

FINANCIAL REPORT

GEBERIT AG

2019

BALANCE SHEETS

	31.12.2019	31.12.2018
	MCHF	MCHF
Assets		
Current assets		
Cash	10.0	5.6
Other current receivable		
- Third parties	5.7	4.5
- Group companies	70.4	2.4
Prepaid expenses	0.9	0.6
Total current assets	87.0	13.1
Non-current assets		
Loan to group companies	400.0	300.0
Investments	996.9	996.9
Total non-current assets	1,396.9	1,296.9
Total assets	1,483.9	1,310.0
Liabilities		
Current liabilities		
- Third parties	2.4	7.1
- Bonds	0.0	150.0
- Group companies	3.9	35.7
Total current liabilities	6.3	192.8
Long term interest-bearing liabilities		
Bonds	400.0	150.0
Total long term interest-bearing liabilities	400.0	150.0
Shareholders' equity		
Capital stock	3.7	3.7
Legal capital reserves		
- General reserves, share premium	0.8	0.8
- Reserves from capital contributions	25.7	25.7
Legal reserves from retained earnings		
- Reserves for treasury shares held by group companies	110.1	133.2
Free reserves from retained earnings		
- Free reserves	700.6	597.6
- Retained earnings	560.0	482.7
Treasury shares		
- against free reserves	-323.3	-276.5
Total shareholders' equity	1,077.6	967.2
Total liabilities and shareholders' equity	1,483.9	1,310.0

INCOME STATEMENTS

	2019	2018
	MCHF	MCHF
Income		
Dividends from Group companies	551.7	482.3
Other financial income	3.2	2.8
Other operating income	0.5	0.5
Total income	555.4	485.6
Expenses		
Administrative expenses	3.9	3.9
Financial expenses	1.7	1.7
Direct tax expenses	0.0	-0.1
Total expenses	5.6	5.5
Net income	549.8	480.1

NOTES TO THE FINANCIAL STATEMENTS

1. STANDARDS

1.1 GENERAL

The financial statements were prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. The significant valuation principles, which are not statutory, are described below.

1.2 TREASURY SHARES

The treasury shares are recorded at cost and are shown as a minus position in equity. For the shares of Geberit AG, held by the subsidiary Geberit Holding AG reserves for own shares are recorded in the equity of Geberit AG.

1.3 INTEREST-BEARING LIABILITIES

The interest-bearing liabilities are stated at their nominal value. Costs incurred in the context of the placement of bonds are capitalized in the prepaid expenses and amortized linearly over the term of the bond.

1.4 DERIVATIVES

Derivative instruments used for hedging purposes are valued together with the underlying transaction. Positive or negative fair market values will not be recognized during the lifetime of the contract but at settlement date.

1.5 WAIVER OF CASH FLOW STATEMENT AND ADDITIONAL INFORMATION IN THE NOTES

As the Geberit group prepares a consolidated financial statement in accordance with a recognized standard for financial reporting (IFRS), Geberit AG waived in present financial statements, in accordance with the statutory provisions, to present separate notes to interest-bearing liabilities and auditing fees and the presentation of a cash flow statement.

2. OTHER STATUTORY DISCLOSURES

2.1 GUARANTEES, ASSETS PLEDGED IN FAVOR OF THIRD PARTIES

	31.12.2019	31.12.2018
	MCHF	MCHF
Guarantee notes, MEUR 325 (PY: MEUR 325), 0.688%, due 30.03.2021	352.5	365.8
Guarantee Revolving Facility, due 06.11.2022	500.0	500.0
Guarantee GRI Pensions	0.1	0.1

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

2.2 SIGNIFICANT INVESTMENTS

	2019	2019	2018	2018
	Ownership in %	Capital stock	Ownership in %	Capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39 350	100	TCHF 39 350
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2	100	TEUR 2

The investments are stated separately at the respective acquisition costs, less any adjustments required. The indirect investments are shown in the Notes to the Consolidated Financial Statements in the → **Note 33**.

2.3 SHARE CAPITAL

The share capital of Geberit AG consists of 37,041,427 ordinary shares with a par value of CHF 0.10 each.

	2019	2018
	pcs.	pcs.
Number of shares issued		
January 1	37,041,427	37,041,427
December 31	37,041,427	37,041,427

2.4 CAPITAL CONTRIBUTION RESERVES

From the total of MCHF 25.7 shown as at 31.12.2019 only the amount of MCHF 4.2 was confirmed by the Swiss tax authorities and is therefore available for withholding tax free distribution. For the difference of MCHF 21.5 the application was rejected. The Board of Directors therefore proposes the General Meeting to reclassify MCHF 21.5 from legal reserves to free reserves (see → 3. Profit distribution).

2.5 TREASURY SHARES

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

	Number of registered shares	Prices per share		
		High in CHF	Average in CHF	Low in CHF
Balance at December 31, 2018	999,182			
Purchases share buyback program 2017 - 2020	113,750	463.00	414.53	361.39
Other Purchases	51,507	459.24	420.95	385.00
Sales	-130,316	550.00	453.37	384.10
Balance at December 31, 2019	1,034,123			
Number of treasury shares held by Geberit AG	764,551			

The Board of Directors of Geberit AG decided in March 2017 to initiate a share buyback program. Over a maximum period of three years, shares for a total amount of maximum CHF 450 million will be repurchased, less withholding tax. As at December 31, 2019, in total 764'551 shares for a total amount of MCHF 323.3 were repurchased under the program.

The legal reserves for treasury shares were recorded at cost.

2.6 BONDS

Geberit has the following bonds outstanding:

- a bond of MCHF 150 with a term of eight years and a coupon of 0.3%, due 17.04.2023
- a bond of MCHF 125 with a term of five and a half years and a coupon of 0.1%, due 17.10.2024
- a bond of MCHF 125 with a term of nine and a half years and a coupon of 0.6%, due 17.10.2028

2.7 SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE GROUP EXECUTIVE BOARD

As of the end of 2019 and 2018, members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	F. Ehrat	B. Koch	E. Zehnder-Lai	Total
2019						
Shareholdings Board of Directors						
Shares	71,415	9,030	3,348	10	877	84,680
Call-Options	41,864	0	0	0	0	41,864
Share of voting rights	0.19%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.23%

	A. Baehny Chairman	H. Reuter Vice Chairman	F. Ehrat	T. Hübner	J. Tang-Jensen	E. Zehnder-Lai	Total
2018							
Shareholdings Board of Directors							
Shares	70,778	9,023	2,798	1,343	2,920	363	87,225
Call-Options	41,864	0	0	0	0	0	41,864
Share of voting rights	0.19%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.24%

As of December 31, 2019, there were no outstanding loans or credits between the company and members of the Board of Directors

As of the end of 2019 and 2018, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Bau-müller	E. Renfordt-Sasse	K. Spach-mann	R. van Triest	M. Ziegler	Total
2019										
Shareholdings Group Executive Board										
Shares			12,772	28,316	3,408	646	12,000	400	2,908	60,450
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%
Call options¹										
End of vesting period:										
Lapsed	2021-2026	382.28	8,041	695	3,228	10,240	119	1,431	2,316	26,070
2020	2023-2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024-2028	409.16	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025-2028	424.97	47,421	22,641	11,294	10,714	19,765	14,498	11,377	137,710
2023	2028	419.48	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			95,629	44,956	21,494	31,373	39,330	29,245	18,858	280,885
Percentage potential share of voting rights options			0.26%	0.12%	< 0.1%	< 0.1%	0.11%	< 0.1%	< 0.1%	0.76%

¹ Purchase ratio 1 share for 1/1.5 options. The unvested options are subject to a performance-based vesting condition.

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Bau-müller	E. Renfordt-Sasse	K. Spach-mann	R. van Triest	M. Ziegler	Total
2018										
Shareholdings Group Executive Board										
Shares			7,404	31,564	3,078	1,546	12,500	300	2,416	58,808
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%
Call options¹										
End of vesting period:										
Lapsed	2020-2024	332.00	13,219	8,836	3,706	6,166	807	60	2,857	35,651
2019	2022-2026	394.76	11,600	7,665	754	4,074	6,766	2,621	980	34,460
2020	2023-2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024-2028	409.97	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025-2028	434.08	13,439	6,623	3,088	3,098	6,056	4,067	2,071	38,442
2023	2028	432.20	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			78,425	44,744	14,520	23,757	33,075	20,064	11,073	225,658
Percentage potential share of voting rights options			0.21%	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.61%

¹ Purchase ratio 1 share for 1 option. The unvested options are subject to a performance-based vesting condition.

As of December 31, 2019, there were no outstanding loans or credits between the company and members of the Group Executive Board

2.8 SIGNIFICANT SHAREHOLDERS

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

	31.12.2019	31.12.2018
Black Rock, New York (notification dated: 09.08.2019)	5.21%	4.98%
Marathon Asset Management, London (notification dated: 02.02.2019)	< 3.00%	3.02%

2.9 EMPLOYEES

In Geberit AG no employees are employed.

3. PROFIT DISTRIBUTION

PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS

Proposal by the Board of Directors to the General Meeting:

A) CAPITAL CONTRIBUTION RESERVES

Reclassification of capital contribution reserve from the legal reserves to the free reserves:

CHF 21,501,404

B) APPROPRIATION OF AVAILABLE EARNINGS

	2019	2018
	CHF	CHF
Available earnings		
Net income	549,799,986	480,166,127
Balance brought forward	10,211,072	2,563,126
Total available earnings	560,011,058	482,729,253
Transfer to free reserves	150,000,000	80,000,000
Proposed/paid dividend	409,928,699	392,518,181
Balance to be carried forward	82,359	10,211,072
Total appropriation of available earnings	560,011,058	482,729,253

DIVIDEND PAYMENTS

The Board of Directors proposes a dividend of CHF 11.30 per share (PY: CHF 10.80). The dividend payment is subject to withholding tax.

The number of shares with dividend rights will change if the number of shares held by Geberit AG changes. The Board of Directors may therefore adapt the total amount of the proposed dividend to the number of shares with dividend rights at the General Meeting.

REPORT OF THE STATUTORY AUDITOR



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Report of the statutory auditor
to the general meeting of Geberit AG
Rapperswil-Jona

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Geberit AG, which comprise the → **balance sheet** as at 31 December 2019, → **income statement** and → **notes to the financial statements** for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

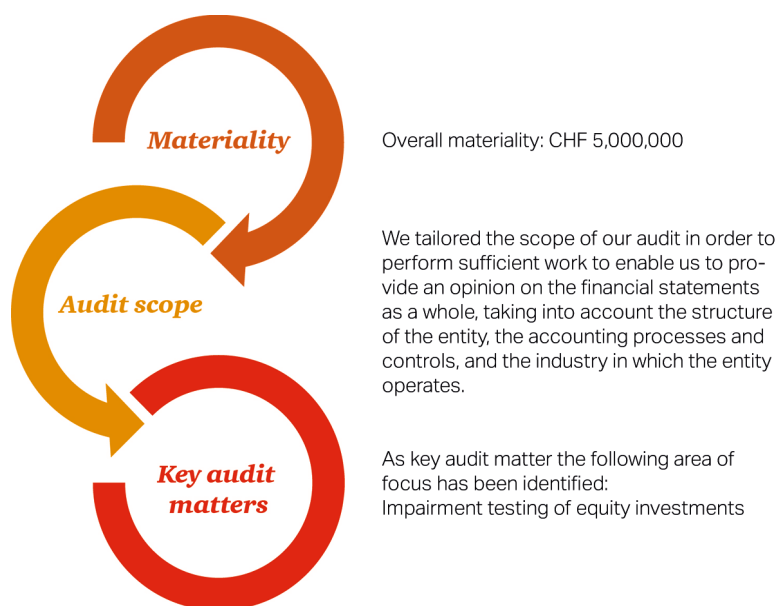
BASIS FOR OPINION

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

Overview



MATERIALITY

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 5,000,000
How we determined it	0.38 % of profit before tax
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it represents a relevant and generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

AUDIT SCOPE

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT TESTING OF EQUITY INVESTMENTS

Key audit matter	How our audit addressed the key audit matter
<p>Impairment testing of equity investments was deemed a key audit matter for the following two reasons:</p> <p>Equity investments in Geberit Holding AG and Geberit Reinsurance Ltd. in the amount of CHF 996.9 million represent the largest asset category on the balance sheet (76.1% of total assets). If this investment had to be written down, it would have a significant impact on the equity capital of the Company.</p> <p>Testing for impairment depends on the future results of the companies concerned. In addition, there is significant scope for judgement in determining the assumptions underlying forecast results.</p> <p>Please refer to the notes to the financial statements and, specifically, the recognition, valuation and disclosure methods in → note 2.2 'Significant investments'.</p>	<p>We tested the equity investments as at 31 December 2018 for impairment. Management has performed impairment tests on the investments in Geberit Holding AG and Geberit Reinsurance Ltd.</p> <p>We performed the following:</p> <ul style="list-style-type: none"> - compared the actual results of each company with its budget in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows; - checked for plausibility the outlook based on the multi-year plan approved by the Board of Directors and discussed the outlook with Management; <p>On the basis of the audit procedures performed, we addressed the risk of the impairment of the equity investments. We have no findings to report.</p>

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG



Beat Inauen
Audit expert
Auditor in charge



Martin Knöpfel
Audit expert

Zurich, 9 March 2020