

Consolidated Financial Statements Geberit Group

Content

- 52** Balance Sheets
- 53** Income Statements
- 54** Statements of Changes in Equity and Statements
of Recognized Income and Expenses in Equity
- 55** Statements of Cashflows
- 56** Notes to the Financial Statements
- 88** Report of the Group Auditors

Consolidated Balance Sheets

Assets	Note	31.12.2005	31.12.2004
		MCHF	MCHF
Current assets			
Cash and cash equivalents		180.0	81.6
Trade accounts receivable	4	111.6	120.9
Other accounts receivable and prepaid expenses	5	41.4	37.6
Inventories	6	177.3	197.9
Total current assets		510.3	438.0
Non-current assets			
Property, plant and equipment	7	528.3	538.8
Deferred tax assets	16	62.4	55.8
Financial assets and other non-current assets	8	33.2	25.7
Goodwill and intangible assets	9	812.4	878.8
Total non-current assets		1,436.3	1,499.1
Total assets		1,946.6	1,937.1
Liabilities and Equity			
Current liabilities			
Short-term debt	10/12	49.4	3.6
Trade accounts payable		94.3	91.2
Tax liabilities and tax provisions		89.0	87.9
Other provisions and liabilities	11	115.2	134.3
Total current liabilities		347.9	317.0
Non-current liabilities			
Long-term debt	12	344.0	531.7
Accrued pension obligation	14	141.9	125.4
Deferred tax liabilities	16	98.3	98.3
Other non-current provisions and liabilities	17	56.5	47.9
Total non-current liabilities		640.7	803.3
Shareholders' equity			
Capital stock		4.2	4.2
Reserves		941.4	786.5
Cumulative translation adjustments		12.4	25.8
Total shareholders' equity		958.0	816.5
Minority interest			0.3
Total equity		958.0	816.8
Total liabilities and equity		1,946.6	1,937.1

The accompanying notes on pages 56 to 87 are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2005	2004		
		Total	Total	Discontinued operations	Total according to IFRS 5
		MCHF	MCHF	MCHF	MCHF
Sales		1,922.9	1,906.8	(66.3)	1,840.5
Sales deductions	21	282.7	253.4	(6.7)	246.7
Net sales		1,640.2	1,653.4	(59.6)	1,593.8
Cost of materials		580.3	570.9	(20.0)	550.9
Personnel expenses		418.5	441.1	(16.5)	424.6
Depreciation expense	7	75.8	84.5	(3.2)	81.3
Amortization of goodwill and intangibles	9	13.2	63.4	(2.0)	61.4
Other operating expenses, net	22	185.5	188.0	(10.6)	177.4
Total operating expenses, net		1,273.3	1,347.9	(52.3)	1,295.6
Operating profit (EBIT)		366.9	305.5	(7.3)	298.2
Finance costs, net	23	(17.2)	(30.0)	0.8	(29.2)
Profit before income tax expenses		349.7	275.5	(6.5)	269.0
Income tax expenses	24	89.7	81.1	(1.8)	79.3
Net income from continuing operations		260.0	194.4	(4.7)	189.7
Net income from discontinued operations		2.5		4.7	4.7
Net income		262.5	194.4		194.4
– Attributable to shareholders		262.5	193.7		193.7
– Attributable to minority interest			0.7		0.7

		2005	2004
Other financial figures			
EPS continuing operations (CHF)	20	63.48	46.17
EPS discontinued operations (CHF)	20	0.61	1.15
EPS total (CHF)	20	64.09	47.32
EPS diluted continuing operations (CHF)	20	61.87	45.50
EPS diluted discontinued operations (CHF)	20	0.58	1.12
EPS diluted total (CHF)	20	62.45	46.62
EPS adjusted continuing operations (CHF)	20	64.11	59.22
EPS adjusted discontinued operations (CHF)	20	0.61	1.15
EPS adjusted total (CHF)	20	64.72	60.37
Interest expenses, net	23	(17.0)	(25.0)
Operating cashflow (EBITDA)	25	455.9	453.4
Net cashflow	25	366.6	351.7
Free cashflow	25	290.2	273.4

The accompanying notes on pages 56 to 87 are an integral part of the consolidated financial statements.

Consolidated Statements of Equity and Statements of Recognized Income and Expenses in Equity

a) Statements of Recognized Income and Expenses in Equity

	2005	2004
	MCHF	MCHF
Gains / (losses) on revaluation of properties		
Available-for-sale investments		
Hedge accounting	(1.0)	(2.6)
Actuarial gains / (losses) and adjustments according to IAS 19.58(b)	(6.9)	(9.2)
Exchange differences on translation of foreign operations	(13.4)	3.2
Net income directly booked to equity	(21.3)	(8.6)
Net income according to income statement	262.5	194.4
Total net income	241.2	185.8
– Attributable to shareholders	241.2	185.1
– Attributable to minority interest		0.7

b) Consolidated Statements of Changes in Equity

	Attributable to the shareholders							Minority interest	Total equity
	Ordinary shares	Capital in excess of par	Treasury shares	Retained earnings	Distr. in excess of predecessor basis	Hedge accounting	Cum. translation adjustments		
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF		
Balance at 31.12. 2003	4.2	411.2	(29.2)	422.1	(88.3)	(3.6)	22.6	11.4	750.4
Changes in accounting policy ¹⁾		1.1		(51.9)					(50.8)
Balance at 31.12. 2003 (restated)	4.2	412.3	(29.2)	370.2	(88.3)	(3.6)	22.6	11.4	699.6
Total net income 2004				184.5		(2.6)	3.2	0.7	185.8
Dividends				(69.6)					(69.6)
Changes in Group organization								(11.8)	(11.8)
(Purchase) / Sale of treasury shares		8.7	(10.4)						(1.7)
Convertible bond – equity component		18.3							18.3
Share participation and option plans		(3.8)							(3.8)
Balance at 31.12. 2004	4.2	435.5	(39.6)	485.1	(88.3)	(6.2)	25.8	0.3	816.8
Total net income 2005				255.6		(1.0)	(13.4)		241.2
Dividends				(90.3)					(90.3)
Changes in Group organization								(0.3)	(0.3)
(Purchase) / Sale of treasury shares		7.8	(10.0)						(2.2)
Convertible bond – equity component									
Share participations and option plans		(7.2)							(7.2)
Balance at 31.12. 2005	4.2	436.1	(49.6)	650.4	(88.3)	(7.2)	12.4		958.0

¹⁾ Retained earnings: IAS 19 revised MCHF (51.4) and IFRS 2 MCHF (0.5), Capital in excess of par: IFRS 2 MCHF 1.1

The accompanying notes on pages 56 to 87 are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2005 MCHF	2004 MCHF
Cash provided by operating activities			
Net income		262.5	194.4
Depreciation and amortization	7/9	89.0	147.9
Finance costs, net	23	17.2	30.0
Income tax expenses	24	89.7	81.1
Other		9.2	(1.3)
Operating cashflow before changes in net working capital and taxes		467.6	452.1
Income taxes paid		(80.6)	(62.1)
Changes in net working capital	25	1.9	8.4
Net cash provided by operating activities		388.9	398.4
Cash used in investing activities			
Acquisitions, net		69.9	(574.2)
Purchase of property, plant & equipment and intangible assets	7/9	(79.5)	(87.8)
Proceeds from sale of property, plant & equipment and intangible assets		6.3	9.2
Other, net		2.8	2.6
Net cash used in investing activities		(0.5)	(650.2)
Cash used in financing activities			
Proceeds from short-term borrowings		88.6	80.4
Repayments of short-term borrowings		(43.1)	(81.1)
Proceeds from long-term borrowings		267.4	859.9
Repayments of long-term borrowings		(481.9)	(589.6)
Interest paid		(17.2)	(23.2)
Dividends		(90.3)	(69.6)
(Purchase)/sale of treasury shares		(14.5)	(17.3)
Other, net		(1.4)	(5.4)
Net cash used in financing activities		(292.4)	154.1
Effects of exchange rates on cash		2.4	(2.0)
Net increase (decrease) in cash		98.4	(99.7)
Cash and cash equivalents at beginning of year		81.6	181.3
Cash and cash equivalents at end of year		180.0	81.6

The accompanying notes on pages 56 to 87 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 supplier of sanitary plumbing systems for the residential and commercial new construction and renovation markets. The product range of the Group consists of the product area “sanitary systems” with the product lines installation systems, flushing systems, public and waste fittings and traps on the one hand and the product area “piping systems” with the product lines building drainage systems, supply systems and underground piping systems on the other hand. All products are sold to plumbers and installers through wholesalers.

The consolidated financial statements include Geberit AG and the companies which it controls (“the Group” or “Geberit”). Minority interests are shown as separate part of the consolidated equity. The Group eliminates all intra-group transactions as part of the Group consolidation process. Companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The consolidated financial statements of the Group comply with International Financial Reporting Standards (“IFRS”), and are basically 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.

The term “MCHF” in these consolidated financial statements refers to millions of Swiss francs, “MEUR” refers to millions of Euro, “MGBP” refers to millions of Great Britain pounds sterling and “MUSD” refers to millions of US dollar. Negative amounts and amounts to be subtracted as part of a calculation are stated in brackets. The term “shareholders” refers to the shareholders of the Geberit AG.

Critical accounting estimates

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. The resulting accounting estimates can, by definition, differ from the related actual results.

When required by an IFRS standard these estimates and assumptions are disclosed in the related notes. Management is not aware of any further estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Changes in Group organization

Geberit sold all its shares in Blücher Metal ApS (DK) at the beginning of 2005 and its 70% investment in Plastek S.r.l. (IT) in April 2005. As a result of these transactions Geberit realized a gain of MCHF 2.5 (Blücher MCHF 1.9, Plastek MCHF 0.6) that is separately shown in the income statement.

The sales, EBIT and net income contribution of Blücher in 2004 amounted to MCHF 63.1, MCHF 6.6 and MCHF 4.2. The one of Plastek amounted to MCHF 3.2, MCHF 0.7 and MCHF 0.5. All amounts in the income statement 2004 have been restated according to IFRS 5.

The cashflows of Blücher in 2004 amounted to MCHF 7.2 provided by operating activities, MCHF (1.8) by investing activities and MCHF (3.1) by financing activities. In the same period the cash contribution of Plastek amounted to MCHF 0.4, MCHF (0.2) and MCHF 0.0.

3. Summary of significant accounting policies

Adoption of new or revised accounting standards

As per 1 January 2005 the Group adopted the new standards IFRS 2, IFRS 3 and IFRS 5 and the revised standards IAS 1, IAS 2, IAS 8, IAS 10, IAS 16, IAS 17, IAS 21, IAS 24, IAS 27, IAS 28, IAS 31, IAS 32, IAS 33, IAS 36, IAS 38, IAS 39 and IAS 40.

Personnel expenses include the effect of the introduction of IFRS 2 (share-based payments) in the amount of MCHF 4.7 in 2005 and MCHF 4.0 in 2004. Income tax expenses, earnings per share, deferred tax assets and equity have been restated accordingly.

With the introduction of IFRS 3 and IAS 38 revised Geberit ceases to amortize goodwill and the Geberit trademark resulting from the leveraged buyout in 1997.

Geberit adopted IAS 21 revised which requires goodwill in foreign currencies to be translated at current exchange rates.

As per 30 June 2005 Geberit early adopted IAS 19 revised concerning the treatment of actuarial gains and losses and accordingly charged all accumulated actuarial gains and losses of defined benefit pension plans directly to equity. Previous year figures are restated in accordance with IAS 8. Personnel expenses in 2004 were credited by MCHF 4.4 accordingly. As a consequence Geberit has introduced a statement of recognized income and expenses in equity as required by IAS 19 revised.

All other new IFRS standards or IAS amendments adopted in 2005 have no or only an immaterial effect on the financial statements of the Geberit Group. For 2006, the Group does not expect any material impacts from new or amended IFRS standards.

Foreign currency translation

The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates the actual rate at the date of the transaction. At the end of the accounting period, 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 loans which are part of the net investment in foreign entities are recorded as a separate component of equity within cumulative translation adjustments. For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates for the period. Translation gains or losses are accumulated 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. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments.

Inventories

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

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Betterment that increases the useful lives of the assets, improves the quality of the output or enables a substantial reduction in operating costs is capitalized and depreciated over the remaining useful lives. Depreciation on property, plant and equipment is calculated using the straightline 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 (5–10 years). Properties are not regularly depreciated. Repairs and maintenance and finance costs related to investments in property, plant and equipment are charged to income as incurred.

Non-current assets held for sale

Non-current assets held for sale and disposal groups are measured at the lower of carrying amount or fair value less cost to sell.

Intangible assets and goodwill

The excess of the purchase price over the fair value of net assets of a company acquired is recorded as goodwill. Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill and intangible assets with an indefinite useful life (this corresponds to the Geberit trademarks recorded during the leveraged buyout in 1997) are not regularly amortized but yearly tested for impairment. Since the Geberit trademarks are a major element of the business model of the Geberit Group they have been assigned an indefinite useful life. Impairments are expensed in the consolidated income statements when they occur and in case of goodwill not reversed in later periods. The amortization of intangible assets with a definite useful life is calculated using the straight-line method based upon the following useful lives: patents and technology (10 years), trademarks (5 years) and software (4 years).

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

Property, plant and equipment, goodwill and intangible assets are tested for impairment at each reporting date. If there are indicators for any impairment the actual carrying amount of the asset is compared with the recoverable amount. If the carrying amount is bigger than its estimated recoverable amount, it is written down to its recoverable amount. The valuation is based on single assets or, if such valuation is not possible, on the level of group of assets for which there are separately identifiable cashflows.

For the impairment tests of goodwill the Group applies market or country-specific discount rates between 7.2% and 8.1%. The growth rates are based on the most recent business plans and the assumptions therein concerning price increases, market growth and the Group's market share.

Deferred financing fees

Financing fees are deferred and amortized over the expected life of the related debt instrument or if the debt instrument has scheduled principal repayments, using the bond outstanding method. Amortization of deferred financing fees is part of finance costs, net and included in the calculation of the effective interest expenses.

Associated companies and joint ventures

The Group's share of profits and losses of associated companies (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 non-consolidated investments are stated at cost, with adequate provision for permanent diminution in value.

Provisions

The Group recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and 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 are charged against the provision when incurred.

Sales and sales deductions

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

Sales deductions are recognized when 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 tax base of assets and liabilities and their carrying amount using the "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 realization of future tax savings related to tax loss carry-forwards and other deferred tax assets is no longer probable, valuation allowances are recorded. Provision is made for taxes at source 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 charged or credited to equity as they occur. In the balance sheet funded defined benefit plans are recognized at the lower of the funding surplus attributable to the employer and the funded status. The amount recognized may be positive (an asset) or negative (an accrual). 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.

Participation plans

Differences between the fair market value of shares issued and proceeds received from employees and members of the Board of Directors under the Group's share participation plans are recorded within the income statement.

Options provided in share participation and option plans are measured at their fair values when they are granted. The fair values are determined using the binomial model, adjusted by the expected employee departure rate and recorded as personnel expenses over the vesting period of the options.

Earnings per share

The number of ordinary shares used for calculating earnings per share (inclusive diluted and adjusted) is determined on the basis of the weighted average of issued and outstanding ordinary shares.

For the calculation of diluted earnings per share potentially dilutive shares from share participation and option plans and from the Convertible Bond issued in 2004 are added to ordinary shares ("adjusted number of ordinary shares"). Dilutive shares from option programs are determined using the intrinsic value of the options to calculate the number of ordinary shares that could have been bought at market price. The market price is the average annual Geberit share price. For the convertible bond, conversion in ordinary shares is assumed.

Diluted earnings per share is the ratio of net income adjusted for interest and amortization expenses from the Convertible Bond, net of tax, and the adjusted number of ordinary shares.

Financial instruments

Trade and other receivables are carried at amortized cost less allowances for credit losses. Trade and other payables are carried at amortized cost.

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

The fair value of the liability component of a convertible bond is determined at issuance using a market interest rate for equivalent non-convertible debt instruments to discount the total of future cash outflows. The difference to the nominal value is recognized as the equity component within shareholder's equity, net of income tax effects. Until converted or extinguished, the liability component is measured on an amortized cost basis using the effective interest rate method.

Derivatives are initially recognized at fair value and subsequently remeasured to fair value. Changes of instruments designated as fair value hedges are recorded in finance costs, net together with the change in fair value of the underlying item. The effective portion of instruments designated as cashflow hedges and instruments designated as hedges of net investments in foreign operations is recognized in shareholder's equity. The ineffective portion is recorded in financial income and expenses.

Financial risk management

General

Risk Management is ensured by the central Treasury of the Geberit Group which acts in line with the directives of the Treasury Policy issued by the Group's management bodies. Risk management is concentrated on recognizing, analyzing and hedging foreign exchange and interest rate risks, with the aim of limiting their effect on cashflow and net income.

The counterparts to financial instruments 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 hold any financial instruments for trading or speculative purposes.

The Group invests its cash in deposits with major banks throughout the world. The Group has a policy of making investments only with major credit-worthy commercial institutions. These investments generally mature within three months and the Group has not incurred any related losses.

Management of foreign exchange risk

In order to manage risks associated with fluctuations in foreign currencies, the concept of currency cashflow-matching is considered the primary hedging strategy. For the remaining material transactional risk derivative financial instruments such as forward exchange contracts and foreign exchange options are negotiated with third parties.

Intercompany invoicing is done in the currency of the invoiced company. This minimizes the number of subsidiaries exposed to transactional risk. Subsidiaries with significant foreign currency exposure can subscribe to hedging contracts with Group Treasury.

Management of interest rate risk

Interest rate risk is managed in order to minimize the effects resulting from adverse movements of interest rates on financial expenses. Geberit considers its interest rate exposure as neutral, if the split between fixed and floating rates is 50%. This means that the effect of an interest rate movement on the floating rate portion is offset by an opportunity gain or loss in the fixed rate portion. Due to continuous repayments of the revolving facility the share of the loans on floating rate basis temporarily could fall under the 50% target.

Credit risk

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

4. Trade accounts receivable

	2005	2004
	MCHF	MCHF
Trade accounts receivable	118.2	128.7
Allowance	(6.6)	(7.8)
Total trade accounts receivable	111.6	120.9

Out of trade accounts receivable, MCHF 10.6 was denominated in CHF (PY: MCHF 10.0), MCHF 63.7 in EUR (PY: MCHF 68.7), MCHF 16.8 in USD (PY: MCHF 15.0) and MCHF 0.8 in GBP (PY: MCHF 8.9).

5. Other accounts receivable and prepaid expenses

	2005	2004
	MCHF	MCHF
Income tax refunds receivable	1.7	1.9
Other tax receivables	24.4	21.0
Other receivables	3.9	2.8
Prepaid expenses and other current assets	11.4	11.9
Total other accounts receivable and prepaid expenses	41.4	37.6

6. Inventories

	2005	2004
	MCHF	MCHF
Raw materials, supplies and other inventories	46.3	52.1
Work in progress	25.1	29.8
Finished goods	79.1	94.1
Goods purchased for resale	26.6	21.6
Prepayments to suppliers	0.2	0.3
Total inventories	177.3	197.9

Inventories include allowances for slow-moving and obsolete items of MCHF 23.5 as of 31 December 2005 (PY: MCHF 19.4).

7. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./ advanced payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2005					
Cost at beginning of year	838.3	287.2	496.4	33.7	21.0
Changes in Group organization (see Note 2)	(21.3)	(9.5)	(11.8)		
Additions	78.7	3.8	27.3	7.4	40.2
Disposals	(44.0)	(2.4)	(34.3)	(6.9)	(0.4)
Transfers		16.9	30.6	1.4	(48.9)
Translation differences	15.5	5.2	8.8	1.1	0.4
Cost at end of year	867.2	301.2	517.0	36.7	12.3
Accumulated depreciation at beginning of year	299.5	53.0	231.4	15.1	
Changes in Group organization (see Note 2)	(4.1)	(0.3)	(3.8)		
Depreciation expense	75.1	8.8	59.4	6.9	
Impairments	0.7		0.7		
Disposals	(38.6)	(0.7)	(31.2)	(6.7)	
Transfers			(0.4)	0.4	
Translation differences	6.3	1.1	4.5	0.7	
Accumulated depreciation at end of year	338.9	61.9	260.6	16.4	
Net carrying amounts at end of year	528.3	239.3	256.4	20.3	12.3
2004					
Cost at beginning of year	758.2	264.8	446.2	32.7	14.5
Changes in Group organization	59.9	29.3	28.5	0.8	1.3
Additions	85.6	2.8	35.2	5.8	41.8
Disposals	(55.7)	(8.5)	(38.6)	(6.4)	(2.2)
Transfers		1.6	30.7	1.4	(33.7)
Translation differences	(9.7)	(2.8)	(5.6)	(0.6)	(0.7)
Cost at end of year	838.3	287.2	496.4	33.7	21.0
Accumulated depreciation at beginning of year	267.3	46.3	207.0	14.0	
Depreciation expense	84.5	10.9	64.5	9.1	
Impairments					
Disposals	(47.8)	(4.4)	(35.8)	(7.6)	
Transfers		1.0	(1.0)		
Translation differences	(4.5)	(0.8)	(3.3)	(0.4)	
Accumulated depreciation at end of year	299.5	53.0	231.4	15.1	
Net carrying amounts at end of year	538.8	234.2	265.0	18.6	21.0

As of 31 December 2005, buildings were insured at MCHF 447.4 (PY: MCHF 445.6) and equipment at MCHF 904.6 (PY: MCHF 880.7) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,352.0 (PY: MCHF 1,326.3).

In 2005 impairment adjustments in the amount of MCHF 0.7 were made to machineries and equipments. The adjustments are based on an impairment test that was made in connection with the optimization of the product range in the USA. In the consolidated income statement the amount is included under the position "Depreciation expense".

Per 31 December 2005, the Group has entered into firm commitments for capital expenditures of MCHF 4.0 (PY: MCHF 11.7).

8. Financial assets and other non-current assets

	2005	2004
	MCHF	MCHF
Prepaid pension asset (see Note 14)	18.0	10.6
Reinsurance policies for pension obligations (see Note 14)	11.7	11.1
Other	3.5	4.0
Total financial assets and other non-current assets	33.2	25.7

9. Goodwill and intangible assets

	Total	Goodwill	Patents and technology	Trademarks and other intangible assets
2005	MCHF	MCHF	MCHF	MCHF
Cost at beginning of year	1,278.3	983.2	128.4	166.7
Changes in Group organization (see Note 2)	(36.4)	(35.0)		(1.4)
Additions	0.8			0.8
Disposals				
Translation differences (for goodwill see Note 3)	(32.5)	(34.1)	0.3	1.3
Cost at end of year	1,210.2	914.1	128.7	167.4
Accumulated amortization at beginning of year	399.5	237.7	98.9	62.9
Changes in Group organization (see Note 2)	(2.0)	(1.7)		(0.3)
Amortization expenses	10.6		3.4	7.2
Impairments	2.6	2.6		
Disposals				
Translation differences (for goodwill see Note 3)	(12.9)	(13.2)	0.1	0.2
Accumulated amortization at end of year	397.8	225.4	102.4	70.0
Net carrying amounts at end of year	812.4	688.7	26.3	97.4
2004				
Cost at beginning of year	806.5	557.3	99.1	150.1
Changes in Group organization	470.9	425.9	29.6	15.4
Additions	2.2			2.2
Disposals	(0.3)			(0.3)
Translation differences	(1.0)		(0.3)	(0.7)
Cost at end of year	1,278.3	983.2	128.4	166.7
Accumulated amortization at beginning of year	336.8	190.7	95.6	50.5
Amortization expenses	63.4	47.0	3.3	13.1
Impairments				
Disposals	(0.3)			(0.3)
Translation differences	(0.4)			(0.4)
Accumulated amortization at end of year	399.5	237.7	98.9	62.9
Net carrying amounts at end of year	878.8	745.5	29.5	103.8

MCHF 285.5 (PY: MCHF 305.7) of goodwill, MCHF 84.6 (PY: MCHF 84.6) of trademarks and MCHF 0.0 (PY: MCHF 32.2) of amortization expenses resulted from the leveraged buyout in 1997.

The acquired Mapress group contributes MCHF 360.1 (PY: MCHF 394.7) to goodwill, MCHF 23.6 (PY: MCHF 26.3) to patents and technology and MCHF 3.3 (PY: MCHF 5.4) to trademarks. The related amortization expenses amounted to MCHF 4.7 (PY: MCHF 25.3).

In 2005 impairment adjustments in the amount of MCHF 2.6 were made on goodwill from the acquisitions in the USA in 2002. The impairment was made in connection with the optimization of the product range in the USA. In the consolidated income statement the amount is included in the position "Amortization of goodwill and intangibles". At the balance sheet date there were no further indications for impairments regarding all other goodwill positions.

10. Short-term debt

The Group maintains credit lines of MCHF 48.4 (PY: MCHF 48.1) from various lenders which can be cancelled short-term. The use of these credit lines is always short-term in nature and, accordingly, the respective drawings are included in short-term debt. At 31 December 2005 and 2004, the Group did not have any outstanding drawings on the above-mentioned credit lines.

On 31 March 2005, UBS AG (50 %) and HypoVereinsbank (50%) made available to Geberit Management GmbH a credit line of MEUR 208.5 to refinance liabilities to Group companies (final maturity 3 January 2006). Later the credit line was reduced to MEUR 30.0. At 31 December 2005, the Group had outstanding drawings on this credit line of MEUR 30.0. The effective interest rate was 3.09%.

11. Current provisions and other current liabilities

	2005	2004
	MCHF	MCHF
Compensation related liabilities	39.5	64.4
Accrued interest	3.3	2.4
Customer related liabilities	40.4	35.7
Other current liabilities	29.7	23.9
Current provisions	2.3	7.9
Total current provisions and other current liabilities	115.2	134.3

MCHF 13.4 were reclassified from "Compensation related liabilities" to "Other non-current provisions and liabilities" (see Note 17). Current provisions mainly include provisions for restructuring.

2005 movements of current provisions are shown in the following table:

Current provisions	Total
	MCHF
31 December 2004	7.9
Additions	0.2
Used	(5.2)
Reversed	(1.3)
Translation differences	0.7
31 December 2005	2.3

12. Long-term debt	2005	2004
	MCHF	MCHF
Private Placement	129.9	112.0
Revolving Facility	33.2	249.2
Convertible Bond	152.2	148.7
Other long-term debt	31.4	25.4
Long-term debt	346.7	535.3
Short-term portion of long-term debt	(2.7)	(3.6)
Total long-term debt	344.0	531.7

Private Placement

In December 2002, the Group raised MUS\$ 100.0 from various US insurance companies through privately placed debt ("Private Placement"), issued by its US subsidiary The Chicago Faucet Company. The Private Placement is split in (i) a series A (MUS\$ 35.0), which carry a coupon of 5.0% and which are due on 19 December 2009 and (ii) a series B (MUS\$ 65.0), which carry a coupon of 5.54% and which are due on 19 December 2012. The Private Placement is secured by guarantees from Geberit AG, Geberit Holding AG and Geberit Deutschland GmbH. The Group must comply with the following financial ratios:

- EBITDA / Finance costs, net: min. 3.0x
- Net debt / EBITDA: max. 3.5x

Revolving Facility

On 14 December 2005 the credit line ("Revolving Facility") of MCHF 400.0 granted by a syndicate of banks since November 2003 has been extended by one year to the new final maturity 31 October 2009. Furthermore compared with 2003 a lower pricing has been achieved, reflecting the favourable lending market conditions. The amended and extended Revolving Facility can as in the past be used to fund working capital requirements, investments in PP&E and acquisitions. This credit line is firmly available. At 31 December 2005 the Revolving Facility bears interest at LIBOR plus an annual interest margin of 0.225%. The interest margin depends on the net debt to EBITDA ratio. This ratio is verified on a quarterly basis. The interest is payable at the

maturity date of the respective drawing used under the Revolving Facility. The drawings can have terms of one to twelve months or such other period as the lender may agree to. Furthermore, a commitment fee is paid equal to 30% of the applicable interest margin. Drawings under the Revolving Facility are secured by guarantees from Geberit AG, Geberit Holding AG, Geberit Deutschland GmbH and the Chicago Faucet Company and contain covenants and conditions typical to syndicated financing, among others the compliance with the following financial ratios:

- EBITDA / Finance costs, net: min. 5.0x
- Net debt / EBITDA: max. 3.0x
- Equity / Total assets: min. 25%

During 2005 and 2004, the effective interest rate on the Revolving Facility was 3.38% and 3.28%, respectively.

Convertible Bond

On 14 June 2004 the Group issued a Convertible Bond at a nominal value of MCHF 170.0. The convertible bond is split into 34,000 bond fractions at a par value of CHF 5,000 each.

The Convertible Bond falls due on 14 June 2010 at nominal value of MCHF 170.0 or can be converted at any time into shares of Geberit AG. The conversion price is CHF 993, i.e. a bond fraction can be converted into 5.03525 shares.

The fair values of the liability and the equity component were determined on issuance of the bond.

The liability recognized in the balance sheet as per 31 December 2005 was determined as follows:

	MCHF
Convertible Bond at nominal value on 14 June 2004	170.0
Equity component	(19.8)
Liability component on initial recognition on 14 June 2004	150.2
Transaction costs	(3.6)
Amortization expense 2004	2.1
Liability recognized as per 31 December 2004	148.7
Amortization expense 2005	3.5
Liability recognized as per 31 December 2005	152.2

Amortization expense includes the amortization of the equity component (interest discount) and of transaction costs. As per 31 December 2005, no bond fraction was converted into shares. The effective interest rate of the convertible bond charged to the income statement was 3.46% (PY: 3.30%).

Other long-term debt

At 31 December 2005, the Group had MCHF 31.4 of other long-term debt (PY: MCHF 25.4). This debt incurred an effective interest rate of 4.76% (PY: 4.78%).

Maturities and currency mix

	MCHF
2006	2.7
2007	1.7
2008	1.7
2009	80.7
2010 and thereafter	259.9
Total	346.7

Of the long-term debt outstanding as of 31 December 2005, MCHF 30.9 was denominated in EUR (PY: MCHF 225.3) and MCHF 129.9 in USD (PY: MCHF 112.0).

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 2005, the following derivative financial instruments were outstanding:

Foreign currency exchange rate hedges

MUSD 55.0 of the Notes (see Note 12) were converted into Euro to finance the German subsidiaries of the Group. The foreign exchange rate risk arising from this conversion is hedged with the following financial instrument (Cross Currency Interest Rate Hedge):

2005	Maturity	Strike price	Contract Amount Purchase MUSD	Contract Amount (Sale) MEUR	Estimated fair value MCHF	USD Interest rate %	EUR Interest rate %
USD buy / EUR sell	19.12. 2012	1.004	55.0	(54.8)	(24.7)	5.54	5.9775

Forward foreign exchange contracts and foreign exchange options

2005	Maturity	Forward rate	Contract amount	Estimated fair value
			MEUR	MCHF
EUR buy / CHF sell	03.01.2006	1.53910	5.0	0.1
EUR buy / CHF sell	03.01.2006	1.53760	5.0	0.1
EUR buy / CHF sell	03.01.2006	1.55733	10.0	0.0
EUR buy / CHF sell	03.01.2006	1.55730	10.0	0.0
EUR buy / CHF sell	03.01.2006	1.55764	10.0	0.0
EUR buy / CHF sell	03.01.2006	1.53740	10.0	0.2

The change in fair value of the instruments is recorded in finance costs, net.

Interest rate hedges

As per 31 December 2005, the Group had no open interest rate hedges.

Hedge of net investment in foreign entity

A drawing in EUR from the Revolving Facility was designated as a hedge of a net investment in a foreign entity in 2004. It was fully repayed on 28 December 2005. The foreign exchange loss of MCHF (4.9) on translation of the Revolving Facility in CHF at the balance sheet date is recognized within "Cumulative Translation Adjustments" in equity until the hedged foreign entity will be disposed.

14. Retirement benefit plans

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

	2005		2004	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Service cost	14.1	4.4	10.6	3.8
Interest cost on projected benefit obligation	9.7	6.3	9.3	5.9
Expected return on plan assets	(12.5)		(11.5)	
Contributions of employees	(6.3)		(6.3)	
Net periodic pension cost	5.0	10.7	2.1	9.7

The following table sets forth the current status of the defined benefit pension plans and the amounts recognized in the Group's consolidated balance sheets. As from this year the table also includes defined benefit plans funded by qualifying insurance policies. Prior year figures have been adjusted for comparative purposes.

	2005		2004	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
	MCHF	MCHF	MCHF	MCHF
Benefit obligation				
At beginning of year	252.5	117.8	227.1	92.7
Acquisitions				14.1
Service cost	14.1	4.4	10.6	3.8
Interest cost on projected benefit obligation	9.7	6.3	9.3	5.9
Actuarial (gains)/losses	13.2	10.9	12.3	8.2
Translation differences	0.5	1.1	(0.4)	(1.1)
Benefits paid	(7.3)	(4.6)	(6.4)	(5.8)
Benefit obligation at end of year	282.7	135.9	252.5	117.8
Plan assets at fair value				
At beginning of year	276.5		258.7	
Expected return on plan assets	12.5		11.5	
Contributions of employees	6.3		6.3	
Contributions of employers	12.1		6.4	
Benefits paid	(7.0)		(6.2)	
Actuarial gains/(losses)	15.9		0.1	
Translation differences	0.4		(0.3)	
Plan assets at fair value at end of year	316.7		276.5	
Funded status at end of year	34.0	(135.9)	24.0	(117.8)
Adjustment according to IAS 19.58(b)	(16.4)		(13.6)	
Total pension asset/(obligation)	17.6	(135.9)	10.4	(117.8)
The pension asset/(obligation) is composed of:				
Prepaid pension asset (see Note 8)	18.0		10.6	
Reinsurance policies for pension obligations (see Note 8)	5.6		4.3	
Accrued pension obligations	(6.0)	(135.9)	(4.5)	(117.8)
Total pension asset/(obligation)	17.6	(135.9)	10.4	(117.8)

Following the early adoption of IAS 19 revised the Group recognized as per 1 January 2004 MCHF 50.6 of actuarial losses in funded plans, actuarial gains of MCHF 3.4 in unfunded plans and an adjustment of MCHF 21.2 according to IAS 19.58(b). The total amount was recognized in equity, net of tax and totalled MCHF 51.4.

The plan assets of funded plans of MCHF 316.7 (PY: MCHF 276.5) are composed of assets of MCHF 311.1 (PY: MCHF 272.2) in two independent Swiss trustee pension funds and MCHF 5.6 (PY: MCHF 4.3) in qualifying insurance policies. The table does not include qualifying insurance policies related to an unfunded defined benefit plan in Germany to cover the gap between the pension obligation recognized and the actual pension liability in case of an insured event. The value of these policies amounted to MCHF 6.1 at the balance sheet date (PY: MCHF 6.8).

The legal situation relating to pension plans in Switzerland limits the Group's control over the surplus in the Swiss pension fund.

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

	2005	2004
	MCHF	MCHF
Benefit obligations	418.6	370.3
Plan assets	316.7	276.5
Funded status	(101.9)	(93.8)
Net actuarial (gains) and losses on benefit obligations	24.1	20.5
– of which from changes in actuarial assumptions	32.6	14.7
– of which from experience adjustments	(8.5)	5.8
Experience adjustments on plan assets	15.9	0.1
Total actuarial (gains) and losses in current year	8.2	20.4
Adjustment according to IAS 19.58(b), (gain)/losses	2.8	(7.6)
Recorded in equity, current year	11.0	12.8
Recorded in equity, accumulated	92.2	81.2

The plan assets of the Swiss pension fund is split into the following asset categories (in %):

	2005	2004
Equity	35.6	31.7
Bonds and other debt instruments	31.9	35.1
Real estate property	25.6	28.1
Other	6.9	5.1
Total	100.0	100.0

The actual return on these plan assets amounts to 11.8% in 2005 and 4.5% in 2004. As per 31 December 2005 plan assets include MCHF 1.6 (PY: MCHF 2.5) of equity instruments of Geberit AG and MCHF 9.7 (PY: MCHF 9.7) in real estate property used by the Group.

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

	2005			2004		
	CH	EU	USA	CH	EU	USA
Discount rate used in determining present values	3.25	4.5	6.0	3.75	5.5	6.0
Annual rate of increase in future compensation levels	2.0	2.5–3.5	4.0	2.0	2.5–3.0	4.0
Expected rate of future increases in pension benefits	1.0	0–2.5	5.0	1.0	0–2.5	5.0
Expected rate of return on plan assets	4.5			4.5		

The consolidated income statement also includes expenses for defined contribution plans of MCHF 3.1 in 2005 (PY: MCHF 2.8).

15. Participation plans

Share plans

In 2005, the employees could purchase a limited number of shares at a discount of 50 % (PY: 45 %) to the market price ("Employee share plan 2005"). The Geberit management was entitled to draw the previous year's bonus partly or wholly in shares at the market price ("Management share plans 2005"). For each of these shares the participants receive one option (see part 2: "Option plans"). As part of the "Directors Program 2005" the non-executive members of the Board of Directors received their annual compensation in shares of Geberit AG at a discount of 50 %. All share plans are subject to blocking periods which are valid beyond the period of employment.

The share plans introduced in 2005 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Average issuing price CHF
Employee share plan 2005 (ESPP)	2007	1,046	5,000	448.75
Management share plans 2005 (MSPP)	2008	46	2,319	897.50
Directors Program 2005 (DSPP)	2007	4	796	448.75

The 8,115 shares required for these plans were held by the Group as treasury shares.

As of 31 December 2005, active managers and employees together owned 87,628 (PY: 240,526) shares, i.e. 2.1 % (PY: 5.8 %) of the share capital of Geberit AG. 3.4 % of the decrease of 3.7 % is due to personnel leaving the Group and retirements.

Option plans

For each of the shares purchased in connection with the “Management share plans 2005” provided the Geberit management receives one option to purchase an additional share in the ratio 1:1. The exercise price of the options is equal to the price at which the underlying shares were allocated. The options can be exercised after blocking periods of two years. They lapse if not exercised after five years from grant date.

In connection with an additional option plan (“Option plan 2005”), the managing directors and the Geberit Executive Board were entitled to additional options with a time to maturity of five years and a blocking period of two and four years, respectively.

The following is a summary of the options allocated in 2005:

	End of blocking period	Maturity	Number of participants	Number of options allocated	Average exercise price CHF
Management share plans 2005 (MSPP)	2007	2010	46	2,319	897.50
Option plan 2005 type A (MSOP)	2007	2010	28	4,593	904.50
Option plan 2005 type B (MSOP)	2009	2010	28	4,593	947.50
Total				11,505	

The fair value of the options granted in 2005 amounted to CHF 166.75 for MSOP type A (two years maturity period), CHF 154.83 for MSOP type B (four years maturity period) and CHF 176.94 for MSPP (two years maturity period) at the corresponding granting date. The fair value was determined using the binomial model for “American Style Call Options”.

The calculation model considered the following parameters:

	Reference share price ¹⁾ CHF	Sur-charge %	Exercise price CHF	Expected volatility %	Expected \emptyset dividend yield %	Contractual period (years)	Risk free interest rate %
Management share plans 2005 (MSPP)	897.50	0	897.50	28.12	2.96	5	2.020
Option plan 2005 type A (MSOP)	861.35	5	904.50	34.27	2.83	5	1.865
Option plan 2005 type B (MSOP)	861.35	10	947.50	34.27	2.83	5	1.865

¹⁾The reference share price corresponds with the average share price of the Geberit shares for the period from 7.–20.01.2005 for MSOP and 10.–23.03.2005 for MSPP, respectively.

The following table summarizes all option plans in place as of 31 December 2005:

End of blocking period	Maturity	Number of options outstanding	Average exercise price CHF	Number of options in the money ¹⁾	Average exercise price CHF
lapsed	2006–2009	1,338	441.85	1,338	441.85
2006	2007–2009	20,877	567.82	20,877	567.82
2007	2008–2010	14,293	664.49	14,293	664.49
2008	2009	4,794	714.50	4,794	714.50
2009	2010	4,154	947.50	4,154	947.50
Total		45,456	644.67	45,456	644.67

¹⁾As per 31 December 2005 and considering knock-in clauses until 2003

In addition to the options from the annually provided option programs MSPP and MSOP the above mentioned table also includes the options provided to the Mapress management (MMBP) in connection with the Mapress acquisition.

Regarding the calculation of the number of options outstanding, the share purchase ratio of 2:1 was considered for the MMBP program.

The following movements took place in 2005:

	MSOP		MSPP		MMBP		Total	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding 31.12.04	46,857	499.11	15,187	520.61	5,118	525.00	67,162	505.94
Granted options	9,186	926.50	2,319	898.00			11,505	920.76
Forfeited options	4,456	570.22	33	663.50	952	525.00	5,441	562.87
Exercised options	17,637	442.86	8,268	412.56	1,865	525.00	27,770	439.36
Lapsed options								
Outstanding 31.12.05	33,950	634.64	9,205	712.22	2,301	525.00	45,456	644.67
Exercisable at 31.12.05	751	435.62	369	405.41	1,388	525.00	1,338	441.85

The 45,456 options outstanding represent 1.09% of the share capital of Geberit AG. The Group hedges this exposure with treasury shares.

The options outstanding at 31 December 2005 had an exercise price between CHF 405.00 and CHF 947.50 and an average remaining contractual life of 2.8 years.

Costs resulting from share participation plans amounted to MCHF 2.9 in 2005 (PY: MCHF 1.9), that one for option plans to MCHF 2.1 (PY: MCHF 2.4).

16. Deferred tax assets and liabilities

2005	2005 Total	Movements in 2005				2004 Total
		(Charged)/ credited to income	Acqui- sitions	(Charged)/ credited to equity	Trans- lation differences	
		MCHF	MCHF	MCHF	MCHF	
Deferred tax assets						
Loss carry-forwards	7.4	2.3			0.3	4.8
Accrued pension obligation	11.9	0.5		3.9	0.5	7.0
Property, plant and equipment	3.0	(0.2)			0.2	3.0
Goodwill and intangible assets	19.5	(2.2)			0.1	21.6
Other	20.6	1.1	(0.4)	0.1	0.4	19.4
Total deferred tax assets	62.4	1.5	(0.4)	4.0	1.5	55.8
Deferred tax liabilities						
Inventories	(4.5)	0.6	0.6		(0.1)	(5.6)
Property, plant and equipment	(60.3)	0.8	1.2		(0.3)	(62.0)
Prepaid pension asset	(4.6)	(1.8)		(0.1)		(2.7)
Intangible assets	(19.3)	2.2	0.4		(0.1)	(21.8)
Other	(9.6)	(3.4)				(6.2)
Total deferred tax liabilities	(98.3)	(1.6)	2.2	(0.1)	(0.5)	(98.3)
2004	2004 Total	Movements in 2004				2003 Total
		(Charged)/ credited to income	Acqui- sitions	(Charged)/ credited to equity	Trans- lation differences	
		MCHF	MCHF	MCHF	MCHF	
Deferred tax assets						
Loss carry-forwards	4.8	1.0				3.8
Accrued pension obligation	7.0	(1.2)	0.9	3.0		4.3
Property, plant and equipment	3.0	(1.1)			(0.2)	4.3
Goodwill and intangible assets	21.6	(2.2)	24.0		(0.4)	0.2
Other	19.4	1.6	2.8	3.5	(0.5)	12.0
Total deferred tax assets	55.8	(1.9)	27.7	6.5	(1.1)	24.6
Deferred tax liabilities						
Inventories	(5.6)	3.8	(4.7)		0.1	(4.8)
Property, plant and equipment	(62.0)	5.4	(4.9)		0.7	(63.2)
Prepaid pension asset	(2.7)			17.9		(20.6)
Intangible assets	(21.8)	(2.5)	(10.5)		0.2	(9.0)
Other	(6.2)	0.7	(0.7)	(1.3)	0.2	(5.1)
Total deferred tax liabilities	(98.3)	7.4	(20.8)	16.6	1.2	(102.7)

No deferred tax liabilities are established for non refundable withholding taxes or other taxes on unremitted earnings which are not anticipated to be remitted to the parent. As per 31 December 2005 there were no such retained earnings in the subsidiaries (PY: MCHF 7.5).

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

Maturity	2005	No deferred tax asset	Deferred tax asset	2004	No deferred tax asset	Deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
1 year	1.2	1.1	0.1	0.4	0.2	0.2
2 years	1.1	0.9	0.2	2.9	2.7	0.2
3 years	0.6	0.5	0.1	10.8	2.0	8.8
4 years	0.2	0.1	0.1	0.3	0.1	0.2
5 years	0.4		0.4	0.2		0.2
6 years	0.5		0.5	0.2		0.2
> 6 years	20.3		20.3	9.6	0.2	9.4
Total	24.3	2.6	21.7	24.4	5.2	19.2

17. Other non-current provisions and liabilities

	2005	2004
	MCHF	MCHF
Provisions for operating risks	15.9	14.6
Accrued grant payments	0.6	0.8
Derivatives	24.7	32.3
Other non-current liabilities	15.3	0.2
Total other non-current provisions and liabilities	56.5	47.9

Provisions for operating risks mainly include provisions for warranties. For details to derivatives see Note 13. MCHF 13.4 were reclassified from "Current provisions and other current liabilities" (see Note 11) to "Other non-current liabilities".

2005 movements of other non-current provisions are shown in the following table:

Other non-current provisions

	Total	Provisions for operating risks	Accrued grant payments
	MCHF	MCHF	MCHF
31 December 2004	15.4	14.6	0.8
Changes in Group organization (see Note 2)	(0.5)	(0.5)	
Additions	4.5	4.5	
Used	(1.0)	(1.0)	
Reversed	(2.3)	(2.1)	(0.2)
Translation differences	0.4	0.4	
31 December 2005	16.5	15.9	0.6

18. Contingencies

The Group is involved in certain legal proceedings arising in the ordinary course of business. The Group believes that none of these proceedings either individually or in the aggregate are likely to have a material adverse effect on the Group's financial position or results of operations. The Group has established insurance policies to cover product liabilities and it accrues 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 ordinary course of business, the Group incurs capital and operating expenditures and other costs in complying with such laws and regulations. The Group currently does not anticipate any extraordinary material capital expenditures for environmental control technology. Some risk of environmental liability is inherent in the Group's business, and there can be no assurance that additional environmental costs will not arise in the future. However, the Group does not anticipate any material adverse effect for 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 reorganizations that have taken place in recent years, result in the Group's and its subsidiaries' legal structures 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 disputes that either individually or in the aggregate are likely to have a material adverse effect on the Group's financial position or results of operations.

19. Equity

In 2005, dividends of MCHF 90.3 were distributed to the shareholders of Geberit AG (CHF 22 per share).

As per 31 December 2005 the Group held a total of 69,160 (PY: 66,480) treasury shares with a carrying value of MCHF 49.6 (PY: MCHF 39.6). In 2005 the Group bought a net total of 2,680 treasury shares. Treasury shares are deducted at cost from equity.

For transactions in connection with the share participation plans see Note 15.

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.

	2005	2004
Attributable net income according to income statement (MCHF)	262.5	193.7
Thereof net income from discontinued operations (MCHF)	2.5	4.7
Thereof net income from continuing operations (MCHF)	260.0	189.0
Weighted average number of ordinary shares outstanding (thousands)	4,096	4,093
Earnings per share (EPS) from continuing operations (CHF)	63.48	46.17
Earnings per share (EPS) from discontinued operations (CHF)	0.61	1.15
Earnings per share (EPS), total (CHF)	64.09	47.32

For the diluted earnings per share the weighted average number of issued ordinary shares is adjusted to assume conversion of all potentially dilutive ordinary shares (see Note 3). The Group has granted share options to the management and has issued a Convertible Bond which both are used to calculate the potentially dilutive ordinary shares.

	2005	2004
Attributable net income according to income statement (MCHF)	262.5	193.7
Interest and amortization expenses of convertible bond, net (MCHF)	4.8	2.7
Net income to determine diluted earnings per share (MCHF)	267.3	196.4
Thereof net income from discontinued operations (MCHF)	2.5	4.7
Thereof net income from continuing operations (MCHF)	264.8	191.7
Weighted average number of ordinary shares outstanding (thousands)	4,096	4,093
Adjustments for share options (thousands)	13	27
Adjustment for convertible bond (thousands)	171	93
Weighted average number of ordinary shares for diluted earnings per share (thousands)	4,280	4,213
Diluted earnings per share (EPS) from continuing operations (CHF)	61.87	45.50
Diluted earnings per share (EPS) from discontinued operations (CHF)	0.58	1.12
Diluted earnings per share (EPS), total (CHF)	62.45	46.62

For the calculation of adjusted earnings per share the amortization of goodwill and the Geberit trademarks is added back to net income.

	2005	2004
Attributable net income according to income statement (MCHF)	262.5	193.7
Total amortization of goodwill and Geberit trademarks (MCHF)	2.6	53.4
Adjusted net income attributable to shareholders (MCHF)	265.1	247.1
Thereof net income from discontinued operations (MCHF)	2.5	4.7
Thereof net income from continuing operations (MCHF)	262.6	242.4
Weighted average number of ordinary shares outstanding (thousands)	4,096	4,093
Adjusted earnings per share (EPS) from continuing operations (CHF)	64.11	59.22
Adjusted earnings per share (EPS) from discontinued operations (CHF)	0.61	1.15
Adjusted earnings per share (EPS), total (CHF)	64.72	60.37

21. Sales deductions

	2005	2004
	MCHF	MCHF
Early payment discounts	54.5	51.8
Outbound freight costs	56.5	54.5
Customer volume discounts	146.1	121.0
Other	25.6	26.1
Total sales deductions	282.7	253.4

22. Other operating expenses, net

	2005	2004
	MCHF	MCHF
Energy and maintenance expenses	65.2	67.6
Marketing expenses	47.4	47.5
Administration expenses	45.3	44.6
Other operating expenses	44.2	44.6
Other operating income	(16.6)	(16.3)
Total other operating expenses, net	185.5	188.0

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

In 2005 costs of MCHF 13.7 (PY: MCHF 16.8) were capitalized 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. Finance costs, net

	2005	2004
	MCHF	MCHF
Interest income	4.1	1.6
Interest expenses	(21.1)	(26.6)
Amortization of deferred financing fees	(1.1)	(1.3)
Foreign exchange result, net	2.3	(2.4)
Other financial income	0.1	0.4
Other financial expenses	(1.5)	(1.7)
Total finance costs, net	(17.2)	(30.0)

24. Income tax expenses

	2005	2004
	MCHF	MCHF
Current taxes	89.6	86.6
Deferred taxes	0.1	(5.5)
Total income tax expenses	89.7	81.1

The differences between income tax expenses computed at the weighted average applicable rate of the Group of 26.2% (PY: 27.1%) and income tax expenses provided on earnings were as follows:

	2005	2004
	MCHF	MCHF
Income tax expenses, at applicable rate	92.3	74.6
Utilisation of loss carry-forwards	(0.8)	(0.9)
Operating losses with no current tax benefit	0.4	0.2
Changes in tax rates		(1.9)
Non-deductible expenses including goodwill amortization, net	(0.9)	11.8
Other	(1.3)	(2.7)
Total income tax expenses	89.7	81.1

25. Cashflow figures

Net cashflow is calculated as follows:

	2005	2004
	MCHF	MCHF
EBITDA	455.9	453.4
Finance costs, net	(17.2)	(30.0)
Income tax expenses	(89.7)	(81.1)
Deferred taxes charged/(credited) to net income (see Note 16)	0.1	(5.5)
Changes in long-term provisions	20.7	16.1
Changes in other long-term assets and liabilities	(3.2)	(1.2)
Net cashflow	366.6	351.7

Changes in long-term provisions mainly include the changes in provisions for operating risks, accrued pension costs and non-cash expenses resulting from share participation and option plans charged or credited to net income. The position changes in other long-term assets and liabilities mainly includes the changes in prepaid pension assets and deferred financing fees, charged or credited to net income.

Free cashflow is calculated as follows:

	2005	2004
	MCHF	MCHF
Net cashflow	366.6	351.7
Purchase of property, plant & equipment and intangible assets, net	(73.2)	(78.6)
Changes in net working capital	1.9	8.4
Payments charged to long-term provisions	(5.1)	(8.1)
Free cashflow	290.2	273.4

As per Group definition, the term “Free cashflow” does not include disinvestments or acquisitions of subsidiaries nor the purchase or sale of treasury shares and dividend payments.

Changes in net working capital comprise the changes in the aggregate of trade accounts receivable, inventories and other accounts receivable and prepaid expenses, less the aggregate of trade accounts payable and other current provisions and liabilities, charged or credited to net income.

Payments charged to long-term provisions mainly include pensions.

“Net cashflow” and “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 debt, to finance acquisitions, to buy back shares and to pay dividends.

26. Segment information

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

The segment “Other major European markets” includes Austria, the United Kingdom, the Netherlands, Belgium and France. All other European markets are summarized in the “Other European markets”. The segment “Other markets” includes principally North America, Africa and the Far East. The segment “Corporate Functions” consists in particular of Geberit AG, Geberit Holding AG and Geberit International AG as the central holding and management companies, and the research and development company Geberit Technik AG.

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

The Group considers the operating profit to be the segment result. Group companies principally account for inter-segment sales using the “market-minus” method. Due to the existing transfer price concept most of the profits are generated in Germany and Switzerland where the most important production plants are located.

Balance sheet information of the corporate functions includes unallocated assets and liabilities of the Group which consist of cash and cash equivalents, goodwill and other intangible assets from the 1997 leveraged buyout, income tax assets and liabilities and financial assets and liabilities. Intercompany transactions have been eliminated in the column “Eliminations”.

Balance sheet information is as follows:

	Switzerland	Germany	Italy	Other major European markets	Other European markets	Other markets	Corporate functions	Eliminations	Total
2005	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Segment assets	277.8	776.0	96.8	283.3	154.5	124.4	1,150.9	(917.1)	1,946.6
Segment liabilities	61.2	254.3	36.1	79.3	35.7	31.5	1,407.6	(917.1)	988.6
Capital expenditure	23.6	23.3	4.4	3.0	12.7	10.5	2.0		79.5
Depreciation expense	19.5	30.5	3.3	12.4	3.7	4.9	1.5		75.8
2004									
Segment assets	281.9	767.6	105.2	277.8	176.2	106.2	1,169.0	(946.8)	1,937.1
Segment liabilities	56.3	228.8	36.8	80.4	31.5	26.6	1,606.7	(946.8)	1,120.3
Capital expenditure	28.6	27.7	1.4	4.5	15.1	8.2	2.3		87.8
Depreciation expense	20.7	32.9	3.9	14.4	6.4	4.5	1.7		84.5

Income statement information is as follows:

	Continuing operations							Total	Discon- tinued opera- tions	Total
	Switzer- land	Germany	Italy	Other major European markets	Other European markets	Other markets	Cor- porate functions			
2005	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Intersegment sales	223.0	449.4	20.0	83.5	12.5	5.5				
External sales	227.2	634.4	256.3	423.3	219.8	161.9		1,922.9		1,922.9
Segment result ¹⁾	92.1	168.6	21.4	44.9	4.0	(4.6)	40.5	366.9	2.5	369.4
Finance costs, net								(17.2)		(17.2)
Income tax expenses								89.7		89.7
Net income								260.0	2.5	262.5
2004										
Intersegment sales	211.2	354.8	14.6	69.2	18.0	1.8				
External sales	210.2	644.6	249.5	348.2	225.3	162.7		1,840.5	66.3	1,906.8
Segment result	91.7	159.3	17.9	30.0	9.3	(0.6)	(9.4)	298.2	7.3	305.5
Finance costs, net								(29.2)	(0.8)	(30.0)
Income tax expenses								79.3	1.8	81.1
Net income								189.7	4.7	194.4

¹⁾In 2005 impairment adjustments in the amount of MCHF 3.3 were made and allocated to "Other markets". The adjustments are based on an impairment test that was made in connection with the optimization of the product range in the USA (see Notes 7 and 9).

27. Related party transactions

In 2005 and 2004, total compensations paid to the Group Executive Board and to the Board of Directors were as follows:

	2005	2004
	MCHF	MCHF
Salary and bonus	4.8	8.5
Share-based payments (granted options: 2,734 in 2005 and 8,654 in 2004)	0.5	1.1
Total	5.3	9.6

In 2005 and 2004 there were no further material related party transactions.

28. Foreign exchange rates

The following exchange rates were used for the consolidated financial statements for the years 2005 and 2004:

Currency			2005		2004	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.5568	1.5483	1.5433	1.5449
United Kingdom	GBP	1	2.2645	2.2623	2.1752	2.2771
USA	USD	1	1.3098	1.2432	1.1325	1.2439
Poland	PLN	100	40.3670	38.5370	37.8130	33.8780
Slovenia	SIT	100	0.6500	0.6470	0.6290	0.6430
China	CNY	100	16.2320	15.2740	13.6830	15.0170
Denmark	DKK	100	20.8680	20.7690	20.7530	20.7420

29. Subsequent events

These financial statements have been approved by the Board of Directors on 28 February 2006.

On 19 January 2006, the Group's Board of Directors announced to implement a share buyback program in 2006. Shares in an aggregate amount of up to MCHF 200.0 are to be repurchased via a separate trading line, deducting the withholding tax. As of today no decision has been made with respect to the use of such repurchased shares. Possible options are a capital reduction, acquisitions or a resale.

30. Group companies as of 31 December 2005

Switzerland	Ownership in %	Activity
Geberit AG, Jona		○
Geberit Holding AG, Jona	100	○
Geberit International AG, Jona	100	○
Geberit International Sales AG, Rapperswil	100	△
Geberit Technik AG, Jona	100	○
Geberit Verwaltungs AG, Jona	100	○
Geberit Vertriebs AG, Jona	100	△
Geberit Marketing e Distribuzione SA, Jona	100	△
Geberit Produktions AG, Jona	100	□
Geberit Balena AG, Bütschwil	100	△
Büchler Werkzeugbau AG, Flawil	100	□
Geberit Fabrication SA, Givisiez	100	□
Australia		
Geberit Pty Ltd., North Ryde NSW	100	△
Austria		
Geberit Vertriebs GmbH & Co. KG,		
Pottenbrunn	100	△
Geberit Produktions GmbH & Co. KG,		
Pottenbrunn	100	□
Geberit Beteiligungsverwaltung GmbH,		
Pottenbrunn	100	○
Geberit Huter GmbH, Matrei	100	□
Sanplast Handels GmbH, Villach	100	△
Belgium		
Geberit N.V., Machelen	100	△
Channel Islands		
Geberit Finance Ltd., Jersey	100	○
Geberit Reinsurance Ltd., Guernsey	100	○
China		
Geberit Flushing Technology Co. Ltd.,		
Daishan	100	□/△
Geberit Plumbing Technology Co. Ltd.,		
Shanghai	100	□/△
Czech Republic		
Geberit spol. s.r.o., Brno	100	△
Denmark		
Geberit A/S, Lystrup	100	△
Finland		
Geberit OY, Espoo	100	△
France		
Geberit S.à.r.l., Antony	100	△
Germany		
Geberit Beteiligungs GmbH & Co. KG,		
Pfullendorf	100	○
Geberit Deutschland GmbH, Pfullendorf	100	○
Geberit Management GmbH, Pfullendorf	100	○
Geberit Vertriebs GmbH, Pfullendorf	100	△

Germany	Ownership in %	Activity
Geberit Produktions GmbH, Pfullendorf	100	□
Geberit Mapress GmbH, Langenfeld	100	□
Geberit Mapress Technik GmbH, Langenfeld	100	○
Geberit RLS Beteiligungs GmbH, Pfullendorf	100	○
Geberit Lichtenstein GmbH, Lichtenstein	100	□
Sanbloc GmbH, Weilheim	100	□
Hungary		
Geberit Kft, Budapest	100	△
Italy		
Geberit Produzione S.p.A., Villadose	100	□
Mexico		
Geberit S.A. de C.V., Mexico City	100	△
Geberit Servicio S.R.L., Mexico City	100	○
Netherlands		
Geberit Holding B.V., Nieuwegein	100	○
Geberit B.V., Nieuwegein	100	△
Geberit Invest B.V., Nieuwegein	100	○
Geberit Management B.V., Nieuwegein	100	○
Geberit International B.V., Nieuwegein	100	○
Norway		
Geberit AS, Lysaker	100	△
Poland		
Geberit Sp.z.o.o., Warsaw	100	△
Portugal		
Geberit Tecnologia Sanitária S.A., Lissabon	100	△
Singapore		
Geberit South East Asia Pte. Ltd., Singapore	100	△
Slovakia		
Geberit Slovensko s.r.o., Bratislava	100	△
Slovenia		
Geberit Sanitarna tehnika d.o.o., Ruse	100	□/△
Spain		
Geberit S.A., Barcelona	100	△
Sweden		
Geberit AB, Malmö	100	△
Turkey		
Geberit Tesizat Sistemleri Ticaret Ltd.,		
Istanbul	100	△
United Kingdom		
Geberit Ltd., Aylesford	100	□/△
Geberit UK Ltd., Aylesford	100	○
USA		
Duffin Manufacturing Co., Elyria	100	□/△
The Chicago Faucet Company, Des Plaines	100	□/△

○ Services, holding functions

△ Distribution

□ Production

Report of the Group Auditors



To the general meeting of Geberit AG, Jona

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of shareholders' equity, statement of cashflows and notes, pages 52 to 87) of the Geberit Group for the year ended 31 December 2005.

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 Swiss Auditing Standards and with the International Standards on Auditing, 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 cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'Daniel Ketterer'.

Daniel Ketterer

A handwritten signature in black ink, appearing to read 'Gilles Thiéry'.

Gilles Thiéry

Zurich, Switzerland, 28 February 2006