade accounts receivable, net, inventories, and other accounts receivable and prepaid expenses, less the aggregate of trade accounts payable and other accruals and current liabilities, charged or credited to net income. The increase of MCHF 29.1 in 2000 is primarily due to withholding tax receivables received in January 2001, income tax receivables and an increase in trade receivables in certain Group companies.

"Net cashflow" or "Free cashflow" are no substitute for figures which result from the consolidated income statements and from the consolidated statement of cashflows but they may give an indication about the capability of the Group to generate cash, to pay back debts, to finance acquisitions, to buy back shares and to pay dividends.

## 26. Segment information

The Group consists of a single business segment: the design, manufacture and sale of sanitary plumbing systems to the residential and commercial construction industry. The business segment is divided into geographical regions.

The segment "Other European core markets" includes Austria, Great Britain, The Netherlands, Belgium and France. All other European markets are summarised in the segment "Other European markets".

The segment "Other markets" includes principally the USA and China. The segment "Corporate Functions" consists in particular of Geberit Holding AG and Geberit International AG as the central management companies, and the research and development company Geberit Technik AG.

Balance sheet and profit information are allocated to the geographical segments in accordance with the jurisdiction where the assets and liabilities are located and the profits are generated.

The Group considers operating profit before amortisation to be the segment result. Group companies principally account for intersegment sales on the "market-minus" method.

Balance sheet information on the corporate functions include unallocated assets and liabilities of the Group which consist of cash and cash equivalents, goodwill, income tax assets and liabilities, certain intangible assets and financial assets and liabilities. Inter-company transactions have been eliminated in the column "Eliminations".

	Switzerland	Germany	Italy	Other European core markets	Other European markets	Other markets	Corporate functions	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>2000</b>								
Sales intersegment	181.3	169.5	12.0	59.8	1.9	0.3	6.9	
Sales external	148.1	468.6	187.4	279.5	81.1	43.8		1208.5
Operating profit before amortisation (EBITA)	62.3	100.7	21.1	24.3	2.0	(3.9)	23.8	230.3
Amortisation expense								40.6
Financial income and (expenses), net								(37.4)
Debt extinguishment costs and other non-operating income, net								(0.2)
Income tax expenses								47.6
Minority interest, net of tax								0.1
Net income								104.4
Capital expenditure	21.4	21.4	3.1	10.0	4.8	3.7	2.5	66.9
Depreciation expense	20.7	24.4	2.7	13.6	1.9	1.4	2.5	67.2
<b>1999</b>								
Sales intersegment	163.3	149.1	8.5	70.8	5.2	0.2	5.0	
Sales external	144.8	506.1	169.2	262.4	74.5	33.7		1190.7
Operating profit before amortisation (EBITA)	53.9	118.3	17.7	30.7	2.8	(3.4)	22.2	242.2
Amortisation expense								65.8
Financial income and (expenses), net								(37.9)
Debt extinguishment costs and other non-operating income, net								(36.0)
Income tax expenses								47.7
Minority interest, net of tax								0.5
Net income								54.3
Capital expenditure	20.4	36.4	3.9	10.3	3.7	1.5	1.9	78.1
Depreciation expense	21.0	19.3	2.7	13.1	1.7	1.2	2.3	61.3

Balance sheet information were as follows:

	Switzerland	Germany	Italy	Other European core markets	Other European markets	Other markets	Corporate functions	Elimina- tions	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
<b>2000</b>									
Segment assets	261.8	243.0	85.0	175.0	30.3	27.6	1066.9	(444.9)	1444.7
Segment liabilities	49.6	135.5	31.7	48.5	10.7	8.1	1106.5	(445.0)	945.6
<b>1999</b>									
Segment assets	304.1	263.3	69.8	185.0	30.2	23.4	1107.7	(437.3)	1546.2
Segment liabilities	54.4	139.5	29.2	49.9	14.5	5.4	1191.9	(437.2)	1047.6

## 27. Related party transactions

As of 20 June 2000, the Group exercised a call-option, acquired in connection with the Leveraged-buyout, to purchase the remaining 0.5% minority interest in two of the German subsidiaries. The purchase price amounted to MEUR 2.3 (MCHF 3.6).

## 28. Foreign exchange rates

The following exchange rates were used for the consolidated financial statements for the years 2000 and 1999:

Currency			1999		2000	
	Balance sheet	Income statement	Balance sheet	Income statement	Balance sheet	Income statement
European						
currency union	EUR	1	1.6057	1.6003	1.5213	1.5583
Great Britain	GBP	1	2.5835	2.4300	2.4449	2.5583
Italy	ITL	1000	0.8292	0.8270	0.7857	0.8050
Poland	PLN	100	38.5800	37.9200	39.4700	38.8800
Slovenia	SIT	100	0.8100	0.8200	0.7100	0.7500
USA	USD	1	1.5960	1.5020	1.6381	1.6895

## 29. Consolidated income statements in Euro (unaudited)

For the convenience of the readers, the consolidated income statements for the years ended 31 December 1999 and 2000 have been prepared in Euro:

	<b>1999</b> MEUR	<b>2000</b> MEUR	Variance in %
<b>Sales</b>	<b>744.1</b>	<b>775.4</b>	<b>+4.2</b>
Sales deductions	89.8	93.8	
Net sales	654.3	681.6	
Cost of materials	207.4	228.0	
Personnel expenses	182.4	187.2	
Depreciation expense	38.3	43.1	
Amortisation of goodwill and intangibles	41.5	26.1	
Other operating expenses, net	74.8	75.7	
Total operating expenses, net	544.4	560.1	
<b>Operating profit (EBIT)</b>	<b>109.9</b>	<b>121.5</b>	<b>+10.6</b>
Financial income and (expenses), net	(23.7)	(24.0)	
Debt extinguishment costs	22.5		
Other non-operating income, net		(0.1)	
Profit before income tax expenses and minority interest	63.7	97.4	
Income tax expenses	29.8	31.1	
Net income before minority interest	33.9	66.3	
Minority interest, net of tax	0.3		
<b>Net income</b>	<b>33.6</b>	<b>66.3</b>	<b>+97.3</b>
<b>Operating cashflow (EBITDA)</b>	<b>189.7</b>	<b>190.7</b>	<b>+0.5</b>

### 30. Principal Group companies on 31 December 2000

	Currency	Share capital in thousand	Ownership in %	Activity
<b>Switzerland</b>				
Geberit AG, Jona	CHF	83 200		○
Geberit Holding AG, Jona	CHF	39 350	100	○
Geberit International AG, Jona	CHF	1 000	100	○
Geberit Technik AG, Jona	CHF	1 000	100	○
Geberit Verwaltungs AG, Jona	CHF	1 000	100	○
Geberit Vertriebs AG, Jona	CHF	1 000	100	△
Geberit Marketing e Distribuzione SA, Jona	CHF	1 000	100	△
Geberit Produktions AG, Jona	CHF	4 000	100	□
Balena DoucheWC AG, Bütschwil	CHF	300	100	△
Büchler Werkzeugbau AG, Flawil	CHF	3 000	100	□
FAE Fluid Air Energy SA, Givisiez	CHF	7 000	70	□
<b>Austria</b>				
Geberit Vertriebs GmbH, Pottenbrunn	EUR	727	100	△
Geberit Produktions GmbH, Pottenbrunn	EUR	7 994	100	□
Sanplast Handels GmbH, Villach	ATS	1 000	100	△
<b>Belgium</b>				
Geberit N.V., Machelen	EUR	62	100	△
<b>Channel Islands</b>				
Geberit Finance Ltd., Jersey	EUR	179	100	○
<b>China</b>				
Geberit Flushing Technology Co. Ltd., Daishan	CNY	40 901	100	□/△
Geberit Plumbing Technology Co. Ltd., Shanghai	CNY	41 426	81	□/△
<b>Czech Republic</b>				
Geberit spol.s.r.o., Brno	CZK	6 000	100	△
<b>Denmark</b>				
Geberit A/S, Lystrup	DKK	6 500	100	△
<b>France</b>				
Geberit S.à.r.l., Antony	EUR	936	100	△
Hansgrohe Geberit S.A.S., Antony	EUR	300	50	△
<b>Germany</b>				
Geberit Beteiligungs GmbH & Co. KG, Pfullendorf	EUR	10 000	100	○
Geberit Deutschland GmbH & Co. KG, Pfullendorf	EUR	10 000	100	○
Geberit Management GmbH, Pfullendorf	EUR	50	100	○
Geberit GmbH & Co. KG, Pfullendorf	EUR	1 000	100	△
Geberit Produktions GmbH & Co. KG, Pfullendorf	EUR	7 500	100	□
Pretec Sanitärtechnik Produktions GmbH, Lichtenstein	EUR	1 023	100	□
Sanbloc GmbH, Weilheim	EUR	1 023	100	□
Gemax Gebäudetechnik GmbH, Kassel	EUR	1 023	51	□/△

	Currency	Share capital in thousand	Ownership in %	Activity
<b>Great Britain</b>				
Geberit Ltd., Aylesford	GBP	346	100	□/△
Geberit UK Ltd., Aylesford	GBP	12 308	100	○
<b>Hungary</b>				
Geberit Kft, Budapest	HUF	13 750	100	△
<b>Italy</b>				
Deriplast S.p.a., Villadose	ITL	8 000 000	100	□/△
Plastek S.r.l., Villadose	ITL	90 000	70	□
<b>Luxembourg</b>				
Prosan GmbH, Mertert	EUR	263	100	△
<b>Netherlands</b>				
Geberit Holding B.V., Nieuwegein	EUR	136	100	○
Geberit B.V., Nieuwegein	EUR	18	100	△
Mutra Investments B.V., Nieuwegein	EUR	32	100	○
<b>Poland</b>				
Geberit Sp.z.o.o., Warsaw	PLN	3 000	100	△
<b>Portugal</b>				
Afluxo S.A., Lisbon	PTE	55 000	51	△
<b>Singapore</b>				
Geberit South East Asia Pte. Ltd., Singapore	SGD	100	100	△
<b>Slovakia</b>				
Geberit spol.s.r.o., Bratislava	SKK	3 000	100	△
<b>Slovenia</b>				
Prosan d.o.o., Rusé	SIT	1 500	100	□/△
<b>Spain</b>				
Geberit S.A., Barcelona	ESP	26 432	100	△
<b>USA</b>				
Geberit Manufacturing Inc., Michigan	USD	5 515	100	□/△

○ Services, holding functions

△ Distribution

□ Production

## Report of the Group Auditors

PRICEWATERHOUSECOOPERS 

To the General Meeting of Geberit AG, Jona

As auditors of the Group, we have audited the consolidated financial statements expressed in Swiss francs (balance sheet, income statement, statement of shareholders' equity, statement of cashflows and notes, page 44 to 81) of the Geberit Group for the year ended 31 December 2000.

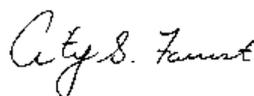
These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cashflows in accordance with the International Accounting Standards (IAS) and comply with Swiss law.

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

PricewaterhouseCoopers AG



Amity S. Forrest



Daniel Ketterer

Zurich, Switzerland, 5 March 2001

# Financial Statements Geberit AG

## Content

84	Financial Statements
85	Notes to the Financial Statements
86	Proposal for the appropriation of available earnings
87	Report of the Statutory Auditors

# Financial Statements

	31.12.1999	31.12.2000
	MCHF	MCHF
<b>Balance Sheets</b>		
Current assets		
Cash and cash equivalents	2.0	0.5
Accounts receivable, net:		
– Third parties	14.0	17.5
– Group companies	42.5	63.4
<b>Total current assets</b>	<b>58.5</b>	<b>81.4</b>
Non-current assets		
Financial assets:		
– Investments	335.3	486.9
– Loans to group companies	155.9	
– Treasury shares	2.5	
Intangible assets: incorporation, capital increase and organisation costs	15.9	12.3
<b>Total non-current assets</b>	<b>509.6</b>	<b>499.2</b>
<b>Total assets</b>	<b>568.1</b>	<b>580.6</b>
Current liabilities		
<b>Total current liabilities</b>	<b>0.6</b>	<b>2.9</b>
Shareholders' equity		
Capital stock	83.2	83.2
Legal reserves:		
– General reserve	440.3	16.6
– Reserve for own shares	2.5	80.8
Free reserves		345.3
Retained earnings	41.5	51.8
<b>Total shareholders' equity</b>	<b>567.5</b>	<b>577.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>568.1</b>	<b>580.6</b>
	<b>26.4. to</b>	
	<b>31.12.1999</b>	<b>31.12.2000</b>
	MCHF	MCHF
<b>Income Statements</b>		
<b>Income</b>		
Dividends from subsidiaries	40.0	45.0
Financial income	4.3	11.2
<b>Total income</b>	<b>44.3</b>	<b>56.2</b>
<b>Expenses</b>		
Administrative expenses	2.5	5.1
Financial expenses	0.1	8.3
Taxes	0.2	0.1
<b>Total expenses</b>	<b>2.8</b>	<b>13.5</b>
<b>Net income</b>	<b>41.5</b>	<b>42.7</b>

# Notes to the Financial Statements

## 1. Notes in accordance with Article 663b of the Swiss Code of Obligations

### 1.1 Guarantees, other indemnities and assets pledged in favor of third parties

	31.12.1999	31.12.2000
	MCHF	MCHF
<b>Guarantee Deutsche Bank Term A, B, C</b>	<b>630.8</b>	<b>537.5</b>

### 1.2 Significant investments

Reference to Note 30, Geberit Group.

### 1.3 Share capital

The share capital of Geberit AG consists of 4,160,000 shares with a par value of CHF 20 each.

### 1.4 Treasury shares

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

	Number of registered shares	Price in CHF		
		High	Average	Low
Balance at 31 December 1999	5 021		494.92	
Purchases	159 846	523.50	519.07	494.50
Sales	(8 840)	555.00	555.00	555.00
<b>Balance at 31 December 2000</b>	<b>156 027</b>			
Number of treasury shares held by Geberit AG:				
31 December 1999	5 021			
31 December 2000	0			

The legal reserves for treasury shares were recorded at the purchase price and were deducted from free reserves.

### 1.5 Capital increases

	31.12.1999	31.12.2000
	MCHF	MCHF
<b>Conditional capital</b>	<b>3.3</b>	<b>3.3</b>

The extraordinary general meeting of Geberit AG, held on 21 June 1999, resolved to increase the share capital of Geberit AG by conditional capital in the amount of up to CHF 3,328,000 divided into up to 166,400 shares of par value CHF 20 each. As per 31 December 2000, no additional shares have been issued in connection with this conditional capital increase.

## 2. Other disclosures required by the law

2.1 Geberit AG was incorporated on 26 April 1999. The financial year 1999 represents the period from 26 April 1999 to 31 December 1999.

### 2.2 Significant shareholders

According to the information available to the board of directors the following shareholders held shares entitling them to more than 5% of the total share capital:

	31.12.1999	31.12.2000
Doughty Hanson Partnerships and Co-Investors	15.66%	
Klaus Gebert Heirs	8.23%	7.89%

## Proposal for the appropriation of available earnings

Proposal by the board of directors to the general meeting

	1999 CHF	2000 CHF
Available earnings		
Net income	41 471 834	42 739 828
Balance brought forward		9 041 442
<b>Total available earnings</b>	<b>41 471 834</b>	<b>51 781 270</b>
Allocation of additional capital paid-in		
Transfer to legal reserve (20% of share capital)	16 640 000	
Transfer to free reserve	423 611 334	
<b>Total allocation of additional capital paid-in</b>	<b>440 251 334</b>	
Proposed dividend on registered shares (1999: CHF 8.00 per share; 2000: CHF 10.00 per share)	33 280 000	41 600 000
Unpaid dividends (treasury shares)	(849 608)	
Paid dividends	32 430 392	
Balance to be carried forward	9 041 442	10 181 270
<b>Total appropriation of available earnings</b>	<b>41 471 834</b>	<b>51 781 270</b>

# Report of the Statutory Auditors

PRICEWATERHOUSECOOPERS 

To the General Meeting of Geberit AG, Jona

As statutory auditors, we have audited the accounting records and the financial statement (balance sheet, income statement and notes) of Geberit AG for the year ended 31 December 2000.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

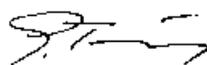
In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG



Lorenz Lipp



Gilles Thiéry

Zurich, Switzerland, 5 March 2001





Geberit International AG  
Corporate Communications  
Schachenstrasse 77  
CH-8645 Jona  
T +41 55 221 62 13  
F +41 55 221 66 32  
[www.geberit.com](http://www.geberit.com)

This annual report is published  
in German and English.

Text Geberit International AG, Jona  
Absolute Consulting, Wettingen  
Concept Gottschalk+Ash Int'l  
Photos Daniel Gerber, Zürich  
Prepress Typolitho AG, Zürich  
Print Vontobel Druck AG, Wetzikon

